

**Morningstar Research**

Q2 2016

# Morningstar Rating Analysis of South African Domiciled Asset Managers

30 June 2016

**Authors:**

Matthew Mellors

Matthew Vass



## Content

Morningstar Rating Analysis of South African Asset Managers	3
Top Asset Managers in South Africa; Sorted by Equally-Weighted Rating	5
Top Asset Managers in South Africa; Sorted by Asset-Weighted Rating	7
Methodology	8
About Morningstar	9



©2016 Morningstar. All rights reserved. The information, data, analyses, and opinions contained herein (1) are proprietary to Morningstar, Inc. and its affiliates (collectively, "Morningstar"), (2) may not be copied or redistributed, (3) do not constitute investment advice offered by Morningstar (4) are provided solely for informational purposes and therefore are not an offer to buy or sell a security, and (5) are not warranted to be accurate, complete, or timely. Certain information may be self-reported by the investment vehicle and not subject to independent verification. Morningstar shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, this information, data, analyses or opinions or their use. Past performance is no guarantee of future results.

## Morningstar Rating Analysis of South African Asset Managers

The Morningstar South African Rating Analysis of unit trusts is designed to compare managed fund ranges across South African asset managers by aggregating their Morningstar Ratings. The research format is calculated on a quarterly basis. It provides a quantitative assessment of the risk-adjusted return of all South African domiciled unit trusts carrying a Morningstar Rating.

The Morningstar Rating for funds, often called the “Star Rating”, debuted in 1985 and was quickly embraced by investors. The Morningstar Rating is a quantitative assessment of a fund’s past performance and is measured from a minimum of one to a maximum of five stars. The methodology rates funds based on an enhanced Morningstar Risk-Adjusted Return measure that takes both return and risk into account.

The Morningstar South African Rating Analysis aggregates the rankings of providers by brand name and thus provides a useful insight into the strengths and weaknesses of a firm’s fund range. It is, however, not designed as a forward-looking tool and does not indicate the future positioning of asset managers. This follows the line that the Morningstar Rating is intended for use as the first step in the fund evaluation process.

The Morningstar South African Rating Analysis is a quantitative calculation. It delivers an Overall-Weighted and an Asset-Weighted ranking of asset managers and their rated range of South African domiciled funds. The rankings also show the percentage of 4 and 5 Star rated funds across all rated funds for an asset manager.

The rankings by Overall-Weighted and Asset-Weighted Ratings both have their merits. The ranking by Overall-Weighted Morningstar Rating mirrors the average quality of the overall fund range given that all funds are weighted equally. The Asset-Weighted ranking gives an assessment of an asset manager’s weakness and strength, in light of how investors allocated assets between available investment options within the fund range.

The Morningstar Rating Analysis of Unit Trusts includes all South African retail domiciled funds with a Morningstar Rating. This implies that funds belonging to several broad categories are excluded since they are not eligible for a Morningstar Rating. This includes, amongst others, alternative funds, money market funds and commodity funds.

Link to: [Morningstar Rating Methodology](#)



©2016 Morningstar. All rights reserved. The information, data, analyses, and opinions contained herein (1) are proprietary to Morningstar, Inc. and its affiliates (collectively, "Morningstar"), (2) may not be copied or redistributed, (3) do not constitute investment advice offered by Morningstar (4) are provided solely for informational purposes and therefore are not an offer to buy or sell a security, and (5) are not warranted to be accurate, complete, or timely. Certain information may be self-reported by the investment vehicle and not subject to independent verification. Morningstar shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, this information, data, analyses or opinions or their use. Past performance is no guarantee of future results.

The Morningstar South African Rating Analysis includes 2 tables updated quarterly.

**Table 1** shows the top asset managers in South Africa, ranked by **Equal-Weighted Rating**. Assets include rated South African domiciled **Unit Trusts**. The column Equal-Weighted Rating shows the simple arithmetic mean of the overall Morningstar Rating.

**Table 2** shows the top asset managers in South Africa, ranked by **Asset-Weighted Rating**. Assets include rated South African domiciled **Unit Trusts**. The columns showing the Asset-Weighted Rating represent the asset-weighted Morningstar Rating average by the broad categories of equity, fixed income and allocation.

For **both tables** the column at the far right shows the percentage of assets sitting in 4 and 5 Star rated funds as a percentage of total rated assets.

For further information about this report or Morningstar in general, please contact:

- Matthew Mellors  
matthew.mellors@morningstar.com
- Matthew Vass  
matthew.vass@morningstar.com



©2016 Morningstar. All rights reserved. The information, data, analyses, and opinions contained herein (1) are proprietary to Morningstar, Inc. and its affiliates (collectively, "Morningstar"), (2) may not be copied or redistributed, (3) do not constitute investment advice offered by Morningstar (4) are provided solely for informational purposes and therefore are not an offer to buy or sell a security, and (5) are not warranted to be accurate, complete, or timely. Certain information may be self-reported by the investment vehicle and not subject to independent verification. Morningstar shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, this information, data, analyses or opinions or their use. Past performance is no guarantee of future results.

**Table 1**

Top Asset Managers (minimum ZAR 5 Billion) in South Africa  
Sorted by Equal-Weighted Rating

Rank	Asset Manager	Rated Assets Bn ZAR	Equal Weighted Rating	Asset Weighted Rating	Equity	Fixed Income	Allocation	% Assets 4 & 5 star
1	Foord Unit Trusts	77.2	4.75	4.92	5.00	-	4.91	100%
2	Allan Gray Unit Trust Mgmt	226.7	4.67	4.82	4.28	4.00	5.00	100%
3	Truffle Asset Management	8.5	4.67	4.41	5.00	-	4.31	100%
4	Nedgroup Collective Investments	110.7	3.67	3.71	3.87	3.05	3.89	79%
5	Ashburton Management Company	7.2	3.56	3.57	3.47	3.87	3.22	39%
6	Prudential Portfolio Managers	77.6	3.55	4.21	3.78	2.31	4.73	82%
7	Coronation Management Co	224.9	3.42	3.90	3.27	4.81	3.92	79%
8	Investec Fund Mgrs SA	113.8	3.42	4.27	4.08	2.80	4.68	79%
9	First Global Group	5.7	3.40	3.58	3.00	3.00	3.66	58%
10	Sygnia Collective Investments	10.4	3.33	3.97	3.82	-	4.00	97%
11	PSG Collective Investments	57.7	3.32	3.70	3.33	3.42	3.81	68%
12	Prescient Management Co	29.5	3.31	3.51	3.00	4.42	2.22	42%
13	STANLIB	122.4	3.02	3.24	2.90	3.43	3.44	39%
14	Discovery Life Collective Inv	26.4	3.00	3.58	2.42	3.00	3.95	67%
15	Oasis Crescent Management Co	5.2	3.00	2.74	2.77	4.00	2.10	31%
16	Personal Trust Intl Mgmt Co	6.2	3.00	3.96	1.00	2.00	4.37	69%
17	Old Mutual Unit Trust Mgrs	107.7	2.97	3.30	3.73	2.74	3.00	30%
18	Investment Solutions UTs Ltd	18.0	2.92	2.92	3.01	2.51	3.18	9%
19	Momentum Collective Investments	30.9	2.83	3.13	2.96	3.63	2.81	33%
20	PPS Management Company (Pty) Ltd	12.2	2.71	2.66	2.00	2.40	3.00	0%
21	ABSA Fund Managers	34.3	2.67	2.92	3.61	3.41	2.73	9%
22	Sanlam Collective Investments	82.1	2.64	3.01	2.97	2.65	3.21	35%
23	Marriott Unit Trust Mgmt Co	14.7	2.58	2.84	3.54	1.05	2.82	60%

**Table 1:** shows the top asset managers in South Africa, ranked by **Equal-Weighted Rating**. Assets include rated South African domiciled unit trusts. The column Equal-Weighted Rating shows the simple arithmetic mean of the overall Morningstar Rating. The column at the far right shows the percentage of assets sitting in 4 and 5 Star rated funds as a percentage of total rated assets.

**Table 2**

Top Asset Managers (minimum ZAR 5 Billion) in South Africa  
Sorted by Asset-Weighted Rating

Rank	Asset Manager	Rated Assets Bn ZAR	Equal Weighted Rating	Asset Weighted Rating	Equity	Fixed Income	Allocation	% Assets 4 & 5 star
1	Foord Unit Trusts	77.2	4.75	4.92	5.00	-	4.91	100%
2	Allan Gray Unit Trust Mgmt	226.7	4.67	4.82	4.28	4.00	5.00	100%
3	Truffle Asset Management	8.5	4.67	4.41	5.00	-	4.31	100%
4	Investec Fund Mgrs SA	113.8	3.42	4.27	4.08	2.80	4.68	79%
5	Prudential Portfolio Managers	77.6	3.55	4.21	3.78	2.31	4.73	82%
6	Sygnia Collective Investments	10.4	3.33	3.97	3.82	-	4.00	97%
7	Personal Trust Intl Mgmt Co	6.2	3.00	3.96	1.00	2.00	4.37	69%
8	Coronation Management Co	224.9	3.42	3.90	3.27	4.81	3.92	79%
9	Nedgroup Collective Investments	110.7	3.67	3.71	3.87	3.05	3.89	79%
10	PSG Collective Investments	57.7	3.32	3.70	3.33	3.42	3.81	68%
11	First Global Group	5.7	3.40	3.58	3.00	3.00	3.66	58%
12	Discovery Life Collective Inv	26.4	3.00	3.58	2.42	3.00	3.95	67%
13	Ashburton Management Company	7.2	3.56	3.57	3.47	3.87	3.22	39%
14	Prescient Management Co	29.5	3.31	3.51	3.00	4.42	2.22	42%
15	Old Mutual Unit Trust Mgrs	107.7	2.97	3.30	3.73	2.74	3.00	30%
16	STANLIB	122.4	3.02	3.24	2.90	3.43	3.44	39%
17	Momentum Collective Investments	30.9	2.83	3.13	2.96	3.63	2.81	33%
18	Sanlam Collective Investments	82.1	2.64	3.01	2.97	2.65	3.21	35%
19	ABSA Fund Managers	34.3	2.67	2.92	3.61	3.41	2.73	9%
20	Investment Solutions UTs Ltd	18.0	2.92	2.92	3.01	2.51	3.18	9%
21	Marriott Unit Trust Mgmt Co	14.7	2.58	2.84	3.54	1.05	2.82	60%
22	Oasis Crescent Management Co	5.2	3.00	2.74	2.77	4.00	2.10	31%
23	PPS Management Company (Pty) Ltd	12.2	2.71	2.66	2.00	2.40	3.00	0%

**Table 2** shows the top asset managers in South Africa, ranked by **Asset-Weighted Rating**. Assets include rated South African domiciled unit trusts. The columns showing the Asset-Weighted Rating represent the asset-weighted Morningstar Rating average by the broad categories of equity, fixed income and allocation. The column at the far right shows the percentage of assets sitting in 4 and 5 Star rated funds as a percentage of total rated assets.

## Methodology

The Morningstar Rating is a global comparison of funds with similar investment exposure taking into account funds' risk-adjusted return. Morningstar assigns ratings based on comparisons of all funds within a specific Morningstar Category. The Morningstar Category system for funds is designed to help investors make meaningful comparisons between Investment funds. Morningstar regularly reviews the category structure and the funds within each category to ensure that the system meets the needs of investors and keeps pace with market developments.

Criteria for inclusion:

- Asset Manager must have a minimum of three Morningstar Star Rated unit trusts available to retail investors.
- Asset Manager must have a minimum of R5 billion under management across all share classes in their South African domiciled Unit Trust range.



©2016 Morningstar. All rights reserved. The information, data, analyses, and opinions contained herein (1) are proprietary to Morningstar, Inc. and its affiliates (collectively, "Morningstar"), (2) may not be copied or redistributed, (3) do not constitute investment advice offered by Morningstar (4) are provided solely for informational purposes and therefore are not an offer to buy or sell a security, and (5) are not warranted to be accurate, complete, or timely. Certain information may be self-reported by the investment vehicle and not subject to independent verification. Morningstar shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, this information, data, analyses or opinions or their use. Past performance is no guarantee of future results.

## About Morningstar

Morningstar, Inc. is a leading provider of independent investment research in North America, Europe, Australia, and Asia. The company offers an extensive line of products and services for individual investors, financial advisors, asset managers, and retirement plan providers and sponsors.

Morningstar provides data on approximately 525,000 investment offerings, including stocks, mutual funds, and similar vehicles, along with real-time global market data on nearly 18 million equities, indexes, futures, options, commodities, and precious metals, in addition to foreign exchange and Treasury markets. Morningstar also offers investment management services through its investment advisory subsidiaries, with more than \$180 billion in assets under advisement and management as of March 31, 2016. The company has operations in 27 countries.

Morningstar's mission is to create great products that help investors reach their financial goals. We accomplish this by working directly with investors, as well as the advisors and institutions that serve them.

**Individuals** use Morningstar to make educated investment decisions. They access our independent investment information and analysis through publications, conferences, and online resources such as Morningstar.com® and our other investing websites around the world.

**Financial advisors** and other investment professionals turn to Morningstar for tools that help them research, analyse, and present their investment ideas. We support these professionals with software, services, events, and our advisor platforms: Morningstar Office<sup>SM</sup> and Morningstar® Advisor Workstation.

**Institutions** value our independence, breadth of information, and customized services. We help them meet business goals through our investment consulting and investment management services, as well as through offerings such as Morningstar® Data and our institutional investment analysis platform, Morningstar Direct.



©2016 Morningstar. All rights reserved. The information, data, analyses, and opinions contained herein (1) are proprietary to Morningstar, Inc. and its affiliates (collectively, "Morningstar"), (2) may not be copied or redistributed, (3) do not constitute investment advice offered by Morningstar (4) are provided solely for informational purposes and therefore are not an offer to buy or sell a security, and (5) are not warranted to be accurate, complete, or timely. Certain information may be self-reported by the investment vehicle and not subject to independent verification. Morningstar shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, this information, data, analyses or opinions or their use. Past performance is no guarantee of future results.