

Dibanisa Fund Managers

The impact of resources on index and fund performance in South Africa

- ✦ The resources sector has significantly lagged the financial and industrial sector during 2012. Resources underperformed financials and industrials by between 16.6% and 20.9% year-to-date.
- ✦ Indices and portfolios that were underweight resources hugely benefited from the recent negative returns delivered by the resources sector. The FTSE/JSE Shareholder Weighted Top 40 Index (SWIX 40) outperformed the FTSE/JSE Top 40 over all periods to the end of April due to its lower resources exposure. The FTSE/JSE Dividend Plus Index was the best performing index due to large, mid-cap and resources exposure as low as 3%.
- ✦ Currently, the resources sector looks undervalued, especially against industrial stocks.
- ✦ Investors looking for more resources exposure can invest in the Old Mutual RAFI 40 and Old Mutual Top 40 index tracking unit trusts.

Blending Market Capitalisation and Fundamental Indexation

- ✦ During periods where certain sectors lagged and others ran ahead, investors can look to reduce their risk by blending indices.
- ✦ Once such a solution is an 80:20 blend of a FTSE/JSE RAFI 40 and FTSE/JSE Top 40 Index, which we compared to the FTSE/JSE SWIX 40 Index. Since December 2005, the blended solution outperformed 79% of the time and achieved lower volatility 51% of the time over rolling three-year periods. The average three-year active return was 0.8%, with an average information ratio of 0.23.
- ✦ By investing in a blend of the Old Mutual RAFI 40 and Old Mutual Top 40 index tracking unit trusts, one can increase exposure to resources and obtain consistent outperformance at a low cost.
- ✦ Dibanisa can manage a tracker solution to any blend of indices on a segregated basis.

“Cost-effective, alternatively weighted tracker solutions can add significant value to a fund’s overall portfolio construction.”

Craig Chambers | MD

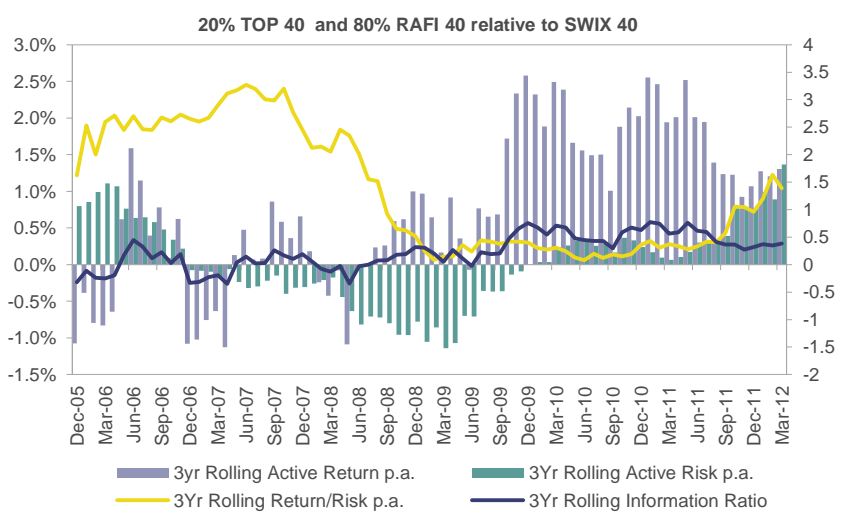


Index Characteristics as at 30 April 2012

INDEX	CHARACTERISTICS			PERFORMANCE		
	Resources Weight 31.03.12	Dividend Yield	Price / Earnings	YTD	3 Yrs	5 Yrs
FTSE/JSE: Resources	100.0%	2.8%	9.0	-0.9%	12.7%	2.6%
FTSE/JSE: Top 40	38.9%	2.9%	12.6	8.2%	21.0%	6.6%
FTSE/JSE: RAFI 40	32.8%	3.1%	13.1	9.2%	23.0%	8.6%
FTSE/JSE: Equally Weighted 40	29.2%	3.1%	14.0	11.2%	24.3%	8.2%
FTSE/JSE: SWIX 40	27.9%	3.2%	13.2	9.5%	21.7%	7.0%
FTSE/JSE: Dividend Plus	2.9%	4.7%	11.3	14.2%	28.0%	12.2%
FTSE/JSE: Financials	0.0%	4.1%	13.3	15.7%	23.8%	4.3%
FTSE/JSE: Industrials	0.0%	2.8%	16.4	20.0%	22.6%	5.7%

Source: I-Net

Blended Tracker Solution as at 30 April 2012



Source: I-Net
 *Active Risk in not Tracking Errors, but the difference in Standard Deviations
 RH Axis is for Information Ratio and Return/Risk

