

Collective Investments Classifications

It is important for the investor to consider the underlying philosophy, volatility, risk, growth and income potential of the different types of Collective Investments funds, registered in terms of the Collective Investment Schemes Control Act.

They are grouped into specific sectors to enable investors to compare the performance of funds with similar objectives and benchmarks.

Classification of Collective Investments by the Association of Collective Investments (AUT) consists of a three-tier grouping principle:

1st Tier : Geographic focus of the underlying assets.

2nd Tier : Broad asset allocation of the fund.

3rd Tier : More discreet definition of the asset allocation in the 2nd tier.

1st Tier : Geographical

DOMESTIC	FOREIGN	WORLDWIDE
At least 85% of the fund's assets need to be invested <i>in</i> South Africa at all times.	These funds invest a minimum of 85% of their assets <i>outside</i> South Africa at all times.	A combination of local and foreign assets. There is no minimum set for either domestic or foreign assets.

2nd Tier : Asset allocation

EQUITY	ASSET ALLOCATION	FIXED INTEREST	REAL ESTATE
At least 75% of the fund's market value must be invested in equities, listed on various stock exchanges, depending on first tier classification. A minimum of 80 % of the Equity Portfolio must be invested in, and a maximum of 20% may be invested outside the JSE Securities Exchange SA	Invests in a combination of equities, property and fixed interest securities, as specified in the third tier.	These funds invest in bonds, fixed interest and money market instruments, further specified in the 3 rd tier. Interest income is a feature of these funds.	These funds invest in listed property shares, property collective investments and property loan stock. The objectives are high levels of income and long-term capital appreciation.

3rd Tier: Asset focus

EQUITY

General	<p>These funds invest in selected shares across all industry sectors, as well as across the range of large, mid and smaller companies. They do not subscribe to a particular theme or investment style and can hold a mix of value and growth shares.</p> <p>Other equity funds that invest in specific sectors or stick to a specific theme tend to be more volatile in performance when compared to the general equity market, due to their restrictive mandates. Specialist funds are however useful as complementary investments to a general equity portfolio.</p> <p>Primary investment objective: Medium to long-term capital growth.</p> <p>Typical benchmark: FTSE/JSE All Share Index</p>
Large Cap	<p>Invests in large market capitalisation shares which fall within the top 40 listed shares.</p> <p>Primary investment objective: Long-term growth.</p> <p>Typical benchmark: FTSE/JSE Top 40 Index</p>

Growth	<p>These funds invest in rapidly growing companies across all sectors. Growth companies are those whose profits are in a strong upward trend, or are expected to grow strongly, and which normally trade at a higher-than-average price/earnings ratio.</p> <p>Primary investment objective: Maximum capital appreciation.</p> <p>Typical benchmarks: FTSE/JSE All Share Index.</p>
Value	<p>Value funds can invest in shares across all sectors of the stock exchange, but specifically seek out those with</p> <ul style="list-style-type: none"> ▪ low price/earnings ratios; ▪ trades at a discount to net asset value; or ▪ have dividend yields significantly higher than the market average. <p>Primary investment objective: Medium to long-term capital growth.</p> <p>Typical benchmark: FTSE/JSE All Share Index</p>
Smaller Companies	<p>At least 75% of the fund must be invested in small- to mid-cap shares which fall outside the top 40 listed companies by market capitalisation (should a company however increase in value to the point that it does become a constituent of the Top 40 Index, the fund manager will not be obliged to sell).</p> <p>Primary investment objective: Maximum capital appreciation</p> <p>Typical benchmark: weighted composite of the FTSE/JSE Mid Cap, Small Cap and Fledgling indices.</p>
Financial Sector	<p>Financial funds invest in financial services companies, including banks, insurance companies, brokerages, and related investments, where the nature of activities is predominantly financial.</p> <p>Primary investment objective: Long-term growth</p> <p>Typical benchmark: FTSE/JSE Financial Index</p>
Industrial Sector	<p>These funds invest in selected industrial companies listed on the JSE, but exclude all companies listed in the FTSE/JSE Resources and Financial Economic Groups.</p> <p>Typical benchmark: FTSE/JSE Industrial</p>
Resources & Basic Industries	<p>These funds invest in shares of companies that explore, mine, distribute and process minerals, metals, energy, chemicals, timber and other commodities. They tend to be of a cyclical nature.</p> <p>These portfolios invest primarily in securities listed in the FTSE/JSE Resources and Basic Industries economic groups.</p> <p>Primary investment objective: Maximum capital appreciation</p> <p>Typical benchmark: weighted composite of the FTSE/JSE Resources Index.</p>
Varied Specialist	<p>This category includes funds that don't fit anywhere else, and their performances are therefore not comparable to one another within the sector.</p>

ASSET ALLOCATION

Prudential	<p>Prudential funds invest in a spectrum of investments in the equity, bond, money and property market, with the overall strategy conforming to the legislation governing retirement funds (Regulation 28 of Pension Fund Act). Funds may be categorised as Low, Medium or High Equity based on the percentage of equity invested in the portfolio.</p> <p>Primary investment objective: A balance between income and capital appreciation.</p> <p>Typical benchmarks: Many comprise of a mix of the FTSE/JSE All Share Index, the All Bond Index and cash, while others use the CPI or sector average.</p>
Flexible	<p>These funds are invested in a flexible combination of assets in the equity, bond, money and property markets. They are often aggressively managed with the assets being shifted between the various investment markets to reflect the changing economic and market conditions, and may have varied risk/return objectives.</p> <p>Primary investment objective: Maximum capital and income growth.</p> <p>Typical benchmarks: same as Prudential funds.</p>
Targeted Absolute and Real Return	<p>These funds invest in a combination of equity, bond, money market, property or derivative instruments.</p> <p>The risk/return objectives of individual portfolios may vary as dictated by each portfolios mandate.</p> <p>They tend to display below average short-term volatility and target pre-determined benchmarks..</p> <p>These portfolios may not conform to legislation governing retirement portfolios, and do not necessarily offer capital or performance guarantees.</p>

FIXED INTEREST

Money Market	<p>These funds invest in money market instruments with a maturity of less than one year, while the average maturity of the underlying assets may not exceed 90 days. They are often used as an attractive alternative to a bank fixed deposit.</p> <p>Primary investment objective: Maximum interest income on preserved capital.</p> <p>Typical benchmark: Alexander Forbes Index</p>
Income	<p>Investments are made in bonds, fixed deposits and other interest-bearing securities. In order to provide relative capital stability, the average maturity of the underlying assets is limited to 2 years. The longer tenure allows for a slightly wider fund return, compared with money market funds.</p> <p>Primary investment objective: Regular, high-level interest income.</p> <p>Typical benchmark: BEASSA All Bond 1–3 year split Index</p>
Bond	<p>Bond funds may invest in short, intermediate or long-dated interest-bearing securities. The composition is actively managed and will change over time to reflect the fund manager's assessment of interest rate trends.</p> <p>Primary investment objective: High-level interest income and potential capital growth.</p> <p>Typical benchmark: BEASSA All Bond Index</p>
Varied Specialist	<p>These funds also invest in bonds, fixed deposits, and structured money market instruments, including listed debentures and other high yielding securities</p> <p>Risk/return characteristics may be varied with this group.</p>

REAL ESTATE

General Portfolios	<p>These funds invest in listed property shares, property collective investments and property loan stock.</p> <p>Primary investment objective: High levels of income and long-term capital appreciation.</p> <p>Typical benchmark: FTSE/JSE SA listed Property Index.</p>
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