

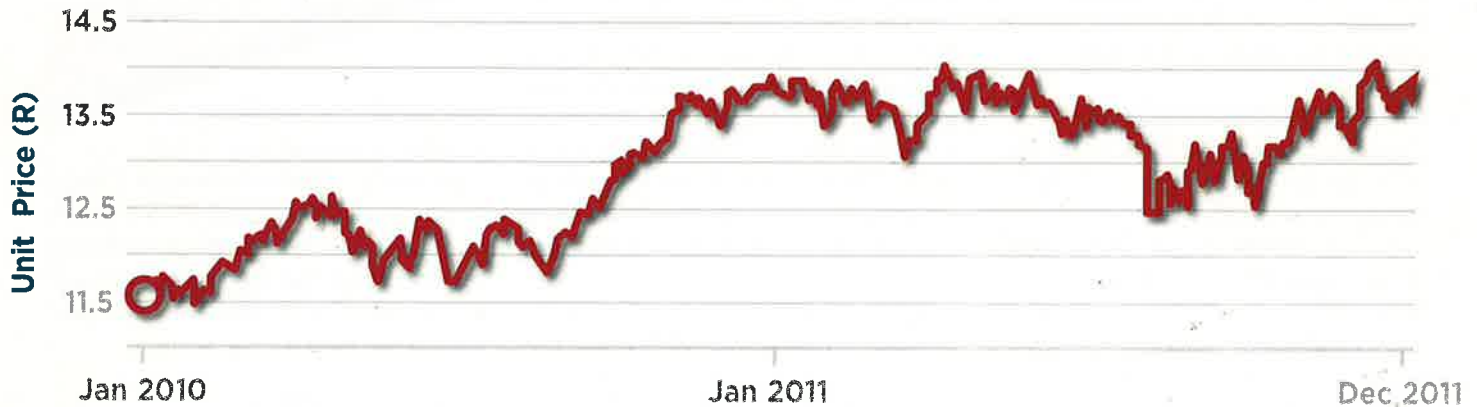


# PRO PICK

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## Dividend-yielding equity funds

### OLD MUTUAL HIGH YIELD OPPORTUNITY FUND



Investing in shares gives the best returns after tax and inflation, over the long term. But with almost 200 funds investing in shares, how does one choose the right fund to invest in? A cursory glance at industry stats shows that the best performing funds often attract the most investments. The problem is that the best performing fund in the past isn't always the best performing fund in the future – leading to investors switching between funds.

As a financial adviser choosing funds for clients on a daily basis this can be a tricky exercise especially when the fund you have chosen is performing poorly.

When it comes to choosing equity funds for clients though we have a strong bias towards funds that invest in shares that produce higher than average dividend yields. Clients are offered funds like the Old Mutual High Yield Opportunity, Prudential Dividend Maximiser

and Satrrix Divi – which have the dividend bias explicit in their mandates. We also tend to like managers that share this bias when it comes to selecting shares for their portfolios. Managers like Cannon, Foord, Allan Gray and RE:CM come to mind.

#### Why dividend yielding shares?

- Dividends are currently tax-free in the hands of investors – which makes them an attractive option for high net worth clients.
- Dividends tend to grow over time which makes them an attractive option for income-seeking investors. Although there is capital volatility, the dividend is generally stable and often continues to increase. This helps protect the investor against the ravages of inflation over time.
- Re-invested dividends become a power-

#### SASIX INVESTMENT OF THE WEEK



SASOCIALINVESTMENTEXCHANGE

#### HEALTHCARE FOR ORPHANED AND VULNERABLE CHILDREN

Through paediatric palliative care, medical clinics and care worker training programmes, the Bigshoes Foundation in Gauteng is able to dramatically improve the health and quality of the lives of thousands of children across South Africa. This project qualifies for Socio Economic Development (SED) points.

**Minimum investment:** R50.

**Invest today:** <http://tinyurl.com/7ly72m8>

• **Sasix.co.za** is SA's first online social investment exchange. Organisations approved for listing go through a rigorous evaluation process.

ful contributor to overall performance, which makes them ideal for young investors (especially young children) with long-term investment horizons.

The OM High Yield fund has a long track record which lends itself nicely to analysis. An investment of R500 000 into the fund when it was launched in November 1998 would have delivered over R1.03m in dividends and have a capital value of over R2.6m today. If you decided to re-invest the dividends for the first 10 years, and started drawing them in 2008, you would have earned almost R600 000 in dividends and the capital value of that investment would be approximately R4.2m today.

The bulk of my retirement annuity, all of my daughter's investment, and a substantial portion of my mother-in-law's pension are invested in dividend yielding equity funds, as are most of our clients' investments. ■