



FUND PERFORMANCE

## Are these SA's best income funds?

Four funds have a track record of consistency in SA's multi-asset income space

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For funds in the Asisa South Africa multi-asset income category, consistency is almost a prerequisite: delivering stable returns is the aim of most of these portfolios.

However, some have been able to do this a lot better than others. Four in particular – the Mi-Plan IP Enhanced Income fund, managed by Vunani's [Rowan Williams-Short](#); the Granate BCI Multi Income fund, managed by [Bronwyn Blood](#); the Amplify SCI Strategic Income fund, managed by [Erik Nel](#) and [Nomathibana Okello](#) at Terebinth; and the Northstar SCI Income fund, managed by [Mark Seymour](#) and [Marco Barbieri](#) – have shown a notable persistency of performance against two different measures.

To determine which income funds have delivered the most consistent outperformance, *Citywire South Africa* analysed one-year rolling returns in this category dating back to 2018. Then we compared these returns against two different benchmarks.

The first was the NewFunds TRACI 3 month ETF, which seeks to replicate the returns of the Barclays Capital/Absa Capital ZAR Tradable Cash index 3 month. This was used as a proxy for the money market, which many income funds aim to outperform.

In some respects, this is not a particularly taxing measure. Over almost all time periods analysed, the ETF underperformed the average of the Asisa South Africa interest-bearing money market category according to Morningstar data.

However, it is an investible alternative, and therefore we considered it a useful starting point.

Unsurprisingly, most multi-asset income funds also outperformed this ETF over most of the 48 rolling periods under review. There was only an eight-month stretch of rolling periods ending in mid-2020 where this fund outperformed most of the category.

Nevertheless, there were only four multi-asset income funds that outperformed the money market proxy over every one of rolling 12-month periods under review. A further six outperformed in 45 or more periods, for a hit-rate of 94% or higher.

Most consistent income funds vs money market	
Fund	Hit rate
<a href="#">MI-PLAN IP Enhanced Income fund A1</a>	100.0%
<a href="#">Instit BCI Flexible Income fund A</a>	100.0%
<a href="#">GTC Fixed Income fund A</a>	100.0%
<a href="#">ABSA Multi Managed Income fund C</a>	100.0%
<a href="#">Granate BCI Multi Income fund B</a>	97.9%
<a href="#">Amplify SCI Strategic Income fund A1</a>	95.8%
<a href="#">Northstar SCI Income fund A1</a>	95.8%
<a href="#">Momentum Income Plus fund A</a>	93.8%
<a href="#">Autus Prime Income Plus fund A</a>	93.8%
<a href="#">ABSA Flexible Income fund A1</a>	93.8%

*Source: Morningstar & Citywire*

The perfect record of the top funds is obviously most notable. However, the Granate portfolio only underperformed the ETF in one of the 48 rolling periods, while the Amplify and Northstar portfolios underperformed in two.

It is also interesting that these ten funds represent just 12.7% of the assets under management in this category. The three largest portfolios in this space have track records that are less consistent.

The R37.8bn [Coronation Strategic Income fund](#) had a hit rate of 66.7%, the R35.4bn [Prescient Income Provider fund](#) outperformed in 81.3% of the rolling 12-month periods, and the R22.3bn [Ninety One Diversified Income fund](#) recorded a hit rate of 85.4%.

## Beating bonds

The second benchmark Citywire used to measure consistency of performance was the 1Invest ALBI Bond Index Tracker. This was taken as an investible proxy for the South African bond market.

Generally, income funds don't explicitly aim to outperform bonds, since they wouldn't take on significant duration risk. However, it is nevertheless an interesting exercise to test which managers have still been able to outperform the bond market given their risk budget constraints, and which have done so more consistently.

As one would expect, the All Bond index (Albi) tracker is significantly more volatile than funds in this category. It is therefore no surprise that there are no multi-asset income unit trusts that outperformed it over all time periods.

However, there are a number that outperformed the index tracker over a majority of the rolling 12-month windows. And these are not all the same funds that consistently outperformed the money market proxy, which suggests something interesting about the different return profiles in this category.

Most consistent income funds vs bonds	
Fund	Hit rate
<a href="#">Sasfin BCI Flexible Income fund A</a>	83.3%
<a href="#">Visio BCI Unconstrained Fixed Interest fund B</a>	79.2%
<a href="#">MI-PLAN IP Enhanced Income fund A1</a>	62.5%
<a href="#">Amplify SCI Strategic Income fund A1</a>	60.4%
<a href="#">Granate BCI Multi Income fund B</a>	60.4%
<a href="#">Northstar SCI Income fund A1</a>	58.3%
<a href="#">PSG Diversified Income fund A</a>	56.3%
<a href="#">Nedgroup Investments Flexible Income fund A</a>	56.3%
<a href="#">Marriott Core Income fund A</a>	56.3%
<a href="#">Marriott High Income FoF A</a>	54.2%

Source: Morningstar & Citywire

The Sasfin BCI Flexible Income fund and Visio BCI Unconstrained Fixed Interest fund were the most consistent in this measure, even though both were not in the top 10 when compared against the money market ETF.

Against that benchmark, the Sasfin portfolio had a hit rate of 91.7%, and Visio 85.4%.

The funds that stand out for appearing in both top 10s are the Mi-Plan, Granate, Amplify and Northstar portfolios.

Point-to-point, the Mi-Plan, Granate and Amplify funds are also among the top-five performers in this category over the five years to the end of December 2022, and in the top 10 over three. The Northstar fund ranks 14th out of 72 over five years and 16th out of 93 over three years.

In terms of size, the Mi-Plan and Amplify funds are both within the 10 largest funds in this category, with AUMs of R8.6bn and R12.2bn respectively, according to Morningstar. The Granate fund has also experienced notable growth recently and is now R4.6bn.

The Northstar portfolio, however, has just R558m under management.

*This article was corrected at 9:41 on 16 January 2023 to reflect the correct hit rates for the Prescient Income Provider and Ninety One Diversified Income funds against the NewFunds TRACI 3 month ETF. Citywire regrets the error.*