

# PRO PICK

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## Satrix/SIM Dividend Plus



that matters most to long-term investors – dividends.

The graph below shows the dividends that each fund would have delivered from a R1m investment made when the SDP fund was launched. On this score the PDM has underperformed quite significantly relative to the other two funds. It is also the most expensive of the three and this cost has eaten into dividends quite materially. The SDP is by far the cheapest of the three funds with an annual TER (total expense ratio) of only 0.51%.

The SDP tracks the JSE/FTSE Dividend Plus Index, which represents the 30 high dividend-yielding companies within the universe of the FTSE/JSE Top 40 and FTSE/JSE Mid Cap Index (excluding real estate) that are expected to pay the best normal dividends over the forthcoming year. The fund is rebalanced quarterly and therefore incurs minimal trading fees.

While the SDP scores highly on both capital growth and dividends, this does not imply that it is better than the other two funds. However, the low cost structure does show its value over time as investors get more of the dividend. ■

**W**hen it comes to choosing equity funds for clients, our preference is towards funds and products that invest primarily in dividend yielding shares. This preference has seen us invest in funds such as the Old Mutual High Yield Opportunity (OMHYO) fund, Prudential Dividend Maximiser (PDM) and the SIM Dividend Plus (SDP) fund. The SIM Dividend Plus is the unit trust equivalent of the very popular Satrix Dividend Plus fund and is identical to it in terms of holdings and cost structure. Both are managed by Helena Conradie, Head of sim.smartcore.

We made a decision about 18 months ago to reduce exposure to the top performing PDM fund and accordingly increase exposure to the SDP fund. The decision was surprising in that both funds were outperforming the OMHYO fund, which we continued to offer to clients, as per the graph above.

PDM has been the best performing of the three funds since the inception of the SDP – which is the youngest of the three

funds. The OMHYO has lagged both significantly in terms of performance. The SDP has also come under increased scrutiny since the beginning of the year as a result of relative underperformance, and its large holding in struggling African Bank. However, the reason we favour the SDP and the underperforming OMHYO is that they deliver quite well on the thing

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