

**Is this happening in your Fund
Don't know ?
You need the Electronic Trustee !**

Extreme Churning Activity in R153 Bonds

Total Transactions	Nominal Traded	Net Nominal	Buy Count	Buy Nominal	Sell Count	Sell Nominal
168	133,944	-3,974	83	64,985	85	-68,959



Selling low buying high

Total Transactions	Total Volume	Net Volume	Buy Count	Buy Volume	Sell Count	Sell Volume	Trading Impact	Value Traded
53	207,300	-26,500	31	90,400	22	-116,900	-R 1,378,146.60	R 12,685,416.60

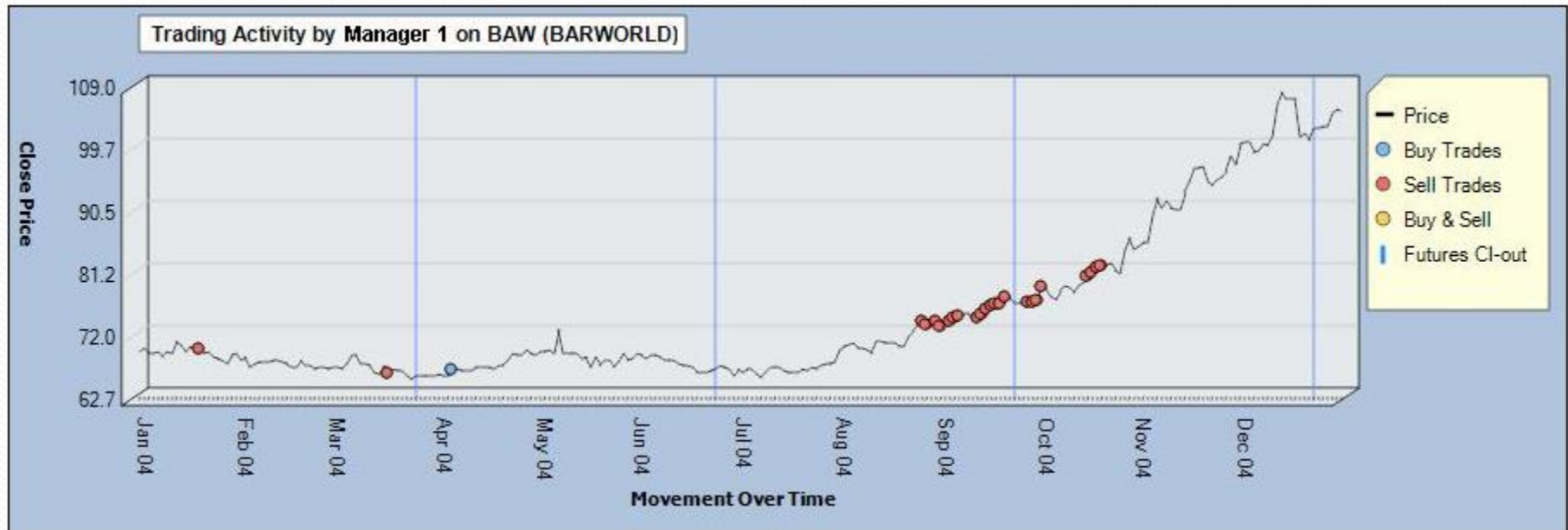


Total Transactions	Total Volume	Net Volume	Buy Count	Buy Volume	Sell Count	Sell Volume	Trading Impact	Value Traded
79	235,000	-160,800	16	37,100	63	-197,900	-R 2,620,274.00	R 14,143,608.00



Relying on poor research

Total Transactions	Total Volume	Net Volume	Buy Count	Buy Volume	Sell Count	Sell Volume	Trading Impact	Value Traded
27	79,300	-64,300	1	7,500	26	-71,800	-R 1,786,759.15	R 6,059,219.85



Managers within the same Fund with Opposing Views

Total Transactions	Total Volume	Net Volume	Buy Count	Buy Volume	Sell Count	Sell Volume	Opportunity Impact	Value Traded
50	140,400	22,000	41	81,200	9	-59,200	R 183,358.02	R 15,982,606.00



Total Transactions	Total Volume	Net Volume	Buy Count	Buy Volume	Sell Count	Sell Volume	Opportunity Impact	Value Traded
29	2,218,130	-891,330	2	663,400	27	-1,554,730	R 4,501,281.60	R 249,163,895.59



Does it really matter?

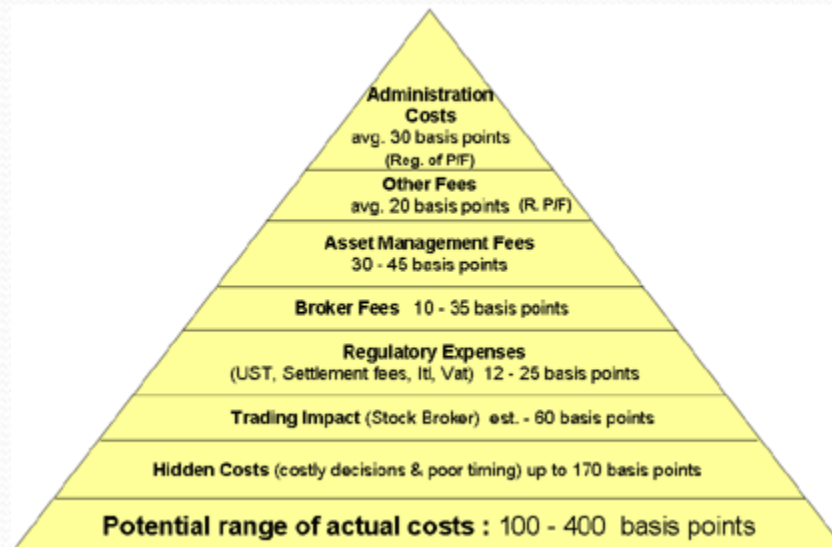
The Electronic Trustee calculates the impact of timing, trading costs and various hidden costs and the results indicate that in some cases these variables may collectively add as much as 200 basis points (2.00%) to a Fund's cost structure.

The system's pre-occupation with the identification, analysis and limitation of unnecessary costs in the investment management process is justified by the following extracts which address the impact of costs on the performance of pension fund assets :



Does it really matter?

With the above in mind, the following extract from a paper titled “ A Comprehensive Guide to Improving Plan Performance ” by Logue and Rader, published by Harvard Business School Press makes perfect sense, “ that investment managers should only make changes to investment portfolios when the assets they are purchasing are expected to generate higher returns than those they are selling, or when selling is necessitated by cash-flow, regulatory or other constraints ”.



Testimony of **Greg Heaslip**, Vice President Benefits, PepsiCo, Inc. April 29, 2004.

“ Over the past three years PepsiCo’s U.S. pension expense has risen from \$26 million to \$135 million, an increase of 500%.”

“ During the same period, PepsiCo has contributed \$1.6 billion to its plans in order to maintain a reasonable funded status....”



Does it really matter?

Keith Ambachtsheer, (" Why Pension Fund Management Needs a Paradigm Shift ")

“ For every 1 basis point (0.01%) of additional operating costs incurred in the management of pension fund assets

there was a 48 basis point (0.48%) reduction in performance over a typical 10 year period ”.

By implication, if additional or avoidable costs were to amount to 50 basis points (0.50%) over a 10 year period there would be a 24.50% reduction in performance. The percentage that investment cost consume of a fund's value obviously varies from fund to fund, as illustrated in a paper presented in October 2004 by Rob Rusconi to the Actuarial Society of SA.

“ Figures provided to the Registrar significantly under-report investment costs and from my analysis the core range

could be between 1.04% and 1.65% of Assets under Management (AUM). ”

“ I have not been able to explore the impact of issues like trading costs, brokerage and other hidden costs. ”

Results produced by the Electronic Trustee for a 12 month period show that these specific costs may in some cases add a further 150 basis points (1.50%) to a funds overall cost structure.



Does it really matter?

Rob Rusconi – from a research paper presented at Convention of Actuarial Society of SA. Oct, 2004.

“ The annual report published by the Registrar of Pension Funds for 2002 summarises the cost statistics for self-administered funds as follows ” :

Investments Advisors Fees	1096m	equal to 0.30% of AUM
Administration Fees	1091m	0.30%
Rest	717m	0.20%
Total Administration Expenses	0.80% or 80 basis points p.a.	

“ Figures provided to the Registrar significantly under-report investment costs and from my analysis the core range could be between 1.04% and 1.65% of Assets under Management (AUM). ”

“ The above range would equate to between 17% and 27% of a Fund’s total annual Contributions. ”

“ The cost the consumer pays to be able to save for retirement is clearly of concern to policymakers. ”

“ Costs are opaque.” This is particularly so in the life assurance and retirement funds environment. ”

“ We need to find ways to understand the link between cost and ultimate benefit. ”

“ I have not been able to explore the impact of issues like trading costs, brokerage and other hidden costs. ”

