



## ANALYSIS OF ACTIVELY MANAGED UNIT TRUSTS VERSUS BENCHMARKS

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The attached paper by [Daniel Wessels of Index Investor](#) shows that most equity based (general, growth and value funds) unit trusts are still struggling to beat their benchmarks.

Using SWIX Top 40 as the benchmark, only some 20% on average of actively managed funds manage to outperform their target rate. With the All Share Index as the benchmark, which offers an easier hurdle to beat, as it utilises 160 companies, rather than just the Top40, the actively managed funds managed to do better, but still the majority of funds failed to achieve the benchmark performance over time.

The performance survey table is included below.

Outperformance Survey					
Equity Funds	1-Year	3-Year	5-Year	7-Year	10-Year
Number of funds	96	82	64	51	40
Best performing fund	25,9%	10,2%	19,1%	26,6%	28,4%
Worst performing fund	5,8%	(12,4%)	7,5%	15,2%	11,6%
Top quartile	19,4%	3,9%	14,8%	22,8%	20,5%
Median	17,3%	1,9%	12,9%	21,2%	17,0%
Bottom quartile	15,0%	0,2%	11,5%	19,3%	14,9%
Average	17,0%	1,8%	13,1%	21,2%	17,7%
Benchmark: ALSI	21,1%	2,3%	14,9%	22,0%	17,2%
<b>Outperformance ALSI</b>	<b>15%</b>	<b>46%</b>	<b>25%</b>	<b>35%</b>	<b>45%</b>
Benchmark: SWIX	21,8%	4,3%	15,2%	23,1%	
<b>Outperformance: SWIX</b>	<b>9%</b>	<b>22%</b>	<b>19%</b>	<b>20%</b>	
1) <i>Equity funds categorised under General, Growth and Value</i> 2) <i>Annualised returns.</i> Source: <i>DRW Investment Research (Quarter Ended September 2010).</i>					

The Survey only looks at actively managed unit trusts, but if we include index tracking ETFs (passively managed investments), it is of interest that some ETFs came out on top of the 1-5 year performance surveys. In the 3 year survey, the Satrix DIVI would have come first, amongst all actively managed funds, with the Satrix INDI 25 third. In the 5 year survey, the Satrix INDI would have come in the top 5.

<b>Top Performing Equity Funds</b> <b>(% total return per annum)</b>			
	<b>3-Year</b>		<b>5-Year</b>
<b>Satrix DIVI</b>	<b>12,56</b>	Absa Select Equity	19,05
Marriot Dividend Growth	10,15	Nedgroup Inv Value	18,49
<b>Satrix INDI 25</b>	<b>9,34</b>	Kagiso Alpha Equity	18,27
Absa Select Equity	9,21	Prudential Dividend	17,45
<b>Proptrax</b>	<b>9,08</b>	<b>Satrix INDI 25</b>	<b>17,37</b>
<i>Sources: DRW Investment Research (Quarter Ended September 2010). PlexCrown/etfSA Performance Survey. (for period ended September 2010).</i>			

The Survey by Daniel Wessels effectively highlights the following:

- Most actively managed funds fail to match a benchmark over time, a benchmark that could be easily accessed by investors through passively managed ETFs.
- The performance surveys do not take all costs into account – brokerage charges, distribution costs, commissions to intermediaries, are excluded for instance, which makes low cost ETFs even more attractive.
- Certain ETFs are coming out on top of the performance surveys which is surprising because an index tracking Beta product (such as an ETF) would be expected to perform in the middle of the pack, not at the head of the pack.

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