



FUND PERFORMANCES CROWNED WITH PLEXCROWN RATINGS

Plexus has just launched the PlexCrown fund ratings - a first in the South African collective investment industry.

Plexus also boasts a number of other firsts as far as unit trust research is concerned, namely the highly-regarded *Plexus Survey* (now in its tenth year) and *Plexus Offshore Survey*, as well as the *Plexus Unit Trust Indices*.

Dr Prieur du Plessis of Plexus Research & Surveys says: "Investment houses use different performance measures to illustrate how well their funds have performed, and investors, financial advisors, portfolio managers and the media are inundated with a continual barrage of these statistics.

"We have recognized the need for a system whereby the different quantitative measures used in calculating investment performances are all encompassed in one simple number. This has culminated in the PlexCrown ratings initiated and developed by Ryk de Klerk, Plexus's investment strategy consultant."

The easy-to-use PlexCrown rating system enables investors to know at a glance how a fund has fared over time compared to the other funds in its Association of Collective Investments (ACI) category on a risk-adjusted return basis.

Prof Eon Smit, director of the Graduate School of Business of the University of Stellenbosch who personally audited the PlexCrown research methodology, says: "The PlexCrown rating system is probably the most comprehensive in existence incorporating not only returns and standard risk measures, but also measures of downside risk and managerial skill."

The ratings are unbiased and completely objective as they are based on quantitative measures. No subjectivity is brought into the research methodology.

"We believe that a portfolio manager's reputation, experience, the investment house's investment processes, strategies and risks, whether market or specific, are all encompassed in the returns per unit of risk," explains Du Plessis.

The PlexCrown ratings should assist investors in determining whether a portfolio manager is adding value or not to their investments given the manager's mandate and the amount of risk he is taking.

"Once again Plexus is at the forefront of developments in the unit trust industry. Point-to-point returns receive far too much attention in the South African media; what is really of importance to long-term investors is consistent good, risk-

adjusted returns. The PlexCrown ratings now make it easy for individual investors to evaluate asset managers on the basis of their long-term risk-adjusted returns," says Hendrik du Toit, head of Investec Asset Management.

The PlexCrown rating system is a measure of consistency as ratings are done over a range of periods up to five years and weighted, with the emphasis on the longer measurement periods. The aim of the ratings is to distinguish between poor performers and excellent performers through classification on a normal distribution curve rather than ranking per se.

According to Du Plessis there is an asymmetry in how investors experience investment returns as they tend to be more concerned about potential poor performances than they are satisfied with good positive returns. 50 per cent of the rating calculation therefore consists of downside risk-adjusted return measures within a particular fund category.

In future the individual PlexCrown ratings for the qualifying funds will be included with the other fund information on the *Personal Finance* collective investments statistics page.

Investment houses are also awarded PlexCrown ratings based on the ratings of their underlying funds, as the ratings of the various funds of an investment house give an excellent indication of the quality of the investment team, investment processes, and success of their strategies relative to the risks assumed. The PlexCrown ratings therefore assist investors, financial advisors and portfolio managers in determining an investment house's investment competence in the various asset classes.

According to De Klerk the PlexCrown ratings will in due course be expanded also to include junior funds (i.e. relatively new funds not qualifying for inclusion in the ratings), offshore funds and retirement funds.

"The PlexCrown fund and investment house ratings will undoubtedly be a very useful tool for all parties - investors, financial advisors and portfolio managers," says Du Plessis. "However, the ratings are based on historical data, and they should only be used as a first step in the construction of a unit trust portfolio. It remains the responsibility of investors, together with their advisors, to make sure that the funds they choose suit their risk profiles and personal investment goals and that their investment plans include an appropriate level of diversification."

➤ The PlexCrown ratings are available on the Internet at: www.plexcrown.co.za

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