



Colourfield BCI Smart Equity Fund

Smart beta investing seems to be the latest trend this year in the investment universe and Colourfield Liability Solutions launched a unit trust fund in April that not only uses the smart beta investing approach, but uses the Swix (JSE/FTSE shareholder weighted index) as its benchmark. Costa Economou, chief executive of Colourfield Liability Solutions explains that this is the first equity unit trust fund the company has launched and the fund uses a smart beta investment strategy, which is an investment strategy that is said to fill the void between active and passive investing.

“The fund is agnostic to personal views on the market’s outlook and uses analytical tools to pick stocks. It looks at factors that drive the expected return of a particular stock. Factors such as the market, the size of the company, the value of the shares and the profitability of the company typically drive a stock’s expected return,” he says. Economou goes on to say that a further driver of investment performance is the trading cost associated with investing in a particular stock, and so the management of trading costs is a key feature of the strategy.

“People tend to look at smart beta investments almost as an enhanced passive offering,” he says. Economou says that normal smart beta fund managers would argue that the smart beta approach will deliver the net of fees return that investors are looking for over a period of time. “On a net of costs basis, the smart beta approach should outperform the index, in this case, the Swix,” he explains.

As a high equity fund, this investment is best suited to aggressive investors or investors who have a long investment timeline, such as ten to 40 years, and has the primary objective of achieving high capital growth. This fund invests in equity securities, preference shares, property shares and property-related securities listed on exchanges.

Colourfield has partnered with Dimensional Fund Advisors to bring this product to the South African market. Dimensional Fund Advisors have a 20-year track record and is an investment firm with its headquarters in the United States. Dimensional Fund Advisors was founded by David Booth, and has on its advisory board Eugene Fama (Nobel prize winner) and Kenneth French, who are credited with coming up with the smart beta investment strategy. Colourfield,

in conjunction with Dimensional, will be managing the Fund.

Simulated Top 10 holdings

- Naspers.
- Sasol.
- MTN.
- Standard Bank.
- Sappi.
- Gold Fields.
- Brait.
- Firstrand.
- Netcare.
- Sanlam.

Top nine sector allocations

- Consumer discretionary.
- Consumer staples.
- Energy.
- Financials.
- Healthcare.
- Industrials.
- Information technology.
- Materials.
- Telecommunication services.

Minimum monthly investment: R1 000
Minimum lump sum investment: R10 000