

The big spring clean

PARTLY BECAUSE OF the earlier long bull run on the JSE – perhaps more because asset gathering became a profitable reason to launch a new unit trust fund – the market in South Africa was flooded with products. One result was widespread confusion for clients. How do you try and choose a unit trust fund, or fund-of-funds, when there are more products floating around than shares listed on the JSE?

Meyer Coetzee, head of product development and portfolio management at SYm|mETRY, has specific views about that when it comes to the large number of funds offered by multi-managers. "We've seen huge product proliferation among multi-managers, driven primarily by retirement fund surveys. The results of those surveys are used as a marketing tool by agents." Coetzee lists some of the consequences: confusion among clients; an emphasis on short-term performance and forgetting that surveys normally just reflect performance at a point in time.

"So my philosophy is to move away from that. We need simplicity. Retirement fund members are going to have to accept lower returns in future: the reality is that people are likely to live longer." Coetzee says that will result in moving away from short termism, where all that's deemed important is the latest set of quarterly performance results and rankings. "I want a product that moves away from the other products in that mode. I don't want to be compared or ranked according to short-term surveys."

He offers private equity as an example, a fund that would include assets not listed on a stock or bond exchange. "Despite the J-curve you find in private equity investments (where returns for the first few years may be negative, followed by outperformance) such assets are good long-term investments, suitable for retirement fund portfolios," he says.

Here he has the advantage of being able to work with other Old Mutual Investment Group South Africa boutiques, such as Alternative Investments, that look at private equity. But while it might be a great asset for retirement fund diversification it isn't always

recognised by trustees looking at performance tables.

However, private equity is just an example of what can be done. Coetzee says his aim is to simplify the product range. And starting in his own back garden isn't a bad idea, because SYm|mETRY has a large collection of institutional and retail funds. Looking at retirement funds specifically, Coetzee says he wants to simplify the products into fewer categories.

"One will be geared for long-term growth for people saving for retirement; a fund geared for maximum growth. But investors will have to accept the fund will be volatile at times." This fund will essentially be SYm|mETRY's core Aggressive Fund, one with a long-term target of CPI +8% (before asset management fees).

"We also want a fund aimed at long-term growth, but for retirement fund members who are more aware of what their peers are doing: for example, those with member choice. We want to move away from what the other guys are doing. This will be a generalist balanced fund." SYm|mETRY's Balanced Fund currently aims at a long-term return of

CPI +7% (before asset management fees) but run on a specialist basis.

Coetzee also wants a fund for the more risk-averse retirement fund member. "It's a savings product that should be studied from a risk management point of view, not performance. While its long-term target will be CPI +5%, its main focus will be protecting capital over shorter periods."

SYm|mETRY will also look at clients who require guarantees. "Those are for members who want no risk of capital loss. There's a range of products we can offer them, such as the smoothed funds and funds structured with derivatives," Coetzee says. "So we're moving from a position where we had seven different products to three products. We want to move to an environment where, if the fund manager is making money, we must as well. And if we underperform, our fees reduce. That will lead to a greater focus on efficiency and active management."

Coetzee says a similar philosophy will be

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applied to SYm|mETRY's retail funds. "It starts with the general Equity Fund-of-Funds. It's managed by four of the top portfolio managers in our market. We get good manager diversification."

Then there's the range of retail risk-managed funds. "There's the Balanced Fund, targeting CPI +7% over the long term and no negative returns over rolling 18-month periods. We also have the Defensive Fund-of-Funds that aims at CPI +5% and no negative returns on a rolling 12-month period. The Cautious Fund-of-Funds has a benchmark of cash +2%, with no negative returns over a rolling nine-month period."

SYm|mETRY also has a Fixed-Interest Fund-of-Funds. Coetzee says its primary objective is high levels of income, though he says its fund-of-funds was recently ranked second for capital growth. ■