

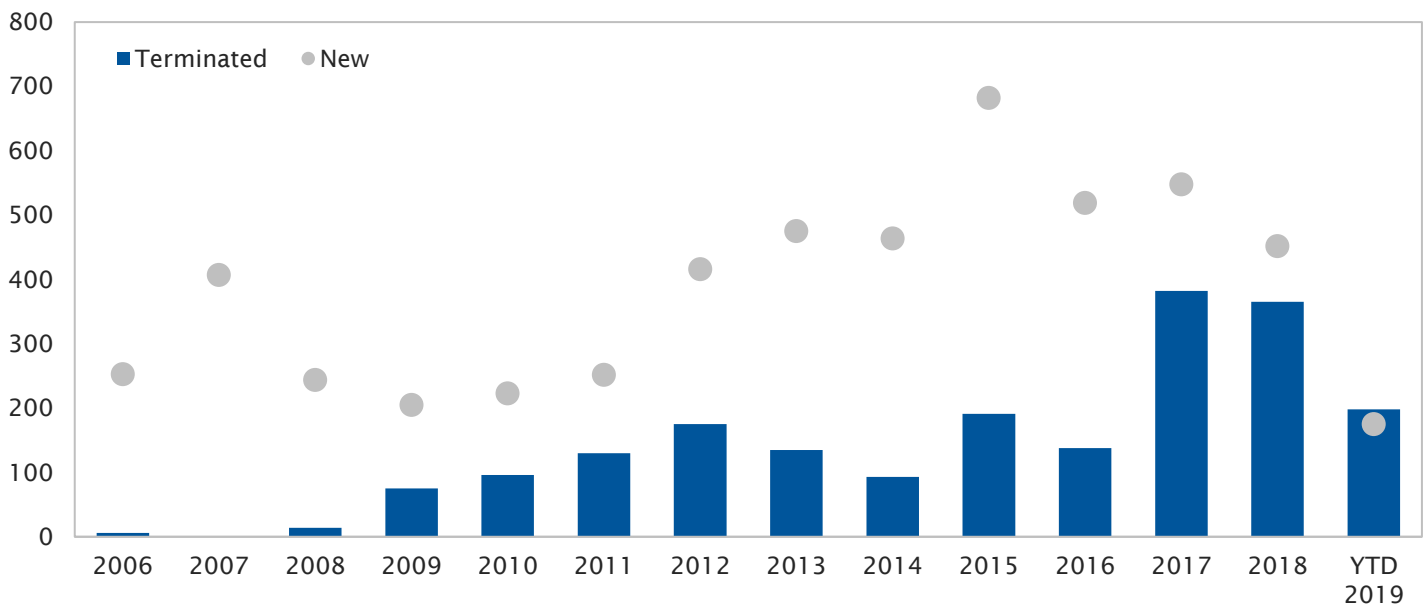
South African Unit Trust Fund Industry Landscape

The South African Unit Trust industry has seen robust growth over the last two decades. Assets totalled just under R 100bn twenty years ago and have grown to R 2.4tn, a compounded annual growth rate of 17%. The number of asset managers and funds available has also ballooned. Over 1,500 funds are currently available, which dwarfs the 221 funds available two decades ago.

The vast number of managers and funds points to how successful the local industry has been. However, local fund managers have not exactly covered themselves in glory considering the number of funds that have been terminated over the years, either through liquidation or being merged into other funds. According to Morningstar data, 1959 South African domiciled funds have been launched over the last 20 years. Currently, there are 1,551 funds - implying that 629 funds have been terminated over the period. The mortality of funds thus presents a worrying statistic, particularly if closure is a result of funds failing.

Similarly, the same picture presents itself on digging deeper into various fund classes offered to investors, of which currently 6,576 classes exist (roughly 4 classes per fund available to retail and institutional investors). While fund and class launches gradually increased since the turn of the century, termination only took off post the 2008 global financial crisis as depicted in **Chart 1** (below). Since 2006, 68% of the terminations are result of funds being liquidated.

Chart 1: South African Unit Trust Funds/Classes Launched and Terminated Since 2006



Source: Seed Investments, Morningstar Direct (22 July 2019)

Fund managers liquidate or merge funds for various business reasons, including strategies not working as expected and rationalisation of fund range for simplicity and ease of management. Underperforming funds struggle for assets, experiencing outflows during long periods of underperformance - thus challenging the business case. With investors impatient over performance cycles, they resultantly switch in and out of funds chasing performance, which ultimately leads to lower returns than what would be attained staying put. It is easy to see why this kind of behaviour is prevalent, with numerous funds having disappointed investors over the years. In-depth knowledge and understanding of funds and the managers is essential to minimise the risk of disappointment.

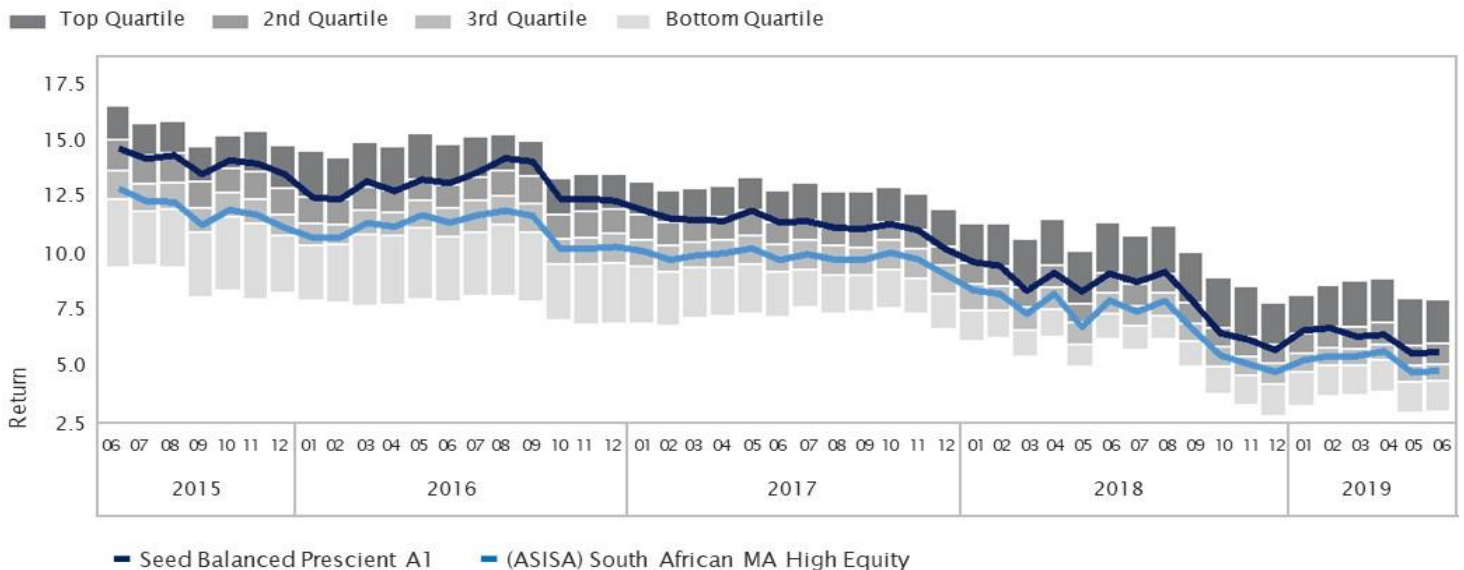
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At Seed, we spend our time understanding fund managers and their performance cycles. Continuity and sustainability is a key consideration in our process. We blend uncorrelated strategies, ensuring that we are not exposed to a single manager, style or strategy. The [Seed Balanced Prescient Fund](#), which has the longest track record of our funds, typifies what we are trying to achieve. The fund makes use of managers we have an in-depth understanding of, bringing together different capabilities which helps to deliver a stable return profile over time as illustrated in **Chart 2** (below). This helps us to achieve our goal of protecting and growing our clients' wealth.

Chart 2: Seed Balanced Fund relative to Peer Group 5 Year Rolling Return

Time Period: 2010/07/01 to 2019/06/30

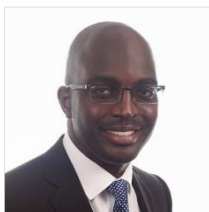
Peer Group (5-95%): Open End Funds – ASISA Sector (South Africa) – (ASISA) South African MA High Equity Rolling Window: 5 Years 1 Month Shift



Source: Morningstar Direct (30 June 2019)

For more information on the [Seed Balanced Prescient Fund](#), please feel welcome to get in touch with us via telephone on +27 21 914 4966 or via email at communications@seedinvestments.co.za. Alternatively, please visit our website at www.seedinvestments.co.za.

Kind regards,



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South African Unit Trust Fund Industry Landscape

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ADDITIONAL INFORMATION (where applicable)

Performance has been calculated using net NAV to NAV numbers with income reinvested. Full performance calculations are available from the manager on request.

DEFINITIONS (where applicable)

Annualised Return	Annualised return shows longer term performance rescaled to a 1-year period. Annualised return is the average return per year over the period. Actual annual figures are available to the investor on request.
Highest and Lowest Annual Return	The highest and lowest returns, since launch, for any rolling 1-year period have been shown.