

Unit Trust Review

APPLETON MANAGED FLEXIBLE

AN ATTRACTIVE NEWCOMER

Flexibility does not necessarily mean high risk

Most investors want to get the best returns they can. It has never been easy, and has been made even harder by more volatile markets.

The main things to consider are sector, share and liquidity — in essence, flexibility. Liquidity flexibility in most fund categories has been curtailed and those seeking the protection afforded by liquidity during periods of market weakness must look to either the Prudential or Flexible fund sectors.

The Flexible sector accounts for only 1,2% of total unit trust industry funds — there's clearly a perception among investors that flexibility equates to higher risk. But this perception was not borne out by reality over the past two years.

Appleton's Flexible Fund, a sector newcomer, has acquitted itself well in what fund manager Adrian Clayton understates as "a demanding market".

Clayton has made effective use of liq-

uidity flexibility, varying it from 64% during market weakness in the third quarter of 1999 down to 22% at the end of the year.

Clayton appeared too conservative in the euphoric opening weeks of 2000. But he persisted, noting in January that "existing market risks dictate a cash exposure of 30%". He was right.

Also correctly, Clayton reduced resource stock exposure to 7% in January compared to a 14% General Equity sector average.

The fund's above-average 20% IT exposure, focused on market leaders, proved to be correct. This exposure has recently been cut to 14%.

Other indications of sound market timing were sales of Fedsure and Aveng before the release of disappointing results.

"I am inclined to be value-orientated and view an average market p:e of around 12, excluding IT stocks, as good value," says Clayton. "Many old-economy stocks and certain life assurers and banks will, I

APPLETON MANAGED FLEXIBLE

DOMESTIC FLEXIBLE

A SOLID START

Unit price: 1386c Total assets R27m
Top ten holdings:* BOE, Sanlam, Stanbic, Comparex, Rlichemont, Sappi, Santam, Datatec, Woolworths, Didata.
Asset allocation: Equities 77%, Cash 23%. **Sector breakdown:** Resources 8%, Financials 39%, Industrials 53%. **Top sectors:** IT 14%, Banks 13%, Life Assurance 8%, Retail 6%, Services 5%, Financial Services 4%, Diversified Industrial 4%, Paper 3%, Education & Staffing 3%, Insurance 3%.

Period	Total Return (%)	Rank/No of funds	Sector mean (%)	Total assets** (Rm)	Cash holdings** (%)
6 mnt	24,3	4/15	16,3	12	64
3 mnt	14,8	3/18	9,0	22	21

*As at February 29 2000. **At start of period.

feel, experience positive reratings."

Following a sound, conservative approach, Clayton is staying with market leaders underpinned by high cash flows.

"Though company results are still reflecting the poor economic conditions of the recent past, I am cautiously optimistic," he adds.

Despite the fund's short history, an analysis of Clayton's strategies under trying market conditions gives rise to confidence. Detailed monthly reports to unit holders are an added attraction. **Stafford Thomas**

ABSA AGGRESSIVE FUND of FUNDS

DOMESTIC FLEXIBLE

POTENTIAL TO BE A WINNER

Unit price: 115c Total assets R24m
Holdings:* Sage SciTech 32%, Sage Internet 20%, Old Mutual Growth 12%, Old Mutual Global Technology 10%.
Asset allocation: Unit trusts: 74%, Cash 26%. **Fund sectors:** Global Technology 62%, General Equity 12%.

Period	Total Return (%)	Rank/No of funds	Sector mean (%)	Total assets** (Rm)	Cash holdings** (%)
1 year	43,3	1/10	23,3	2	35
6 mnt	27,1	2/15	16,3	12	56
3 mnt	17,9	2/18	9,0	17	8

*As at March 15 2000. **At start of period.

Strategy has been aggressive in the true sense of the word. From a 56% liquidity stance at the end of the market's third quarter decline, fund manager Brett Bishop of Edge correctly moved to a fully invested position at the end of 1999. A heavy global technology fund weighting also proved correct. But, though a 27% six-month return is good, it is far from the optimum reflected in returns of between 40%-95% from a number of technology and growth sector funds. This suggests the need for sharper market timing. This is what flexibility is all about and is a problem apparent in flexible funds. **Stafford Thomas**

PSG OPPORTUNITIES

DOMESTIC FLEXIBLE

OPPORTUNITIES LOST

Unit price: 114c Total assets R13m
Top ten holdings:* Sappi, TIB, Nail, Ixchange, Investec, PSG, MGX, CCH, Ast-A, Old Mutual. **Asset allocation:** Equities 79%, Cash 21%. **Sector breakdown:** Resources 21%, Financials 41%, Industrials 38%. **Top sectors:** Financial Services 22%, IT 22%, Paper 6%, Assurance 6%, Chemicals & Oil 5%, Diverse Indust 5%, Building & Construction 2%.

Period	Total Return (%)	Rank/No of funds	Sector mean (%)	Total assets** (Rm)	Cash holdings** (%)
1 year	9,2	9/10	23,3	8	21
6 mnt	0,2	14/15	16,3	10	12
3 mnt	0,9	16/18	9,0	15	39

*As at February 29 2000. **At start of period.

From its November 1998 launch, the fund had every opportunity to perform and did, keeping pace with the All Share index until July 1999. Then the wheels fell off and its unit price now trails the Alsi by 24%. Poor asset allocation underlies the problem with no fewer than three management changes since November 1999. Portfolio "rebalancing" in November became "the portfolio is being rebuilt and will take some time" in January. How long rebuilding a R13m flexible fund takes remains to be seen. **Stafford Thomas**

INVESTEC OPPORTUNITIES

DOMESTIC FLEXIBLE

NO BULL MARKET STAR, SO FAR

Unit price: 181c Total assets R581m
Top ten holdings:* Naspers, Sappi, Old Mutual, Metcash, Sanlam, TIBS, RMB, Santam, Harmony, Ellerine. **Asset allocation:*** Equities: 62%, Bonds 23%, Cash 15%. **Sector breakdown:** Resources 19%, Financials 31%, Industrials 50%. **Top sectors:**** Retail 8%, Mining Hold/Houses 7%, Diverse Ind 5%, Property 5%, Assurance 5%, Banks 4%.

Period	Total Return (%)	Rank/No of funds	Sector mean (%)	Total assets# (Rm)	Cash holdings# (%)
1 year	27,1	4/10	23,3	453	44
6 mnt	14,5	10/15	16,3	479	11
3 mnt	4,8	14/18	9,0	576	10

*As at 29/2/2000. **As at 31/12/1999. #At start of period.

An incredible performance in the fund's first 17 months between May 1997 and October 1998 has turned into a disappointing one. Having bucked the market trend by 80 points at its September 1998 low, fund manager Piet Viljoen failed to get sectoral allocation in tune with the market's recovery. Entering the first quarter of 2000 with no IT exposure and a high resource exposure was, for example, way off course. But Investec is a tenacious group and will no doubt pull out the stops to rectify the underperformance. **Stafford Thomas**