



## STAFF APPOINTMENTS AT SYm|mETRY

TREVOR PASCOE, CEO

SYm|mETRY Multi-Manager is pleased to announce the appointment of two new staff members, Ameer Amod and Brenda Louw, as well as the appointment of Fred Liebenberg in a new role at SYm|mETRY.

Fred Liebenberg, previously the Head of Absolute Return and Fixed Interest Manager Research at SYm|mETRY, has taken up a new position as Head of Retail with effect from 3 January 2012. In this role, Fred will be responsible for growing SYm|mETRY's retail business strategy; developing key relationships with distribution channels and platforms; developing a customer relationship management model for the servicing of all retail clients; and, ultimately increasing SYm|mETRY's retail assets under management in line with agreed business targets. Fred will continue to sit on the investment committee for all the retail investment portfolios. He will report directly to me and become a member of the executive management committee of SYm|mETRY.

Ameer Amod joined SYm|mETRY on 3 January 2012 as Portfolio Manager of Absolute Return & Fixed Interest, a position previously held by Fred Liebenberg. Having started his career in 1998, Ameer has extensive industry experience and has worked for Metropolitan Asset Managers, Futuregrowth Asset Management and Peregrine Quant Asset Management, among others. His relevant qualifications include a MCom (Financial Management) and a MSc (Engineering). Reporting to Roland Gräbe, CIO, his primary role at SYm|mETRY is the management of the Absolute Return and Fixed Interest Portfolios.

Brenda Louw also joined our team on 3 January 2012 as Head of Quants and Risk Management on a contract basis. Having started her career in 1997, Brenda is a seasoned investment professional who has worked for Prudential Portfolio Managers, Element Investment Management and Cadiz Asset Management, among others. Her qualifications include a BCom (Mathematics) and BCom Honours (Accounting). She is also a CFA Charterholder. Reporting to Roland Gräbe, our CIO, her primary role at SYm|mETRY will be to create a robust risk and performance monitoring service within the team, improving quantitative methods to aid SYm|mETRY in manager selection, and support manager research as an analyst on quant-driven asset management strategies.

The team and I congratulate Fred on his challenging new position where he will play a vital role in continuing to boost our presence in the retail market. It is with great excitement that the team and I welcome the new insights and expertise that Ameer and Brenda will add to the team.

With all these changes I would like to assure you that we are confident that the combination of the extensive experience of our new members and our fine-tuned systems and processes, will ensure that all our clients will continue to enjoy the benefits of the rigorous oversight that SYm|mETRY provides on its investments and manager research.

For more information on SYm|mETRY and our Funds, visit our website at [www.symmetry.co.za](http://www.symmetry.co.za).

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## UPDATE ON THE SYm|mETRY CAUTIOUS FUND OF FUNDS

FRED LIEBENBERG, HEAD | RETAIL

*The SYm|mETRY Cautious Fund of Funds is the latest addition to the SYm|mETRY range of unit trusts, having launched in August 2010.*

2011 was an average year for the fund. Positives were that the fund had grown to R100 million in assets under management and that it showed exceptional resilience during the extreme market volatility by consistently protecting investors' capital. In contrast, performance over the period ended below benchmark and although it is still a short period over which to measure performance, it is understandable that investors would have preferred better returns.

### RISK

The SYm|mETRY Cautious Fund of Funds has a specific objective to protect capital over any nine-month period and it did this exceptionally well over the period. By the end of 2011, the fund had not experienced a single month of negative returns since inception, making it one of only two funds (out of 64) in the Prudential Low Equity unit trust category that could claim that achievement over the period, (it also had the second lowest volatility in the category at 0.8%).

### PERFORMANCE

The SYm|mETRY Cautious Fund of Funds has a return objective of beating cash by at least 2% over the long term. At the end of 2011 it has returned 5.0% since inception compared to the 5.9% from cash (using STeFI as the benchmark for cash). While it was behind target, 15 months is typically too brief a period on which to truly judge performance. Beating cash is a long-term objective of the fund and there are bound to be periods of underperformance relative to cash, a risk investors have to be willing to take in order to outperform cash over time.

### UNDERSTANDING PERFORMANCE

As always, we spend much of our time trying to understand the reasons behind good or poor performance from our funds and managers. One of the biggest contributing factors to the performance of the fund during its initial few months was its very small size. After its first month, the fund size was just over R3 million and thereafter the fund roughly doubled in size every month for three consecutive months.

This means that cash flows, and their timing, still had a very strong influence on the performance of the fund. At such a small fund size, administration costs also still have a significant impact on performance. By January 2011 (four months after inception), the fund had surpassed the critical level of about R20 million, where the relative impact of costs and cash flows started to decrease to manageable levels – which also meant more competitive returns for the fund.

Of the three managers in the fund, the best performing manager was Marriott, in combination with Coronation. While Marriott was initially selected to give the fund exposure to the fixed interest market, they were replaced by Coronation in July 2011, to ensure the fund remains compliant with prudential guidelines. It is no surprise that the combination of these two managers fared the best over the last year, since fixed interest assets were by far the strongest performing asset class over the period. We expect this good performance to last as long as interest rates stay low and the world economy struggles to regain positive momentum.

Another manager, Prescient, is specifically included in the fund to provide protected exposure to the equity market and it is thus expected that they will suffer most when equity markets are weak, as reflected in their performance in the fund over the year. Although Prescient always has derivative protection on all their equity exposure, the nature of derivatives means that they don't immediately reap the benefit of their protection. We expect to see stronger returns from Prescient over the next few months as their derivative positions start maturing.

Taquanta had an average year, although they did provide the most consistent returns. Taquanta did not, however, match their cash benchmark. This was partly the result of their expectation that rates were set to rise towards the end of 2011 and partly due to the poor performance of the equity market since they also have a very small exposure to protected equity.

### LOOKING AHEAD

We look forward to the SYm|mETRY Cautious Fund of Funds establishing itself over the next few years as a reliable and safe option for investors who are very concerned about risk but also want to make sure their investment does not diminish over time as a result of inflation. We have full confidence in the managers (and different strategies) employed in the fund and will continue to provide our managers with the freedom and time to convert their proven skill into peer-beating returns for our investors. At the same time we will continue to monitor our managers and the fund closely to enhance our understanding of what makes a winning multi-managed portfolio.

For more information on the fund or the latest available factsheet, visit our website at [www.symmetry.co.za](http://www.symmetry.co.za).

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## THE RISK OF BEING TOO CONSERVATIVE WITH LIVING ANNUITY INVESTING

FRED LIEBENBERG, HEAD | RETAIL

### INTRODUCTION

Most living annuity investors will have an investment horizon of longer than 15 years, yet they often make the mistake of being too conservative in their investment choice, driven by their fear of short term losses in capital and the resultant loss of income from the lower capital value. This fear has been nurtured by many in the investment industry, often quoting the effect severe drawdowns early on can have on the ability to provide income during the later years. To avoid the dreaded drawdowns investors tend to invest in high income paying funds, thinking that they will try to live off the income while maintaining the capital value. The reality though is that funds that meet the high income requirement are generally too conservative to meet the long term return requirement of most living annuity investors and often hold the much larger risk that the investor may run out of capital before he/she runs out of years.

Although it is indisputable that severe drawdowns at any point during an investment's life will affect how long capital will last, it does not mean that this is the only factor to consider when choosing an investment. In fact, I would like to show that some level of short term capital risk is required in order to achieve the required long-term return of most retired investors.

### CALCULATION METHODOLOGY

In this analysis, we consider a typical living annuity investor who has R1m to invest initially and who will withdraw R100 000 (10%) of this investment in the first year. After the first year, the withdrawal amount will be increased by inflation every year.

We consider two different investment strategies:

- Income funds that focus on providing a high level of income (represented by the average return of funds in the Morningstar Domestic Fixed Interest Varied Specialist unit trust category).
- Absolute return funds that focus on providing inflation-beating returns and usually have some capital protection objectives (represented by the average return of funds in the Morningstar Domestic Asset Allocation Targeted Absolute and Real Return unit trust category). Absolute return funds have been included as an alternative strategy because these funds aim to balance the risk of short-term capital loss with the need for inflation beating returns over the long term, which fits closely with what I propose living annuity investors should consider when making an investment choice.

The results are based on total return data for the period from August 2001 to December 2011, a period of just over ten years that includes times of both very strong and very weak market performance.

### SUMMARY OF RESULTS

**Figure 1:**  
Capital remaining over time of an initial investment in August 2001.

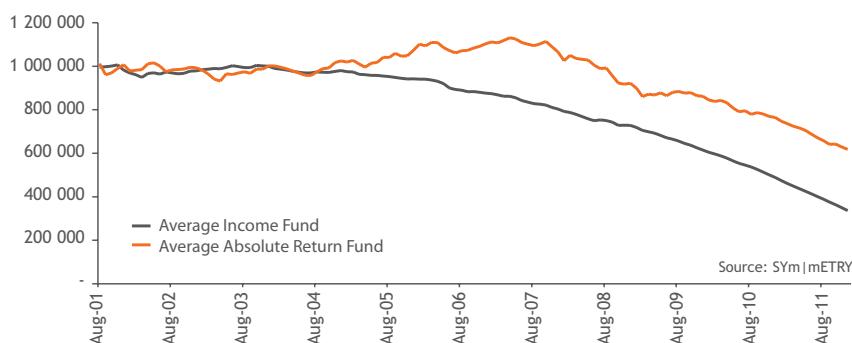
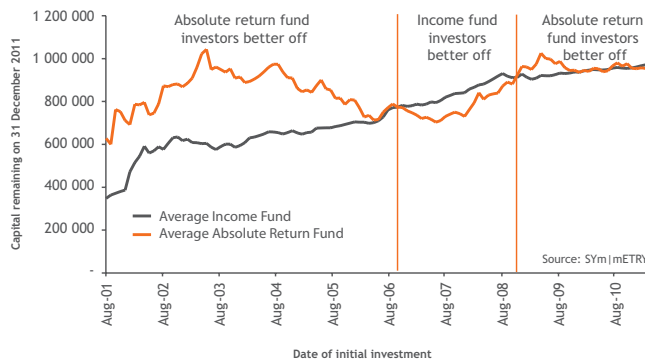


Figure 1 shows the capital remaining over time for a living annuity investment made in August 2001 in the 2 different investment strategies. It is immediately obvious looking at the ending values that living annuity investors would have been significantly better off investing in absolute return funds than investing in income funds over the period. After just more than 10 years, the absolute return fund investors had almost double the capital left of the income fund investors.

But this is only the result for a very specific period. What about investors that started investing on different dates. Figure 2 below shows us the current (as at 31 December 2011) remaining capital values for investors that started investing at different times in the past.

Figure 2:

Current (31 December 2011) capital remaining for different initial investment dates.



From Figure 2 we see that currently only investors who had retired (started investing) between September 2006 and October 2008 would have been better off investing in income funds. For all other investors, it would have been better (or at least the same) investing in absolute return funds. The benefit of investing in absolute return funds becomes more pronounced for investors that have been invested for longer (e.g. large difference in remaining capital for investors who started investing in 2002 or 2003). This should be expected, as the more risky absolute returns funds should provide higher returns over the long term to compensate investors for their higher risk. We can see this effect in Figure 3 and Figure 4 below.

Figure 3:

Capital remaining after 3 years of investing for different initial investment dates.

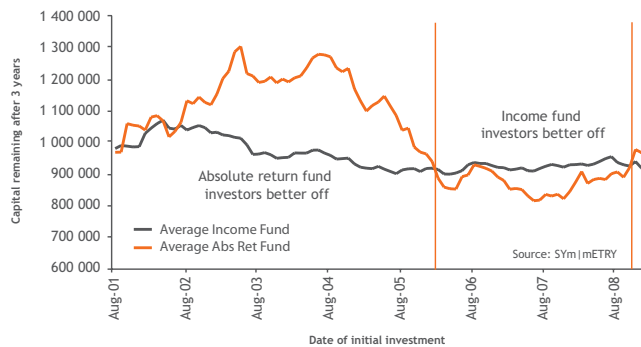


Figure 4:

Capital remaining after 5 years of investing for different initial investment dates.

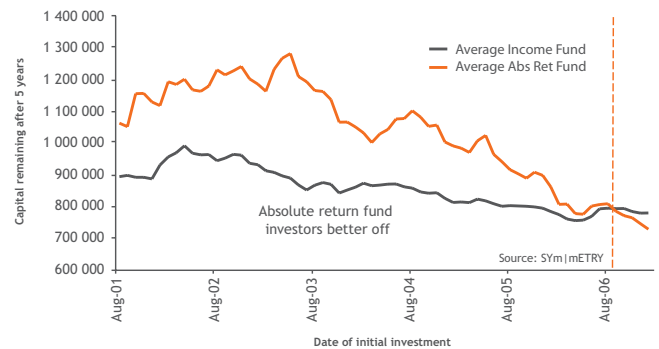


Figure 3 shows that after the first 3 years of investing, living annuity investors would sometimes have been better off choosing income funds over absolute return funds. However, if you consider the same investors after 5 years (Figure 4), almost all would have done better by choosing absolute return funds. If we extend the investment period even further the benefits of the more risky absolute return investments become even more apparent.

Based on the information above we can see that, in general, absolute return funds offer a better solution for living annuity investors than income funds. The main reason is that the average income fund is too conservative for the longer period over which living annuity investors will be investing. The analysis also shows that although capital protection is an important factor to consider when choosing a living annuity investment, it is not the only factor and a living annuity investor can actually reduce the risk of running out of capital prematurely by taking on some extra short term risk.

In order to keep the analysis short and simple enough for this article, several assumptions were made and category generalisations which could have an influence on the results were used (e.g. using specific funds instead of averages and including more investment strategies). However it is unlikely to change the fundamental message of the work. Investors should realise that securing a positive return is not enough to ensure sufficient capital to retire. Investors also need to consider the total return they expect to earn on their investment and ensure it is sufficient to meet their future requirements.

\*Note that a lower withdrawal rate will not influence the conclusion of this article. Absolute return funds are still likely to provide a better outcome for investors. However, if withdrawal rates are low enough, the return from income funds might be enough to meet the investor's required return.

# RETAIL FUND AND BENCHMARK RETURNS

Period ending  
31 December 2011

	1 Year	3 Years	5 Years	7 Years	10 Years	Inception	Launch Date
<b>SOLUTION FUNDS</b>							
<b>SYm   mETRY Balanced Fund of Funds</b>	7.9%	12.8%	8.8%	13.7%	15.1%	15.1%	1-Jun-01
Benchmark: CPI	6.2%	5.3%	7.0%	6.2%	6.3%	6.2%	
Long-term Return Target: CPI +7%	13.2%	12.3%	14.0%	13.3%	13.3%	13.3%	
<b>SYm   mETRY Defensive Fund of Funds</b>	6.5%	9.8%	7.6%	10.7%	13.2%	13.2%	1-Jun-01
Benchmark: CPI	6.2%	5.3%	7.0%	6.2%	6.3%	6.2%	
Long-term Return Target: CPI +5%	11.2%	10.3%	12.0%	11.3%	11.3%	11.3%	
<b>SYm   mETRY Cautious Fund of Funds</b>	5.2%	-	-	-	-	5.0%	1-Sep-10
Benchmark: STeFI	5.7%	7.2%	8.6%	8.2%	8.9%	5.9%	
<b>SPECIALIST FUNDS</b>							
<b>SYm   mETRY Equity Fund of Funds</b>	2.6%	15.5%	6.1%	14.2%	13.8%	13.7%	1-Jun-01
Benchmark: SWIX	4.3%	17.9%	8.6%	17.4%	16.1%	16.1%	
<b>SYm   mETRY Fixed Interest Fund of Funds</b>	7.4%	8.6%	8.9%	8.9%	9.6%	9.6%	1-Jun-01
Benchmark: BEASSA ALBI (1-3 Year) Index	8.9%	8.5%	9.1%	8.4%	9.5%	9.5%	
<b>SYm   mETRY Money Market Fund</b>	5.4%	7.2%	8.5%	8.1%	8.7%	8.7%	1-Aug-00
Benchmark: STeFI	5.7%	7.2%	8.6%	8.2%	8.9%	9.0%	
<b>SYm   mETRY Islamic Fund</b>	4.9%	9.2%	6.6%	-	-	7.1%	1-Dec-05
Benchmark: Composite	5.1%	13.7%	8.6%	13.5%	11.9%	9.1%	

Annualised returns are shown for periods greater than 1 year.

CPI refers to the CPI (all urban areas) as provided by Statistics South Africa, effective 1 January 2009. Prior to January 2009, the CPIX (all metropolitan and urban areas) was used as the measure for inflation for our funds. CPI estimates for 30 September 2011 are calculated by averaging actual CPI data over the previous six months.

The **Islamic Fund** is benchmarked against 50% (ALSI), 15% (DJ Islamic), 35% (STeFI less 0.5%) p.a. Performance figures are reflected net of performance fees paid to the underlying managers.

#### Disclaimer

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