FUTUREGROWTH CORE EQUITY

LOWER-RISK, LOW-COST APPEAL

Lower costs should ensure that net returns will beat the average

Futuregrowth's Core Equity Fund (FCE) is the flagship of the group's five core funds managed on a quantitative basis.

Don't be scared off by the term. Quantitative management simply means the tracking of a specific benchmark.

FCE's benchmark is the average of the 44 other funds in the general equity sector. In effect, its portfolio mimics the average weightings of both sectors and individual shares contained in all 44 funds.

Futuregrowth Unit Trusts CEO Ian Hamilton says the core funds are aimed at the wrap fund industry.

Attesting to the core fund concept's appeal, FCE's total assets increased from R29m to R308m over the past 12 months.

The attraction of the core fund idea is not limited to wrap funds. For the private investor they are an alternative worth trying with the added appeal of lower costs.

Including tax, FCE's initial fee is 0,56% plus an annual management fee of 0,86%. In common with all unit trusts, a 0,7% compulsory fee is also applicable.

This fee structure compares to initial fees of up to 5,57% and annual fees of between 1,14% and 1,71% on most conventional funds. Through a wrap fund, annual fees will be around 2,3%, excluding fund switching fees of about 0,95%/switch.

The impact of FCE's lower fee structure will come through in higher net returns. The longer an investment is held, the greater will be the benefit. For example, at a 15%/year sector growth rate, over five years, FCE should produce seven percentage points in additional net after-costs return relative to the sector average.

Over 12 months, FCE's net after-costs position is now between sixth and eighth.

By its nature, FCE's portfolio is extensive, with 176 shares in 35 sectors. The top 10 share holdings average 2,8%, with the largest, Didata, at 3,8% and Nedcor in 10th position at 2%. In essence, there is a low risk of individual share underperformance.

Rivals to the core fund approach are index funds. These have outperformed sector averages over three years, but Hamilton says this is unlikely to persist.

The general sector average return, he notes, has beaten the All Share index in all but two of the past 15 years.

In a belt-and-braces approach to the future, the conservative investor may well choose a combination of core and index funds.

Stafford Thomas

FUTUREGROWTH CORE EQUITY

DOMESTIC GENERAL EQUITY

TRACKING THE SECTOR'S STRUCTURE

Unit price: 1 290c Total assets: R308m

Top ten holdings:* Didata, Stanbic, Richemont, Sasol, Old Mutual, Rembrandt, Anglos, De Beers, SAB, Nedcor. **Asset allocation:** Equities 90%, Cash 10%. **Sector breakdown:** Resources 21%, Financials 29%, Industrials 47%, Foreign 3%. **Top sectors:** Banks 13%, Diversified Industrial 8%, Assurance 8%, IT 7%, Mining Holdings 5%, Financial Services 4%, Chemicals & Oil 4%, Platinum 3%, Food 3%.

Period	Total Return (%)	Rank/ no of funds	Sector mean (%)	Total assets** (Rm)	Cash holdings** (%)
1 year	5,9	21/39	5,1	29	12
6 mnth	(8,2)	17/45	(9,3)	182	9
3 mnth	(3,5)	19/45	(4,2)	218	11

*As at June 30 2000. **At start of period.

BRAIT MANAGED FUND

MANAGED PRUDENTIAL

ILLUSTRATES PITFALLS OF OVER-FOCUS

Unit price: 145c Total assets R33m

Top ten holdings:* Anglos, SAB, Sasol, M-Cell, Billiton, Old Mutual, Richemont, Stanbic, Softline, Johnnic. **Asset allocation:** Equities 72%, Bonds 22%, Cash 6%. **Sector breakdown:** Resources 42%, Financials 34%, Industrials 24%. **Top sectors:** Mining Holdings & Houses 17%, Banks 14%, IT 9%, Telecoms 9%, Diversified Ind 8%, Media 8%.

Period	Total Return (%)	Rank/ no of funds	Sector mean (%)	Total assets** (Rm)	Cash holdings** (%)
1 year	(3,4)	26/27	7,7	48	23
6 mnth	(11,6)	32/32	(5,2)	49	6
3 mnth	(5,9)	32/32	(2,2)	40	23

*As at May 31 2000. **At start of period.

A 26% exposure to TMT (technology, media and telecoms) hardly lives up to the fund's claim of having "a well diversified portfolio". This is around two and a half times the general equity sector norm. It hasn't helped returns, either; big falls were seen in some of the bigger holdings, such as Naspers and MIH. Resource exposure, which is about twice the norm, has also seen painful declines in some stocks. The new fund manager, Alliance-Odyssey's Greg Eckersley, has his hands full restoring confidence.

Stafford Thomas

APPLETON MANAGED FLEXIBLE

DOMESTIC ALL ASSETS FLEXIBLE

BUILDING ON ITS SOLID START

Unit price: 1 371c Total assets R27m

Top 10 holdings:* Didata, Stanbic, Firstrand, Rembrandt, Investec, Imperial, Metcash, Nedcor, Sasol, Profurn. **Asset allocation:** Equities: 57%, Cash 43%. **Sector breakdown:** Resources 8%, Financials 41%, Industrials 51%. **Top sectors:** Banks 17%, IT 8%, Retail 7%, Diverse Industrial 7%, Assurance 3%, Services 3%, Chemicals & Oil 2%.

Period	Total Return (%)	Rank/ No of funds	Sector mean (%)	Total assets** (Rm)	Cash holdings** (%)
1 year	21,2	1/13	4,2	2	27
6 mnth	(1,4)	3/18	(8,8)	22	22
3 mnth	(1,5)	7/20	(4,8)	27	29

*As at June 30 2000. **At start of period.

Returns since launching in June 1999 remain ahead of the Alsi by 10 percentage points. More importantly, fund manager Adrian Clayton's liquidity variations have reduced the impact of recent sharp market declines. In January to April's slide, for example, the fund's price fell 18% compared to the Alsi's 21% decline. Portfolio bias is towards big-cap, high cash flow market leaders. Combined with a high 29% liquidity level this defensive stance is in keeping with current market uncertainty.

Stafford Thomas