



An Initial Analysis of African Mutual Fund Fees and Expenses

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ABSTRACT

The core objective of this study is to compile an African Mutual Fund database with a focus on fees charged, expenses borne and fund sizes. Until now, no consolidated database of African Mutual Fund expenses exists. The ancillary goal of the paper is to arrange the dataset in order to perform basic statistical analysis; and to test for the existence or non-existence of a number of internationally established relationships between fund fees, expenses and other variables in an African context. The paper aims to establish both similarities and abnormalities relating to the efficiency of African Mutual Funds in comparison with their international counterparts. No prior work has been produced in the context of African Mutual Funds as the industry has been overlooked, until recently, due to the growing perception of Africa representing the final frontier for investors seeking abnormal returns. The fundamental data utilized in this research paper includes African Mutual Fund Total Expense Ratios, Net Asset Values (NAVs), and mean Total Expense Ratios (TERs) for international mutual funds with no particular geographical limitations.

This paper achieves its objective of collating a comprehensive database of African Mutual Fund fees, expenses, size and other variables. Findings include weak evidence confirming the inverse relationship between the level of financial market development and mutual fund expense ratios, the inverse relationship between mean expense ratios per country and the strength of investor protection in the related country, and a positive relationship between fund family size and mean TERs – indicating the presence of scale economies in African Mutual Fund families. All such findings are in line with empirical evidence presented by international studies. Consistent with other exploratory research, the paper includes a number of *unexpected* findings and observations regarding the general disarray of corporate governance in the African Mutual Fund industry.

A foundation for the research of African funds has been built, and is intended to serve as a platform for future research as African financial markets continue to develop.

DECLARATION

I, Graysen Wright, hereby declare that the work contained herein is my original work (except where acknowledgements indicate otherwise) and that neither the whole work nor any part of it has been, is being, or is to be submitted for another degree in this or any other University. I empower the University of Cape Town to reproduce this thesis for the purpose of research, either the whole or any portion of the contents, in any manner whatsoever.

Signed by candidate

Signed at 19/10/2015

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IMPORTANT NOTES

i. Analysis of fees and expenses

Kindly note the acknowledgement of a dissertation that proved indispensable in the preparation of the fees and expenses section. “An Initial Analysis of South African Mutual Fund Expenses” by James Griffiths demonstrated immense value as a source of information. The paper succinctly distills the key determinants of fees and expenses in the South African Mutual Fund industry. The literature review for this section aims to merely update our knowledge using new studies that have come to light since the publication of James Griffiths’ work.

ii. Key Terms

The following terms need to be established upfront for clarity and to enhance understanding:

- Unless specified, “African” or “Africa” refers to the African continent, but excluding South Africa, and Islamic financial industry / Sharia’h compliant countries.
- “African Mutual Funds” refers to mutual funds that are available for investment to the general public in African countries, but excluding South Africa. Only mutual funds that are domiciled on the African continent are included in the scope of the research.

**see 3.3.4 “African Mutual Funds” for more detail.*

1. INTRODUCTION

The following research paper aims to provide the reader with a high level understanding of the efficiency of African Mutual Funds. As it is an initial study, the paper adopts a narrow focus, providing ample scope for subsequent studies and external validity. The paper finds its niche due to the simple fact that there is no mutual fund / collective investment scheme database available for the African countries under focus (challenges discussed in further detail in the *Data and Methodology* section). Note that the paper's core aim is to assemble and organize data relevant to the African Mutual Fund industry – a process that was immensely time consuming.

While the ancillary aim was to touch on as many relevant facts and relationships as were notable for the mutual funds in focus, the areas that enjoy the lion's share of interest include the following: The existence or non-existence of a relationship between fund TER and

- Fund size / liquidity
- 'Family of Funds' size
- Management fees charged

The preliminary analysis includes descriptive statistics, which aim to augment the readers understanding of the African Mutual Fund industry. The statistical outputs also serve the purpose of drawing attention to the existence or non-existence of possible relationships under scrutiny.

The *Descriptive Statistics* section contains detailed results of the following areas of focus relating to the analysis of fees, expenses and size of the mutual funds for which data was obtained.

- The descriptive statistics for the African Mutual Fund TERs as a whole.
- The difference between mean Total Expense Ratios (TERs) for Equity, Balanced and Fixed Income sectors within the African Mutual Fund industry.
- The relationship between 'family of funds' size and TER.
- The relationship between fund size (net asset value) and TER.
- The descriptive statistics mean TERs of funds that employ a load charge and those that do not.

The *Literature Review* section follows first and establishes fit and specific rationale for the writing of the paper. Outlining the ideas put forward by seminal texts and the findings of more recent studies provides a platform from which the paper embarks on its climb to the shoulders of giants. Sources of relevance were identified in a number of journal articles and working papers. The paper owes the finding of its niche to the substantial growth experienced in recent years in the African Mutual Fund industry - a host of existing questions can now be applied to a new and unique dataset. The literature review covers existing empirical evidence noted in numerous international studies. In addition, it aids the paper's conclusion by analogizing existing theories with the results of the AMF statistics and analysis.

Following the literature review is a *Data and Methodology* section, which outlines the process of data collection and standardization, how the data was composed, and a description of the statistical techniques used to examine the collected data. A summary of descriptive statistics and overarching data analysis supersedes the methodology discussion and is followed by the *Results* section, which describes the findings of the basic data analysis performed on the gathered data. It must be noted that an additional contribution is presented in the *Other Findings* section, in the form of commentary over the state of corporate governance in the African Mutual Fund industry. As with any pure research, unexpected findings are unearthed and must be documented. The *Other Findings* section is an open criticism of the state of corporate governance exhibited by African financial market regulators, specifically with regards to collective investment.

The thesis concludes considering the findings of the statistical analysis and further research performed. Finally, an *Appendices* section contains the collated data that was analyzed along with other tables relevant to the study. A list of contact details of African data correspondents will be made available on request.

2. LITERATURE REVIEW

African Collective Investment

The initial impetus driving this research paper lies in the “African growth” ideal. “Expansion into Africa” has become an increasingly popular buzz-phrase to be included in South African listed company Annual Reports. Just as the giants of the South African retail and banking sectors scramble for first mover advantage in relatively uncharted markets, it is expected that fund managers will follow suit. While endless research can be sourced citing growth in South African unit trusts, research papers on the African Mutual Fund industry are few and far between (in most cases, non-existent). The scope for research in the context of African Mutual Funds is therefore immense.

The bulk of existing research on collective investment schemes has understandably been performed using data and observations gleaned from the developed markets of Europe and the United States. Griffiths (2009) performs an initial analysis of mutual fund expenses and fees charged by South African domiciled collective investment schemes. Key findings include the observation of no markedly clear relationship between mutual fund performance, and significantly higher expenses borne by the South African Mutual Fund industry in comparison with other developed nations abroad. Laderman and Smith (1993) found that the US Mutual Fund Industry grew from less than \$50 billion in 1977 to over \$1.6 trillion at the time of writing their paper in early 1993. In their paper that focuses on explaining the size of mutual fund industries around the world, Khorana et al (2004) make a host of interesting observations of particular relevance:

- The age of the fund industry in the country under investigation is positively related to its size and recent growth rate. This implies that an older, more established mutual fund industry will be growing at a faster rate than a more recently established industry;
- Countries with lower trading costs have a more developed fund industry, which indicates that the ability to offer liquidity at a low cost is a crucial factor for the industry’s growth.
- Mutual fund growth is higher in countries that have stronger judicial systems, demand more regulatory approvals, and have a higher GDP per capita.
- In summary, these results suggest that mutual funds thrive in more developed economies.

Otten and Schweitzer (2002) make equally valid observations illustrating that the converse may also be valid. They found that smaller European countries have mutual fund industry growth rates up to 8000%. This is due to the fact that for their period under review, the mutual fund industry in some countries barely existed (e.g. Spain and Italy in 1992). Otten and Schweitzer (2002) also found that some underdeveloped mutual fund industries are growing rapidly due to the accelerating demand for mutual fund services in those countries.

It was interesting to note that Khorana et al (2004) made the following known in a footnote, substantiating the difficulty inherent in obtaining data for African Mutual Funds:

“For (the following) countries, we can determine that an industry exists, but are unable to verify its size. These are... Nigeria (...) and Zimbabwe. (The following) countries appear to have some mutual fund regulation, but we cannot establish with certainty that funds are actually in existence. These are (...) and Kenya.”

Fernando et al (2003) assert that capital market development (reflecting investor confidence in market integrity, liquidity and efficiency) and financial system orientation were the main determinants of mutual fund growth. Restrictions on competing products acted as a catalyst for the development of money market and (short-term) bond funds. It might therefore be a valuable and interesting exercise to compare the number and growth of listed securities on African Exchanges with the number and growth of publicly available Collective Investment Schemes in those countries. Fernando et al (2003) also found that mutual funds in developing countries (countries with less developed capital markets) are likely to enjoy less benefit in terms of economies of scale and risk diversification, due to generally riskier assets, limited investment mandate, or limitations regarding the universe of available securities. An interesting observation is that these less liquid or developing markets provide greater opportunity for fund managers to outperform the market index, making passively managed funds or index trackers less appealing to investors. Maturana and Walker (1999) also found that operating costs and expense ratios are much higher in developing countries.

Meyer-Pretorius and Wolmerans (2006) analyze the South African Mutual Fund industry over the period 1965 – 2005. Their study revealed that the South African Mutual Fund industry experienced a compound annual growth rate of 40 percent per annum in comparison with a growth in GDP of 14 percent per annum over the same period. This growth further apparent due to the increase in the number of funds over the period under scrutiny, from 1 fund in 1965 to 567 funds in 2005. Griffiths (2009) investigates further and updates these growth figures to reveal a total of 907 funds registered with ASISA (Association for Savings and Investment SA) in December 2009.

2.1 Variation of Fund Fees across Borders

Khorana et al (2004) provide meaningful insight regarding the link between the level of mutual fund regulation in the mutual fund's country of domicile and expenses borne by the affected mutual funds. They argue that excessive regulation constrains mutual fund industry growth, resulting in fund managers choosing to set up operations in less regulated financial markets. A greater degree of financial regulation results in greater barriers to entry, strangling the level of competition in the industry. It could therefore be argued that high regulatory expenses, coupled with the lack of competition that follows suit, leads to greater fees charged by the fund in order to recoup costs and due to the lack of supply. Franks et al (1998) perform a valuable yet limited study which contrast the costs of fund management across three developed nations – The U.S., UK and France. They found that the costs of investment management in the UK are double that of the costs borne in America, and 4 times as costly as is prevalent in France. A similar conclusion was drawn regarding the level of regulation in the industry – It's a positive relationship with investment management fees. It is interesting to note the difficulty regarding the removal of existing financial regulation, partly due to the fact that existing market participants have already incurred the costs associated with regulation and are therefore incentivized to argue against the reduction in regulatory fees, as they represent a significant hurdle for new entrants.

Khorana et al (2007) published an important study on mutual fund fees around the world. The study furthers the theory that the variation in fund fees across international borders arises due to varying degrees of regulatory obligation, which can be construed as the strength of investor protection, and cost (as well as certain supply and demand factors). For the sample tested, they find evidence that nations whose laws protect fund investors better have larger fund industries. Khorana et al (2007) also theorize an inverse relationship between mutual fund market size and lower fees, due to increased competition in the industry. Surprisingly their data revealed the opposite was true – a positive relationship exists between the size of the industry and Total Expense Ratios. A further theory put forward by Khorana et al (2007) is that funds domiciled in certain countries with favorable taxation legislation may charge higher fees due to the taxation benefit granted to fund holders. Strong evidence was found for this theory suggesting that total shareholder costs (a metric put forward by Khorana et al, which combines management fees with load charges on both purchase and sale, whilst assuming a 5 year holding period) and taxation privileges. An interesting observation made was that the less common onshore foreign funds charge fees 2.5–3.5 basis points less than those charged by domestic funds. This is most probably due to the economies of scale achieved by larger multinational fund managers. It may be an interesting exercise to explore whether the benefit of local knowledge of

the market (and hence hypothesized outperformance) outweighs the incremental fees of choosing a local fund manager versus an onshore multinational. Fees are also found to be lower for larger funds and families of funds. Finally, they find that there exists an inverse relationship between the age of the fund management industry and fees charged by the industry. It seems that lower TERs can, in part, be explained by cumulative investor experience. In summary, evidence supporting the following relationships has been demonstrated to exist:

- Fees are lower in countries with superior regulatory and judicial systems (positive relationship between investor protection rank and fees).
- Fees are higher in countries where the costs of regulation are higher, as these costs are simply passed onto retail investors.
- The more countries in which a fund is registered for sale, the more expensive it is.
- Strangely, fees and mutual fund market size are positively related (hypothesized to be negatively related due to competition)
- Fees are lower in countries with older fund industries / capital markets.

2.2 Economies of Scale Evident in the Mutual Fund Industry

The conclusions drawn by a number of studies focused on economies of scale in the mutual fund industry are surprisingly varied. Latzko (1999) examined the mutual fund industry in the U.S. and did not find any evidence of economies of scale with regard to operating expenses. Furthermore, Latzko (2001) revealed that funds within a larger family of funds do not charge investors lower fees due to economies of scale at a family of funds level. Gao and Livingston (2008) found that the presence of economies of scale in the U.S. mutual fund industry arises mainly due to non-existence of any economies of scale in the smallest third of funds. Barber et al (2005) note that larger funds with greater market share exhibit lower TERs. In terms of cause and effect, they conclude that it is fund growth – fueled by outperformance and inflows of new funds – that leads to lower expenses, and not vice versa. Haslem et al (2008) agree that better performing mutual funds are likely to attract more investor purchases which, in turn, results in lower TERs by virtue of the degree of operating leverage inherent in mutual funds.

Sirri and Tufano (1998) studied the effect of fees on mutual fund flows, concluding on the existence of a negative relationship between the two. Their data revealed that fee increases do not necessarily result in outflows of assets under management, but fee decreases result in noteworthy increases. Collins and

Mack (1997) find empirical evidence of the existence of economies of scale benefits due to the large overheads in the mutual fund industry. Their findings also suggest that scale economies in the U.S. mutual fund industry have yet to be exhausted and that opportunities still exist for smaller market players to benefit from growth in assets under management. Maturana and Walker (1999) found that these studies might not have the same implications for mutual funds in less developed countries. Mutual funds in developing countries with capital markets in relative infancy are less likely to enjoy the same economies of scale and diversification of risk as mutual funds in developed countries. Their study found that operating costs and expense ratios are significantly higher in developing countries – during the 1990s in Chile, TERs amounted to 6 percent for equity type funds and 2 percent for bond funds, before taking into account load and exit fees. Khorana et al (2007) find studied mutual funds at an international scale, and found that fees are lower for larger funds and fund families.

Rea et al (1999) perform a study, which examines the extent to which assets of individual equity funds in the U.S. are inversely correlated with their operating expense ratios. Their findings reveal a strong inverse relationship, providing backing for the hypothesis that larger funds should typically be less expensive to operate per dollar of assets than smaller funds, all other factors being equal. They found that for the smallest assets under management grouping, where funds manage an asset base of \$250 million or less, the average operating expense ratio is 139 basis points. As assets under management increase, the average operating expense ratio falls at a predictable rate, settling at an average of 70 basis points for the group of funds with the largest asset base - over \$5 billion in assets. Latzko (2001) analyzed the relationship in further detail by adding the dimension of time to the inverse relationship that other academicians have observed. By collating a panel data set housing up to seven annual observations on a cross-section of mutual funds, Latzko found that the average elasticity of TERs in relation to fund assets is significantly less than one. This indicates the existence of scale economies in mutual fund administration.

Surprisingly, contrary to evidence from the US market, Gil-Bazo and Martinez (2003) found evidence indicating that larger funds are not necessarily associated with lower fees, but with higher custodial fees for guaranteed funds and higher exit fees for guaranteed and non-guaranteed funds. However, academics generally concur that larger companies experience scale economies and hence enjoy smaller TERs. Geranio and Zanotti (2005), Malhotra and McLeod (1997), Tufano and Sevick (1997), Ferris and Chance (1991), and Baumol et al (1990) all claim to have found empirical evidence of economies of scale in the mutual fund industry.

2.3 Components of Mutual Fund Fees

Mutual fund fees as a whole can be fragmented into three components. Firstly, fund managers generally charge a fixed “Management Fee” or “Service Fee” which varies depending on the level of active management required for the fund – i.e. a passive index tracking fund or a money market fund is expected to warrant a lower management fee than a managed, or pure equity fund. Secondly, some funds opt to charge fees upon the event of a flow of capital. These are commonly dubbed “Load Fees” (or “Initial Charges”) and “Exit Fees” (or “Withdrawal Charges”). As is apparent with management fees, Load and Exit charges are commonly charged by managed, balanced and equity funds, with the latter suffering from the highest charges. This is presumably an attempt by equity fund managers to attract investors with a long-term time horizon, enabling them to recoup the flow fees over a greater holding period. It seems with greater promised returns comes greater fees in addition to the additional risk. Finally, certain fund managers charge performance or “incentive” fees, which generally entitle them to participate in outperformance beyond a predetermined hurdle rate. Note that due to the lack of incentive fees observed during the data collection phase of this research paper, mutual fund performance fees literature was not explored in further detail.

Gil-Bazo and Martinez (2003) employ a somewhat non-conventional approach in their study *The Black Box of Mutual Fund Fees*. They choose to analyze each type of fee separately – as opposed to formulating some sort of ‘total shareholder cost’ metric that aggregates all fees borne by the mutual fund investor. The study also departs from most mutual fund expense studies, which focus on the US market, by focusing on the Spanish mutual fund industry. The found clear evidence that some funds enjoy better economic terms from custodial institutions than others. An interesting observation made in this Spanish study is that pricing of fees by mutual funds was not found to be related to fund before-fee performance. Finally, a different type of size metric was found to have explanatory value. An increase in the size of the fund’s *average investment*, was found to be associated with:

- Lower total annual expenses (despite higher custody fees) for non-guaranteed and guaranteed funds;
- Lower load charges for guaranteed fund; and
- Lower redemption fees for non-guaranteed funds.

Amalgamating their findings, Gil-Bazo and Martinez (2009) conclude that there are significant variances in mutual fund fees across fees with different characteristics, and theorize the possibility of attributing some differences to better services.

Dellva and Olsen (1998) recognized a fascinating pattern in their study of mutual fund fees and expenses, which is discussed further in Section 2.6. Berk and Green (2003) theorize that fees are determined by the fact that fund managers act rationally and are subject to various constraints. Managers act in their own best interests by attempting to maximize fees. The study reveals fee maximization is desired in absolute terms. The most effective means of fee maximization is therefore the maximization of assets under management. Rational managers act to maximize total fees, but are constrained in their fee setting such that the expected return from the fund after fees greater than passive returns investors could earn on their own by investing in an index-tracking fund. It could therefore be hypothesized that quoted fund fees are a function of expected / forecast returns, and desired assets under management growth rate.

In their study of board structure and the setting of fees in the U.S. mutual fund industry, Tufano and Sevick (1997) allude to the existence of the agency problem and corporate governance issues in the mutual fund industry. They found that fund holder fees are lower when boards are smaller and enjoy a greater balance of power – i.e. heavier composition of non-executive directors. This is a sort of ‘catch-22’, as a greater balance of power would require a larger board of directors by virtue of the fact that in many governance codes, there is a minimum number of prescribed executives, and as non-executive or independent directors are added to the board, the size of the board will grow. Tufano and Sevick also found some evidence that funds whose independent directors are paid higher emoluments, tend to approve higher fund holder fees. Tufano and Sevick (1997) found that the level of director compensation that is unexplained is positively associated with fee levels, although this relationship was only found to be weakly significant. Sirri and Tufano (1998) found that U.S. fund vendors spend more than half their operating expenses on marketing costs. The reason for the focus on marketing expenditure is that funds with a greater marketing spend should grow faster and should also enjoy a magnified response to the reporting of strong performance. Quite simply, low fee funds have lower expense ratios because they spend less on marketing efforts. Fund managers aim to amplify the effect of strong historical performance on fund flows through heavy promotion. Sirri and Tufano also demonstrated that funds charging higher fees grow at a slower rate, and that a drop in fees tends to be associated with accelerating fund growth. There seems to be a balancing act between maximizing marketing spend thereby attracting new flows of capital through financial media, and minimizing fees – hence minimizing the on-charge of marketing costs to current fund holders. This is probably as a result of the relatively high degree of operating leverage exhibited by mutual funds, and the resultant economies of scale. Recalling the findings of Berk and Green (2003), it could therefore be submitted that marketing costs, fund holder fees, the fund growth trajectory desired by the fund manager, and fund size are all dynamically linked. Fund managers have the option between retaining returns and

using them to market the fund and foster new growth. Barber et al (2005) found that a number of U.S. mutual funds that advertised in certain financial press grew at a significantly faster rate than those funds that did not. Barber et al (2005) also identified that funds with higher growth rates exhibit higher TERs, although expenses were not fragmented further into marketing costs.

Houge and Wellman (2006) attribute the charging of load fees to the level of sophistication of the fund's target market. They claim that funds in the U.S. charge higher fees to less sophisticated investors. They speculate that funds which do not charge front-end loads generally attract more knowledgeable investors, and feature lower fees overall. Furthermore, they submit that investors in funds that charge load fees pay higher fees overall, and are essentially paying for the mutual fund to be marketed to them. Freeman and Brown (2008) showed that total fees charged by mutual funds were bloated by comparing them to fees charged by pension funds for the same services. The comparison revealed that fund holders would save billions of dollars annually if fund management were brought in line with those charged by managers of the public pension funds' equity portfolios. Houge and Wellman (2006) further note that mutual funds heavily promote historical performance but rarely compete on expenses, even though these represent a dead weight on fund holder investment performance. Once invested in mutual funds, investors may face high costs in the form of searching for a lower fee alternative or competitor, and in some cases the payment of further redemption fees. This has the effect of inducing them to maintain the status quo. The common conclusion, upon which these studies reach their summit, raises ethical concern for the U.S. mutual fund industry.

2.4 The Relationship between Fund Types, Fund Objectives and Fund Fees

Chordia (1996) theorized and found evidence of the relationship between fund fees and asset allocation strategies. As noted above, funds dominantly comprised of equity investments or aggressive type funds tend to charge higher load and exit fees in order to discourage redemptions. While it is submitted that the intention therein is to disincentivise a short term holding period, Chordia (1996) attributed the relationship to the fact that more aggressive funds tend to hold less liquid stocks. He emphasized that fees dissuade redemptions in open-end funds. Furthermore, funds charging front load and redemption fees hold less cash than their no-load counterparts. Chordia's results advocate that aggressive or predominantly equity funds are more sensitive to flows of capital and hence tend to rely on fees to dissuade redemptions. It is observable that a higher return benchmark warrants higher fees. Carhart (1997) asserts a similar finding, claiming that equilibrium requires mutual funds to charge

flow fees to incoming and outgoing investors in order to compensate for their perturbing effects on fund performance. The study examining mutual funds around the world by Khorana et al (2007) fragments an incredibly large population of funds by their investment objective. They first divided funds into broad categories according to investment mandate: Balanced, Bonds and Cash, Bonds, Convertible Bonds, Equities, Money Market, Real Estate etc. These categories were then further divided into region of investment. They found costs and fees to be higher for certain types of investment objectives than others. For instance, fees were highest for equities, followed by balanced, bond and money market funds respectively.

The Investment Company Institute publishes a summary of trends in fees and expenses in the U.S. mutual fund industry on an annual basis. In the latest update (2013), it was found that expenses ratios for all types of funds have consistently fallen over the past thirteen years. The following two figures adequately summarize their findings:

Figure 1

| Average Expense Ratios Across Fund Types | | | | |
|--|--------|--------|------|--------------|
| <i>Basis points, 2000-2013</i> | | | | |
| Year | Equity | Hybrid | Bond | Money market |
| 2000 | 99 | 89 | 76 | 49 |
| 2001 | 99 | 89 | 75 | 46 |
| 2002 | 100 | 89 | 74 | 44 |
| 2003 | 100 | 90 | 75 | 42 |
| 2004 | 95 | 85 | 72 | 42 |
| 2005 | 91 | 81 | 68 | 42 |
| 2006 | 88 | 78 | 67 | 40 |
| 2007 | 86 | 77 | 64 | 38 |
| 2008 | 83 | 77 | 61 | 35 |
| 2009 | 87 | 84 | 64 | 33 |
| 2010 | 83 | 82 | 63 | 24 |
| 2011 | 79 | 80 | 62 | 21 |
| 2012 | 77 | 79 | 61 | 18 |
| 2013 | 74 | 80 | 61 | 17 |

Note: Expense ratios are measured as asset-weighted averages.

Sources: Investment Company Institute (2013)

As expected, the Investment Company Institute's (2013) report reveals clear differences between fees charged by equity, bond and money market fund types. Of particular relevance to this research report

is the notably higher expense ratios charged in emerging markets.

Figure 2

| Fund Expenses Vary by Investment Objective | | | |
|--|---------------------------------------|---|--|
| <i>Selected investment objectives, 2013</i> | | | |
| Fund type and investment objective | Asset-weighted <i>Basis points</i> | Total net assets* <i>Billions of dollars</i> | Net new cash flow* <i>Billions of dollars</i> |
| Equity funds | 74 | \$7,764 | \$160 |
| Blend | 50 | 2,785 | 34 |
| Growth | 85 | 1,377 | -29 |
| Value | 83 | 1,222 | -13 |
| Emerging markets | 108 | 306 | 33 |
| Sector | 83 | 297 | 16 |
| Alternative strategies | 134 | 51 | 9 |
| Hybrid funds | 80 | 1,27 | 73 |
| Bond funds | 61 | 3,265 | -80 |
| Investment-grade: multi-, intermediate-, and long-term | 48 | 1,094 | -88 |
| Municipal | 57 | 498 | -58 |
| High-yield | 81 | 412 | 54 |
| Investment-grade: short- and ultra short-term | 43 | 261 | 23 |
| Multi-sector, multi-term | 84 | 173 | 21 |
| Mortgage-backed | 50 | 120 | -36 |
| Inflation-protected | 42 | 95 | -32 |
| Money market funds | 17 | 2,718 | 15 |

*Components do not add to the total because, for brevity, some investment objectives are not shown. For example, among equity funds, four investment objectives with assets totaling \$1,728 billion are not shown.

Note: Data excludes mutual funds that invest primarily in other mutual funds. Data includes index mutual funds but excludes ETFs.

Sources: Investment Company Institute (2013)

2.5 The Relationship between Mutual Fund Industry Competition and Concentration with Fees

Korkeamaki and Smythe (2004) have published a number of papers examining the Finnish mutual fund industry. High growth rates, strong bank dominance, and recent EU membership, make it an interesting market to examine. They found evidence that bank-managed and older funds charge

higher expenses but investors are not compensated for paying higher expenses with higher risk-adjusted returns, suggesting a potential agency problem. This suggests that fund industries with a greater degree of market concentration will generally experience higher fees. Hortaçsu and Syverson (2003) note enormous dispersion in the fees charged by U.S. The dispersion persists despite the high levels of competition among the large number of fund management firms. They found that these differences were not simply a result of variation across fund sectors – fee variation within even narrowly defined sectors was substantial. This implies that the level of competition in the fund management industry does not materially affect variations in fees. However, it must be noted that this study was performed on one of the most developed mutual fund industries in the world, and the same conclusions may not hold true for emerging markets. Contrary to the findings of Hortaçsu and Syverson (2003), Khorana and Servaes (2007b) found that fund price competition is an effective strategy in obtaining market share. A further paper from Khorana and Servaes (2007a) investigates the extent to which competition in the mutual fund industry constrains the conflict of interests between fund managers and investors. In its simplest form, they describe the conflict of interest as follows: Mutual fund investors seek high risk-adjusted returns at the lowest possible cost, whereas fund managers seek to maximize assets under management and hence management fees. Their study revealed that fund managers charging lower fees relative to competition gain market share, but only if fees charged were above the industry mean to begin with. This finding was also found to be skewed due to the revelation that low cost funds do not lose market share upon raising their fees.

2.6 The Relationship between the TER and Fund Fees

Dellva and Olsen (1998) fragment the fees charged by mutual funds and explore the relationships between these fund holder fees and fund TERs. For their extensive sample, they found that, in aggregate, 12b-1 fees¹ and fund exit fees increase expenses, whereas funds with load charges generally exhibit lower expenses. Their second finding, a more engaging one when considered in tandem with their first finding, is that funds with 12b-1 fees and exit fees (and higher TERs) tend to outperform the funds with front-end load fees (lower TERs) on a risk-adjusted basis.

¹ Investopedia.com describes 12b-1 fees as “an annual marketing or distribution fee on a mutual fund. The 12b-1 fee is considered an operational expense and, as such, is included in a fund's expense ratio. It is generally between 0.25-1% (the maximum allowed) of a fund's net assets.”

2.7 Dual Listed Funds and Domestic Funds

Khorana et al (2007) found that the regulatory compliance requirements that arise from the same product offering made available in multiple countries, leads to increased mutual fund fees. In fact, their sample revealed that for each country in which a fund is registered, fees are expected to rise by between 1.7 and 2.5 basis points per annum. Investors should therefore scrutinize the number of countries in which a foreign fund is registered before investing. Khorana et al (2007) also found that cross border funds initially charge a discounted fee. However, when funds are sold in more than three countries, the cross border discount is eroded away. Finally, the paper reveals that fees of all types for offshore funds are higher than for domestic funds. It will be interesting to note whether or not this effect is prevalent in African multinational fund managers.

2.8 Ancillary Topics

2.8.1 The Relationship between Fund Performance and Fees

Golec (1996) found that funds that charge lower fees and manage more diversified portfolios perform better. Carhart (1997) uncovers an array of findings linking fees and expenses with the performance of mutual funds. Carhart affirmed for his sample, that fund age, size, or load charges have little or no explanatory value with regard to the large spread noted in fund performance. He also found that both expense ratios and portfolio turnover are significantly and inversely related to fund performance. Dellva and Olson (1998) argued that fees might be justifiable if they result in an improvement in fund performance. Like results noted by Carhart (1997), Dellva and Olsen (1998) found a significant negative relationship between TERs and risk-adjusted fund performance. Gil-Bazo and Ruiz-Verdu (2000) investigated equity mutual funds for the relationship between performance and fees. They found that funds with worse before-fee performance charge higher fees. Gil-Bazo and Ruiz-Verdu (2000) concluded on yet another robust negative relationship between fees and performance, explained as the outcome of strategic fee setting by mutual funds in the presence of investors with different degrees of sensitivity to performance. Their work can therefore be interpreted to reveal that superior performing funds do not require additional expenditure need not incur greater costs in order to obtain informational advantage.

Many studies have sought to disprove the perceived utility of mutual funds. Both Treynor and Mazuy

(1966) and Sharpe (1966) came to a similar conclusion in their work, concluding that investors would be better off following a simple buy and hold strategy as opposed to the net-of-fees returns exhibited mutual funds. There are scores of academics affirming that the long-term investor is better off buying the index when compared to the average mutual fund returns, net of fees (Elton et al, 1993). Gerber (1996) found that the average mutual fund underperformed its benchmark index by 65 basis points each year, over the period 1985 to 1994. However, there are academics that claim the contrary. Both Williamson (1972) and McDonald (1974) found that mutual fund manager are justified in terms of fees charged to investors. In a more recent study, Wermers (2000) used a newer database to analyze mutual fund fees and performance. He found that mutual funds pick stocks that outperform the market by 1.3 percent per year, but their net returns underperform by 1 percent. This leaves a 2.3 percent difference, of which 0.7 percent is due to the underperformance of non-equity / stock holdings, and the other 1.6 percent due to expenses and other transaction costs. Wermers (2000) therefore concludes that mutual funds pick stocks well enough to cover their costs.²

2.8.2 The Relationship between Fund Expenses and Age

Dellva and Olson (1998) assert a strong inverse relationship between mutual fund age and expense ratios for mutual funds for U.S. funds, implying that more mature funds enjoy lower TERs. They cogitate that this could be due to the fact that newer funds must incur start-up costs, which are passed on to investors. Tufano and Sevick (1997) found that funds in the U.S. of greater age tend to charge higher fees. Many academics hypothesize that older mutual funds charge a premium for greater experience. Khorana et al (2007) found that the age of the mutual fund industry or capital market has explanatory value. They found that all three types of fees were lower when the fund industry in the domicile country is older, but only significantly so for management fees and TERs.

Ferris and Chance (1987) propose that a type of learning-curve effect might enable older, more experienced funds to achieve greater operating efficiency. Finally, Houge and Wellman (2007) attribute price elasticity of demand to the variances in fees noted between funds of varying age. It is difficult for fund managers to raise the expense ratio of well-established funds, however they have much greater flexibility with regard to fees and expenses upon issuing a new fund.

² Note that due to the limited scope of this research paper, performance metrics and their relation to fees and expenses have not been analyzed. However, this has not yet been done in an African context and would be an interesting field to research.

2.9 African Mutual Fund Industries

The countries selected for investigation include Namibia, Botswana, Swaziland, Lesotho, Zimbabwe, Zambia, Kenya, Nigeria and Uganda. Further detail regarding availability of data is available in the *Methodology* section. The following subsections are intended to give the reader a broad understanding of the financial markets in focus.

2.9.1 Ugandan Mutual Fund Industry

According to the Capital Markets Authority of Uganda (CMA Uganda), there are currently two types of funds that fall within the scope of the term ‘Collective Investment Schemes’. A licensed scheme or fund may be a unit trust scheme or an investment company with variable capital (KPMG, 2013). The former type of scheme is investigated further as the purpose of this research paper is to analyze the fees and expenses charged by mutual funds or investment vehicles available to the broader public. Per inspection of CMA Uganda records, only seven firms are listed as Investment Managers, many of which act merely in an advisory or fund allocation role. Of all the registered entities, only two were found to be operating unit trusts in Uganda for the whole of the 2013 financial year. A further four entities have commenced the provision of collective investment schemes to the public since January 2014. The total market capitalization of the indicative population of publicly available mutual funds, as at 31 December 2013, is estimated at UGX 8.11 billion. The table below highlights key industry and economic data for Uganda:

Figure 2.9.1

| Uganda Market Related Data, as at 31 December 2013 | |
|---|-----------------------------------|
| Observable Mutual Fund Industry Size (Total AUM, Ugandan Shilling)* | 8 111 961 401 |
| Observable Mutual Fund Industry Size (Total AUM, USD) | 3 252 721 |
| Number of Registered Collective Investment Scheme Managers | 3 |
| GDP - 2013 (USD millions) | 21 494 |
| Corporate Tax Rate (applicable to fund managers) | CIS exempt to extent distr. / 30% |
| Minority Investor Protection Global Rank (189 countries) | 110 |
| Minority Investor Protection Sub-Saharan Africa Rank (47 countries) | 16 |

a. Regulation of Funds

In order to conduct business in the mutual fund industry in Uganda, the fund manager must first register as an investment advisor with the Capital Markets Authority (CMA). The CMA has established a number of regulations; the most notable compliance requirements establish working capital limits and a shareholder's equity floor of 150 million shillings (KPMG, 2013).

b. Fund Registration / License Fees

The costs of registration as an investment manager and a licensed unit trust are relatively low. At the time of writing (December, 2014) the following fees were in effect for registration and annual membership: Upon registration, total application fees amount to UGX 3'500'000 (USD 1'250). In addition, all authorized corporate directors or managers of a recognized scheme are required to pay an annual license fee of UGX 1'500'000 (USD 540). Barriers to entry into the Ugandan CIS industry are therefore exceptionally low by international comparison (KPMG, 2013).

c. Taxation of Fund Managers

The income of a Ugandan CIS is exempt from tax to the extent of which the income is distributed to CIS unit holders. This follows logically as the benefit lies with unit holders – a benefit that will only be realized upon sale of their units.

Fund management companies are taxed at the same corporate tax rate and in the same manner as other companies in Uganda. A resident company is taxed on worldwide income. Thus regardless of whether income is earned from foreign clients, the income is taxable. The corporate tax rate for resident companies in Uganda is 30%. Where the resident company's income is sourced and taxed from outside Uganda, the said company is entitled to a tax credit equivalent to the amount of tax levied out of Uganda. Non-resident companies, which operate in Uganda as a branch, are taxed at 30% plus 15% on any repatriated profits. For this reason, all multinational asset managers operate through a separately registered entity in Uganda (KPMG, 2013).

d. Ugandan CIS Industry & Influential Factors

Lutwama (2010) provides a valuable and concise overview of the Collective Investment Scheme (CIS) industry in Uganda. Lutwama (2010) draws attention to the markedly slow acceptance of CISs by the general public and the reluctance of retail investors to choose equity funds:

- In March 2010, after a period of almost 6 years since the establishment of the first Ugandan CIS, there were only 699 retail investor accounts. This is poor in comparison with the 128'067 mutual fund retail investors in Ghana as at 31 December 2008.
- Fixed Income / Yield Funds and Money Market funds are preferred by retail investors due to public unfamiliarity with the equity component that dominated the asset class weightings in the Balanced funds. Furthermore, money market funds dominate the industry in terms of size / assets under management. This is due to the similarity between a money market fund and the typical fixed deposit account on offer at a commercial bank.

Per correspondence with the CMA of Uganda, the number of registered fund managers grew from just 2 as at 31 December 2013 to 7 a year later. This growth in the Ugandan mutual fund industry follows a steep decline in interest rates in December 2011 and throughout 2012. Interest rates reached an all time high of 23% in November 2011 and a record low of 11% presently (January 2015). This dramatic fall in interest rates could be viewed as a catalyst for the recent increase in the number of registered fund managers in Uganda. Sierra (2012) noted in his study *Consumer Interest Rates and Retail Mutual Fund Flows* that “retail equity mutual fund flows in Canada are negatively related to current and past changes in a component of the prime and 5-year mortgage rates.” This is expected, as rational investors are expected to switch to debt and liquid assets as interest rates rise. The converse is also true as the prime rate exerts a contemporaneous negative effect on mutual fund flows (Sierra, 2012). Sierra concludes that the results of his study indicate that retail investments in domestic equity mutual funds take time to respond to changes in interest rates. It is therefore interesting to note that the lag between the decrease in interest rates in 2012 and the increase in the number of registered fund managers in Uganda in 2014 support his hypothesis and findings. Recently, the benchmark interest rate as set by the Bank of Uganda has been fluctuating between 11 and 12% for the past 2 years (since January 2013).

Lutwama (2010) cites four dominant reasons for the poor growth in the Ugandan CIS industry:

- The lack of knowledge of the investment universe – over 70% of the adult population save in a secret hiding place. In addition, the public is fearful of the risks associated with mutual fund investment.
- The lack of sufficient savings for investment – the majority of the general public save to meet their daily needs and to self-insure against emergencies including sickness and death.
- Competition from other financial intermediaries – investors are more accustomed to depositing savings with a commercial bank, micro-deposit institution or co-operative institution. The short term fixed deposits on offer earn a comparable rate of return to money

market funds, and enjoy an advantage in terms of accessibility. Savings are perceived to be more easily accessible by the presence of a brick and mortar branch network and Automated Teller Machines (ATMs).

- Finally, Lutwama cites the low level of capital markets development in Uganda as a reason for hampered CIS industry growth. Growth is reliant on the level of risk diversification that is possible in the capital market. With only 18 equity and 35 fixed income publicly traded securities, the level of diversification obtainable leaves much to be desired.

Beck and Hesse (2009), provide further insight into the financial industry in Uganda. The high level of interest rates (which detracts from the attractiveness of equity dominated funds) can be explained by a number of factors, the most notable of which are listed below:

- Deficiencies in legal and contractual frameworks result in information asymmetry between lenders and borrowers. Lenders are rendered unable to perfectly approximate the level of risk and hence creditworthiness of borrowers, pushing the price of capital (interest rates) higher.
- The size of the Ugandan financial system does not allow for the economies of scale required to recoup the fixed costs of running a financial enterprise, which includes fixed property rental, computer systems, and legal and accounting services. Costs are passed on to customers through higher lending rates.

2.9.2 Kenyan Mutual Fund Industry

Investment funds in Kenya are typically referred to as Collective Investment Schemes (KPMG, 2013). The Capital Markets Authority of Kenya lists a total of 19 entities registered for the provision of Collective Investment Schemes in Kenya. The total market capitalization of the Kenyan Collective Investment industry, observed as part of this study as at 31 December 2013, was 37.6 billion shillings. The table below highlights key industry and economic data for Kenya:

Figure 2.9.2

| Kenya Market Related Data, as at 31 December 2013 | |
|---|----------------|
| Observable Mutual Fund Industry Size (Total AUM, Kenyan Shilling)* | 37 595 496 270 |
| Observable Mutual Fund Industry Size (Total AUM, USD) | 441 850 308 |
| Number of Registered Collective Investment Scheme Managers | 18 |
| GDP - 2013 (USD millions) | 55 243 |
| Corporate Tax Rate (applicable to fund managers) | 30-37.5% |
| Minority Investor Protection Global Rank (189 countries) | 122 |
| Minority Investor Protection Sub-Saharan Africa Rank (47 countries) | 20 |

a. Regulation of Funds

The supervisory authority for collective investment undertakings is the Capital Markets Authority (CMA) of Kenya. In order to conduct business in the as a CIS in Kenya, the fund manager must first register and pay the prescribed registration fee to the CMA. The 'prescribed fee' for fund set up is not categorically stated in any legislation or regulations. The CMA has established a number of regulations, the most notable compliance requirements relate to investment holding restrictions (e.g. No fund may invest more than 80% of fund assets in listed equity shares), and the restriction of lending any portion of fund capital to third parties. A fund size floor is set by requirement of fund managers to be capitalized by no less than KSHs 25 million of unit holder funds. An investment company is only to be registered as a collective investment scheme upon providing proof that it has raised the minimum amount of KSHs 25 million (CMA Investor Education Handbook, 2014). The level of diversification required by the Kenyan CMA is notably less onerous in direct comparison with the other African Mutual Fund industries studied in this paper. The NAV of scheme's holding of securities relating to any single investee may not exceed 25% of the collective investment scheme's total net asset value.

b. Taxation of Fund Managers

Kenyan funds ordinarily invest in marketable securities, where fund returns normally comprise dividends and interest. Dividends and interests are subject to withholding tax (at 5% and 15% respectively) – borne by investors and withheld by fund managers.

Management fees are treated as taxable income of the fund manager and are hence subjected to corporation tax at the applicable rate. The corporate tax rate is 30% for resident entities and 37.5% for non-residents. However, fund managers are entitled to a tax credit of the corporate tax amounting on the tax withheld on the management fee (KPMG, 2013).

c. Kenyan CIS Industry & Influential Factors

The mutual fund industry is still very much in its infancy by international comparison. The Kenyan CIS Industry was conceived in 2003 when Old Mutual Investment Services Ltd launched the Kenya's first ever Unit Trust Fund.

The last publication that shed light of the size of the collective investment market in Kenya was published in 2010. The CMA Investor Education Handbook (2014) cites 11 unit trust managers with an average fund family size of KSH 17.6 billion. These included African Alliance unit Trust, Old Mutual Unit

Trust Scheme, British American Unit Trust Scheme, Stanbic Unit Trust Scheme, Commercial Bank of Africa unit Trust Scheme, Zimele Unit Trust Scheme, Suntra Unit Trust Scheme, Insurance Companies of East Africa (ICEA) Unit Trust Scheme, CFC Unit Trust, Dyer and Blair Unit Trust Scheme and Standard Unit Trust Scheme. However, only 8 of the aforementioned funds in operation in 2010 were meeting CMA reporting requirements and submitting appropriate information to the CMA (Dawe et al, 2014).

There are four types of unit trusts available in Kenya, specifically balanced funds, equity funds, fixed income funds and money market funds. Currently there are 64 equity shares listed on the Nairobi Securities Exchange – a respectable number of securities in comparison with other African exchanges studied (CMA, 2014).

2.9.3 Tanzanian Mutual Fund Industry

Unit trusts are currently the only form of Collective investment in Tanzania. Tanzania is unique in that there is a single provider on unit trusts in the entire country. The Unit Trust of Tanzania (UTT) is a parastatal provider of collective investments to the general public in Tanzania. The UTT provides the people of Tanzania with five unit trusts to choose from. The total market capitalization of the Tanzanian Unit Trust industry, observed as part of this study, was approximately TZS 179 million shillings as at 31 December 2013. The table below highlights key industry and economic data for Tanzania:

Figure 2.9.3

| Tanzania Market Related Data, as at 31 December 2013 | |
|---|-------------|
| Observable Mutual Fund Industry Size (Total AUM, Tanzanian Shilling)* | 178 937 632 |
| Observable Mutual Fund Industry Size (Total AUM, USD) | 114 946 |
| Number of Registered Collective Investment Scheme Managers | 1 |
| GDP - 2013 (USD millions) | 33 225 |
| Corporate Tax Rate (applicable to fund managers) | 25-30% |
| Minority Investor Protection Global Rank (189 countries) | 141 |
| Minority Investor Protection Sub-Saharan Africa Rank (47 countries) | 30 |

a. Regulation of Funds

The non-banking regulatory body responsible for the governance of unit trusts in Tanzania is the Capital Markets and Securities Authority (CMSA) of Tanzania. No list of licensed investment managers exists on the CMSA Tanzania webpage. Be that as it may, it is due to the fact that the UTT is the only

entity registered to provide unit trust investments to the people of Tanzania. In a similar fashion to neighboring African countries, no person or entity may set up or manage any collective investment scheme in Tanzania unless authorized by the CMSA. A minimum level of capitalization is prescribed, however the exact minimum figure is not specified. The submission of financial reports to the CMSA is required on an annual basis, within three months of the closing accounts of each financial year. By perusal of the Capital Markets and Securities Act, no fundamental financial restrictions such as leverage or working capital requirements can be found. The act outlines seemingly endless authorizations for approval of scheme particulars, managers, custodians and alterations. There are currently no limits prescribed over the investments of a registered unit trust, implying no maximum positions, no asset allocation limits and no legislated diversification of the funds. The regulations do however state that the CMSA may prescribe limits on investments as and when it sees fit. A unique regulation is that any increase in the annual management fee up to the maximum allowed as per the trust deed, necessitates 3 months' notice to all unit holders (KPMG, 2013).

b. Taxation of Fund Managers

The gross income of a financial service entity, including a unit trust management company include the total amount accruing to it from all sources both inside and outside Tanzania. Unit trusts and their beneficiaries separately reliable for tax.

Taxation of distributions in the hand of unit trust beneficiaries differs depending on the tax residency of the unit trust in question. Distributions of a resident unit trust are deemed exempt in the hands of the trust's beneficiaries, whereas distributions of a non-resident unit trust shall be included in calculating the income of the trust's beneficiaries (KPMG, 2013).

c. Tanzanian CIS Industry & Influential Factors

The Offer Documents for each unit trust provided by the UTT, provide the perfect introduction to the collective investment industry in Tanzania (CMSA, 2013). The Unit Trust of Tanzania was incorporated in 2003 with the objective of achieving a widespread participation by the citizens of Tanzania in the ownership of privatized enterprise in the country. The first fund, the Umoja Fund, was launched in May 2005. Apart from the empowerment of Tanzanians through wide ownership of its units, the Umoja fund was intended to encourage a culture of savings in financial assets. As noted by Lutwama (2010), a common form of savings in countries with a relatively weak level of financial education is a 'secret hiding place'. The UTT sought to educate the general public about long-term investment.

Apart from the UTT, there is no evidence of another fund management company with operations in Tanzania. This is befuddling by virtue of the cross-border integration of fund managers in both Kenya and Uganda. Three multinational financial services companies – namely Stanlib Unit Trust Scheme, UAP Unit Trust Scheme and the Insurance Companies of East Africa Unit Trust Scheme – have all deployed collective investment product offerings in both Uganda and Kenya, presumably to exploit the cross-border economies of scale experienced with greater fund family assets under management. This is in line with the findings of Khorana et al (2007), whereby cross-border funds charge discounted fees until operations spread to three or more countries. Tanzania shares borders with both Kenya and Uganda. Why then is there no integration in the collective investment industries? Additional obfuscation materializes upon the discovery that both UAP and Stanbic (the commercial and personal banking arm of Standard Bank South Africa; Stanlib provides investment products) have extensive insurance and banking operations set up in Tanzania already. This brings into question why no privatized unit trust manager exists in Tanzania? This is discussed in further detail in the *Additional Findings - Mutual Fund Industry Commentary & Governance* section.

2.9.4 Mauritian Mutual Fund Industry

In Mauritius, Collective Investment Schemes that are publicly available are known as “Public Funds”. The population of these Public Funds, which are locally domiciled and locally available, is actually rather small by international comparison, although it is understandable considering a population of just over 1.3 million people in 2013. A total number of 17 funds are listed as registered with the Financial Securities Commission of Mauritius, as per the FSC 2014 Annual Statistical Bulletin. The total market capitalization of the local Mauritian Collective Investment industry, observed as part of this study as at 31 December 2013, was MUS 12.4 billion. The table below highlights key industry and economic data for Mauritius:

Figure 2.9.4 a

| Mauritius Market Related Data, as at 31 December 2013 | |
|---|----------------|
| Observable Mutual Fund Industry Size (Total AUM)* | 12 388 933 445 |
| Observable Mutual Fund Industry Size (Total AUM, USD) | 426 901 354 |
| Number of Registered Collective Investment Scheme Managers | 17 |
| GDP - 2013 (USD millions) | 11 929 |
| Corporate Tax Rate (applicable to fund managers) | 3% |
| Minority Investor Protection Global Rank (189 countries) | 28 |
| Minority Investor Protection Sub-Saharan Africa Rank (47 countries) | 2 |

a. Regulation of Funds

The regulatory authority for collective investment undertakings in Mauritius is the Financial Securities Commission (FSC). The Securities Act of 2005 stipulates that CIS managers must first apply for approval and the appropriate license before commencing operations. The initial set up cost of a Local fund varies between MUR 2000 and MUR 9000, depending on whether or not the fund is public or private. The initial costs of setting up a Global Fund ranges from US\$10 000 to US\$30 000, depending on the size of the fund (KPMG, 2013). All collective investment schemes are required to submit interim and annual financial reports to the FSC no later than 45 and 90 days after the concluding date respectively. Penalties for non-compliance in any respect is met with a fine of MUR 500'000 (equivalent to about USD \$ 15'000) and the possibility of up to 5 years imprisonment in the case of marketing a CIS prior to FSC approval (KPMG, 2013).

The Securities Regulations of 2008 categorizes CISs into a number of different types. The following table illustrates the categorization of funds in a succinct manner:

Figure 2.9.4 b

| CIS Type | Description |
|--|--|
| Retails Schemes* | These Schemes target retail investors |
| Global Schemes* | Similar to Retails Schemes, these schemes target retail investor but require a Category 1 Global Business Licence. |
| Expert Funds | These Funds are restricted to 'Expert Investors' or 'Sophisticated Investors' |
| Specialised Collective Investment Schemes | These Schemes are specially suited for investments in high risk or illiquid asset types, such as Real Estate and Derivatives |
| Professional Collective Investment Schemes | These Schemes can either target Sophisticated Investors or offer their shares by way of private placement |

*Fully Regulated CIS, meant for Public Funds

Source: The FSC of Mauritius, 2013.

The publicly available Retail type schemes enjoy the limelight in this study. Such schemes must maintain a minimum unimpaired capital of MUR 10 million or equivalent (Appleby Global, 2010). Prices of the units or shares in the CIS are required to be published with frequency of at least once per week. The investment restrictions and practices as set out by the regulations are particularly

interesting. The polar opposite to the level of regulatory guidelines given in Tanzania, the Mauritian FSC's investment restrictions include the following:

- The FSC do not allow more than 5% of the NAV of a Retail Scheme to be invested in the securities of a single issuing entity. Diversification is therefore legislated in Mauritius.
- Schemes are disallowed from controlling in excess of 10% of the securities in a given investee's securities. This precludes the CIS from exerting managerial influence over investees.
- No more than 10% of the NAV of the scheme may be invested in illiquid assets.
- Retail CISs are precluded from debt financing, bar a select few negligible short-term instances.
- Fund managers may only lease property in Mauritius, as the acquisition of fixed property by a fund manager is disallowed.
- The Regulations disallow the CIS manager, custodian or related officers of either from dealing in the CIS securities.
- Finally, the FSC specifies that a CIS may not invest in aggregate more than 5% of the NAV of the fund in shares or units of other CISs, and similarly shall not be allowed to acquire more than 10% of the shares of any single CIS.

b. Taxation of Fund Managers

Retail Funds, ordinarily resident in Mauritius, are subject to corporate tax at a rate of 3%. Under the current legislation, Global Funds are taxed at a rate of 15%. However, where the said fund holds a Category 1 Global Business License, a deemed tax credit of 80% on foreign sourced income reduces the effective tax rate to 3% (KPMG, 2013). An additional tax benefit to both funds and investors comes in the absence of capital gains tax. All capital gains made by the funds upon disposal of securities held as investment are not subject to Mauritian Income tax.

Mauritian resident unit holders are not taxed on distributions of income or capital gains from the fund arising on the disposal of their holdings / units. In addition, dividends received from the fund do not attract income tax in the hands of unit holders. Although outside the scope of this paper, the tax effects of Global Fund income distributed to non-resident unit holder are an interesting observation. No income tax or withholdings tax is payable on dividends, interest or capital gains paid by a global business company to non-resident unit holders (KPMG, 2013).

c. Mauritian CIS Industry & Influential Factors

The Mauritian mutual fund industry is unique in the context of this study, as Mauritius is the only African country in focus with tax haven status. Investment funds in Mauritius can be fragmented into two main categories: closed-ended and open-ended funds. As the scope of this paper excludes closed-ended / private equity type funds, the open-ended funds type must be scrutinized further. Both Collective Investment Schemes and Unit Trusts are prevalent in Mauritius, but a further distinction can be made with regard to the domestic or foreign nature of the funds. Mauritian authorities detail the 'GBC' or 'Global Business Category' of a given company, and accordingly issue licenses with varying tax effects. Due to the Mauritian corporate tax rate ranging between 0 and 3%, there are hundreds of funds domiciled in Mauritius – most of which are subsidiaries of the largest international investment banks.

The combination of the flexible regulatory environment, no exchange controls, and a vast array of double taxation avoidance treaties, makes Mauritius an incredibly attractive destination for foreign investment. The FSC of Mauritius won the Africa Investor award for the "Most Innovative Capital Market Regulator of The Year" in both 2010 and 2012. Due to its sound corporate governance practices, and future proof business infrastructure, Mauritius has evolved into a preferred location for the incorporation of funds by CIS managers.

2.9.5 Botswana Mutual Fund Industry

Collective Investment Schemes in Botswana can be organized in the form of unit trusts or investment companies. African Alliance Management Co. established the first mutual fund in Botswana in 1996. Since then the mutual fund industry has grown modestly to host a total of 6 fund managers as of 31 December 2013. The total market capitalization of the Botswanan Unit Trust industry, observed as part of this study, was approximately R 194.4 billion as at 31 December 2013. It must however be noted that R 188 billion of this is represented by the total fund family of Allan Gray South Africa – one of the largest South African fund managers – due to dual availability in Botswana. No such information is made available by the Bank of Botswana. The table below highlights key industry and economic data for Botswana:

Figure 2.9.5

| Botswana Market Related Data, as at 31 December 2013 | |
|---|-----------------|
| Observable Mutual Fund Industry Size (Total AUM, Rand)* | 194 401 046 790 |
| Observable Mutual Fund Industry Size, (excl. Allan Gray, Rand)** | 5 938 046 790 |
| Observable Mutual Fund Industry Size (excl. Allan Gray, USD) | 566 186 120 |
| Number of Registered Collective Investment Scheme Managers | 8 |
| GDP - 2013 (USD millions) | 14 785 |
| Corporate Tax Rate (applicable to fund managers) | 15% |
| Minority Investor Protection Global Rank (189 countries) | 106 |
| Minority Investor Protection Sub-Saharan Africa Rank (47 countries) | 14 |

a. Regulation of funds

Botswana employs two institutions responsible for the regulatory oversight of all types of financial services entities including banks, insurance companies and fund managers. The regulatory body ordinarily responsible for financial regulatory compliance is the Bank of Botswana (BoB). The Non-Bank Financial Institutions Regulatory Authority (NBFIRA) is a newly established (in 2008) regulatory body responsible for the administration of collective investment schemes in Botswana. The Collective Investment Undertakings (CIU) Act outlines the rules, regulations and obligations applicable to all fund managers of all forms of collective investment (Gabaraane, 2003). The Act also aims to promote the pooling of financial resources by individuals for investment. Consistent with other African countries, unit trusts can only obtain a license to operate once NBFIRA has approved the fund manager and related trust deed. Contrary to the regulation set out by the FSC of Mauritius, Botswanan fund managers may acquire real estate and personal property as required for the purpose of its business. Licensing fees for asset managers are relatively low at BWP 10'500 (equivalent to just under USD 1'200 in December 2013).

The CIU Act does not expressly preclude fund managers from setting up a fund of funds, although it states that the Minister may impose certain restrictions as and when he/she sees fit. Botswana domiciled funds enjoy a substantial amount of slack in terms of financial reporting deadlines when compared to other African fund regulators. Annual and interim reports are required to be published within four months for the Annual Report and two months for Interim Financials, of the closing date of the period to which they relate. An interesting finding, where the NBFIRA deviates from the norm, is in the permission of leverage in unit trusts. The level of debt exposure is capped at a debt equity ratio of 25% for all collective investment undertakings (KPMG, 2013).

Various investment restrictions are imposed on Botswanan Unit Trusts, the most significant of which are listed below:

- Funds may not invest more than 10 percent of their NAV in illiquid securities.
- Funds are restricted from investing more than 10 percent of their NAV in securities issued by a single investee. Diversification is legislated in a similar fashion as evident in Mauritius.
- Funds may not hold in excess of 10 percent of a given class of securities issued by a single investee.
- Pure funds of funds are disallowed – funds may not invest more than 20 percent of total fund NAV in units of other open-ended collective investment schemes.
- Funds were initially only allowed to invest in stocks listed on the Botswana Securities Exchange (Gabaraane, 2003), however it seems this limitation has been abolished.

b. Taxation of Fund Managers

The Botswana Unified Tax Authority (BURS) taxes fund managers at a lower rate, provided they are registered as an IFSC company (International Financial Services Commission). IFSC companies are taxed on gross income at a rate of 15 percent – applying presumably to management fee income. The tax rate applicable to a local fund that is not IFSC-registered is 22 percent. In addition to the lower tax rate, IFSC funds have the added benefit of a tax exemption for undistributed income and gains. Non-IFSC funds are taxed annually on undistributed dividends and capital gains (KPMG, 2013).

Resident unit holders are taxed on income actually realized during their year of assessment – i.e. upon the receipt of proceeds from the sale of fund units, or the receipt of distributions from the fund. Non-resident unit holders of a Botswana resident fund are not subject to tax (KPMG, 2013).

c. Botswanan CIS Industry & Influential Factors

Moffat (2007) provides a thorough overview of the financial sector in Botswana. NBFIRA currently supervises 6 authorized local fund management entities. The six companies collectively manage a total of 16 active funds. Of the 16 unit trusts that are operational, 4 are money market funds, 5 are equity funds, 4 are balanced funds and 3 invest predominantly in fixed income instruments (NBFIRA, 2014).

Botswana has a small but stable and rapidly growing financial sector. The strong growth is predominantly a reflection of rich national resource reserves and the associated high degree of liquidity. The Botswanan government is aware of the strength of Botswana’s financial sector and the potential for growth, and is actively seeking out further growth and development (Making Finance Work for Africa, 2014).

2.9.6 Swaziland & Lesotho Mutual Fund Industries

*Note – For the purposes of this study, Lesotho and Swaziland have been grouped together for the following reasons:

- Both countries are either mostly or entirely surrounded by South Africa;
- Both have relatively small financial markets; and
- Both form part of the same Common Monetary Area (CMA) of Southern Africa where both the Swazi Lilangeni and Lesotho Loti are pegged to the Rand.

The mutual fund industries of both Swaziland and Lesotho are relatively small in comparison with their neighbors. Public investment funds in both countries are broadly referred to as Collective Investment Schemes. The regulatory bodies in Swaziland and Lesotho list a total of four and two CIS managers respectively. The total market capitalization of the combined Swaziland and Lesotho Collective Investment industry, observed as part of this study as at 31 December 2013, was R 21.6 billion. The table below highlights key industry and economic data for Swaziland and Kenya. Note that the Minority Investor Protection Ranks the countries were tied in the rankings as reflected below:

Figure 2.9.6

| Swaziland & Lesotho Market Related Data, as at 31 December 2013 | |
|---|----------------|
| Observable Mutual Fund Industry Size (Total AUM, Rand)* | 21 581 046 676 |
| Observable Mutual Fund Industry Size (Total AUM, USD) | 2 057 728 663 |
| Number of Registered Collective Investment Scheme Managers | 4 |
| GDP - 2013 (USD millions) | 6 126 |
| Corporate Tax Rate (applicable to fund managers) | 25% / 27.5% |
| Minority Investor Protection Global Rank (189 countries) | 108 |
| Minority Investor Protection Sub-Saharan Africa Rank (47 countries) | 15 |

a. Regulation of funds

The legislature governing collective investment schemes in Swaziland is the Securities Act of 2010. The legislature applicable to collective investment schemes in Lesotho is the Financial Institutions Act of 2012. The regulatory bodies responsible for capital market oversight in Swaziland and Lesotho are the Financial Services Regulatory Body (FSRB) of Swaziland, and the Central Bank of Lesotho (CBL). Both regulators achieve congruence with other African regulators in the restriction of marketing a fund prior to the registration of the fund with the Registrar. In the case of Swaziland, a hefty fine of 150'000 Emalangeni (approximately USD 14'000) or imprisonment for a term not exceeding four years represent a stern penalty for non-compliance with this requirement. In terms of investment restrictions, the FSRB of Swaziland is vague in its regulation that the Registrar may prescribe investment limits and conditions for different assets or different portfolios of a collective investment scheme. The only detail specified places a cap on foreign asset investment of 50 percent of total fund assets. Specific restrictions as set out by the CBL include a minimum investment of 25 percent of fund assets in local assets.

b. Taxation of Fund Managers

Fund managers in Lesotho are subject to tax on taxable income at a rate of 25%. The taxable income of fund managers in Swaziland is taxed at a rate of 30 percent. Dividends in both countries are exempt from tax. Dividends and interest earned are tax-free in the hands of unit holders (KPMG, 2013).

c. Swazi and Lesotho CIS Industries & Influential Factors

Due to the CMA membership of both Lesotho and Swaziland, the mutual fund industries of both countries are dominated by some of the most established South African fund managers. Fund managers with operations in Swaziland include Old Mutual, Momentum, Stanlib and African Alliance. There are only two fund managers with investment products available to the public in Lesotho, namely Stanlib and African Alliance. The first unit trust introduced to the general public in Lesotho, was the Lesotho Unit Trust (LUT), as offered by Stanlib Lesotho. The Central Bank credits the LUT with the cultivation of a savings culture in Lesotho. The successful performance of the LUT fund has captured the interest of other fund management entities seeking to set up operations in Lesotho. As evident in the Central Bank of Lesotho's (CBL) annual Supervision report, the Lesotho regulator is perceptive to the increased interest in collective investment evidenced by the rapidly increasing interest in collective investment. The CBL claim a dynamic approach to legislature, striving to "provide an enabling environment that would match the increasing interest... identifying legislation which needs to be enhanced and enacted" (CBL, 2006).

2.9.7 Namibian Mutual Fund Industry

Investment funds in Namibia are typically referred to as unit trusts (KPMG, 2013). The Financial Institutions and Markets Bill (FIM), a new piece of legislature that is currently still in draft and yet to be enacted, will modify the terminology for open-ended schemes to 'Collective Investment Funds'. The financial regulator of Namibia lists a total of 27 registered Investment Managers, of which 14 were found to be unit trust managers. The total market capitalization of the Namibian Unit Trust industry, observed as part of this study as at 31 December 2013, was NAD 42.8 billion. The table below highlights key industry and economic data for Namibia:

Figure 2.9.7

| Namibia Market Related Data, as at 31 December 2013 | |
|---|----------------|
| Observable Mutual Fund Industry Size (Total AUM, Namibian Dollars)* | 42 849 151 782 |
| Observable Mutual Fund Industry Size (Total AUM, USD) | 4 085 618 698 |
| Number of Registered Collective Investment Scheme Managers | 14 |
| GDP - 2013 (USD millions) | 13 113 |
| Corporate Tax Rate (applicable to fund managers) | 15% |
| Minority Investor Protection Global Rank (189 countries) | 87 |
| Minority Investor Protection Sub-Saharan Africa Rank (47 countries) | 8 |

a. Regulation of funds

The regulatory body responsible for the supervision of Namibian unit trust schemes is the Namibia Financial Institutions Supervisory Authority (NAMFISA). The two most notable pieces of legislation that govern the management of a unit trust in Namibia, are the Unit Trusts Control Act 54 of 1981 and the Namibia Financial Institutions Supervisory Authority Act 3 of 2001. An interesting observation was found in the lack of detail over Investment Restrictions applicable to a unit trust. There is simply no explicit guideline relating to diversification or illiquid holdings, as observed in other countries. In addition, no minimum number of units or capital is stipulated in either Act. Unit trusts are also relatively cheap to set up – an upfront basic levy of NAD 5'000 is payable upon registration of a new scheme. An additional fee is chargeable equal to 0.04% of total asset under management per year, 1/12 payable monthly. Fund leverage is unrestricted, but funds may not use units as security for the loan (KPMG, 2013). Regulation in the Namibian unit trust industry is surprisingly among the most laissez-faire out of the countries studied. Reporting is the only area where NAMFISA is more stringent than other regulators in general. Every management company is required to furnish the registrar with a comprehensive list of all securities held by a unit trust, with a frequency of at least every 3 months.

b. Taxation of Fund Managers

The taxation of unit trusts and related investments in Namibia are exceptionally advantageous. Firstly, income accruing to or received by a unit trust scheme is exempt from tax in Namibia. Unit trusts are therefore not subject to income tax in Namibia. Secondly, the Namibian Income Tax Act does not make any specific provision for the taxation of capital gains. Income of a capital nature is therefore not subject to tax in Namibia.

Income distributed to unit holders retains its nature as when it was initially received by the unit trust. Income earned on investments generally constitutes either dividends or interest. A distribution of dividend income is exempt from tax in the hands of the unit holder. Interest income is subject to a 10% withholdings tax, with the final liability for tax resting with the unit holder (KPMG, 2013)

The absence of capital gains tax, coupled with a tax exemption for unit trusts represents an attractive tax environment for all parties concerned in the Namibian collective investment industry.

c. Namibian CIS Industry & Influential Factors

Namibia's financial system is among the most sophisticated, developed and diverse in Africa. The majority of Namibia's financial institutions are privately owned entities that maintain strong links with South African institutions (Making Finance Work for Africa, 2014). The Namibian CIS industry represents the largest open-ended fund market analyzed in this study. NAMFISA created a separate department tasked with the supervision of unit trusts in mid-2013, named the Collective Investments Schemes (CIS) department. As per the NAMFISA 2013 Annual Report, there were 12 registered management companies as at January 2013, with Allan Gray Namibia Unit Trust Management Ltd registering during the year, bringing the number of registered fund managers to 13. The total assets under management for the entire Namibian unit trust industry were NAD 37.3 billion as at 31 December 2013, and NAD 32.2 billion at the end of the 2012 financial year. This represents a growth rate of approximately 16% - explainable by the attractive tax environment, the lack of stringent investment restrictions and the Common Monetary Area membership and hence ability of funds to invest in securities on the JSE, as capital is allowed to flow freely between the two countries. The Quarterly Statistical Bulletin for Q4 2013 reveals that 88% of Namibian unit trust assets are Common Monetary Area assets (in all likelihood, South African securities listed on the JSE).

2.9.8 Nigerian Mutual Fund Industry

Nigerian Investment funds are collectively referred to as Collective Investment Schemes (KPMG, 2013). Collective Investment Schemes can be further categorized into Unit Trust Schemes, Real Estate Investment Companies and Open-ended Investment Companies. The financial regulator of Nigeria lists a total of 20 registered CIS Managers. The total market capitalization of the Nigerian CIS industry, observed as part of this study as at 31 December 2013, was NGN 165 billion. The table below highlights key industry and economic data for Nigeria:

Figure 2.8.8

| Nigeria Market Related Data, as at 31 December 2013 | |
|---|----------------------|
| Observable Mutual Fund Industry Size (Total AUM, Naira)* | 165 136 539 182 |
| Observable Mutual Fund Industry Size (Total AUM, USD) | 1 035 098 687 |
| Number of Registered Collective Investment Scheme Managers | 20 |
| GDP - 2013 (USD millions) | 521 803 |
| Corporate Tax Rate (applicable to fund managers) | W/H Tax 10%, CIT 30% |
| Minority Investor Protection Global Rank (189 countries) | 62 |
| Minority Investor Protection Sub-Saharan Africa Rank (47 countries) | 5 |

a. Regulation of funds

The regulatory entity responsible for the supervision and governance of the Nigerian CIS industry is the Securities and Exchange Commission (SEC) of Nigeria. Consistent with other African CIS regulations, every collective investment scheme open for public investment is required to be approved and registered with the SEC of Nigeria. The usual array of regulatory requirements applies to Nigerian registered schemes: A floor is set in terms of the size of the fund. Unit trust managers are required to be capitalized by a minimum of NGN 20 million (USD 123'000). Fund investments are restricted to instruments issued in Nigeria and registered with the SEC of Nigeria – equivalent to Nigerian Stock Exchange listed securities and instruments issued by the Reserve Bank of Nigeria. The only holding restrictions evident in the Nigerian regulations apply to investment in unlisted instruments. The NAV of unlisted securities (as an asset class) may not comprise more than 20 percent of the total NAV of a fund. In addition, the investment in securities of a single unlisted entity may not exceed 5 percent of the total NAV of the fund. The cost of setting up a fund is calculated as an ad-valorem percentage of the total value of fund capital (KPMG, 2013).

b. Taxation of Fund Managers

In stark contrast to the other relatively developed CIS industry exhibited by Namibia, Nigerian funds do not enjoy preferential taxation treatment. Nigerian funds and unit trusts are treated as companies for tax purposes and are taxed on assessed income at the full corporate tax rate of 30 percent. Capital gains tax is applicable on the realization of investments at an effective rate of 10 percent. In terms of yield, dividends and interest attract a withholdings tax of 10 percent, administered by fund managers and borne by unit holders (KPMG, 2013).

c. Nigerian CIS Industries & Influential Factors

Nigeria is the most populous country in Africa, and as of 2014 boasts the title of the largest economy in Africa ahead of South Africa. Like Namibia, Nigeria's financial system ranks among the most developed in Africa. The Nigerian Stock Exchange (NSE) hosts a total of 223 listings (as at 31 December 2014), ranking the NSE third behind only the South African and Egyptian exchanges (KPMG, 2013).

2.10 African Mutual Fund Size Comparison

The table below has been included for comparative purposes. All figures are dollarized at the appropriate dates, using historical exchange rates obtained from Oanda.com

Figure 2.10

| Country | Total Industry AUM (USD) |
|--------------------------------------|--------------------------|
| Botswana (<i>incl. Allan Gray</i>) | 21 040 157 466.59 |
| Namibia | 3 805 667 473.30 |
| Lesotho & Swaziland (CMA) | 2 057 728 663.43 |
| Nigeria | 1 035 098 686.71 |
| Botswana (<i>excl. Allan Gray</i>) | 566 186 120.08 |
| Kenya | 441 850 308.45 |
| Mauritius | 426 901 354.38 |
| Uganda | 3 252 721.20 |
| Tanzania | 114 946.03 |

3. DATA

3.1 Data Collection

Undoubtedly the most challenging aspect of this research report was the collection of data. No consolidated database exists for African Mutual funds.

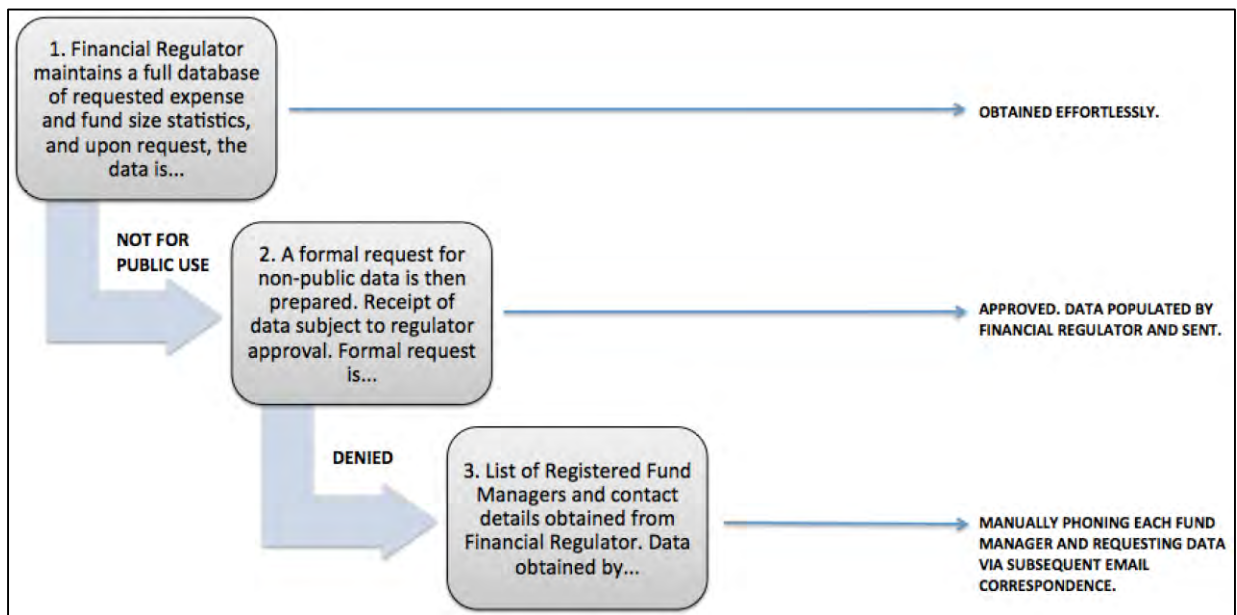
The first attempt at assembling a database involved the use of three commonly used professional data networks – Bloomberg, INET / McGregor BFA Expert, and Reuters software. Two problems were encountered. Firstly, by searching the universe of funds from each data supplier and applying the necessary ‘country of domicile’ filters, the number of funds returned for each country was desperately small. Secondly, the only data returned by each software supplier was pricing / performance data – no TER or NAV data was available. Fund analytics providers including Morningstar and Fundsdata (from Profile Data) were then scoured for the relevant African market data. While Morningstar yielded no meaningful data for African Mutual Funds, Fundsdata proved to be useful – albeit only for a handful of Namibian funds. However, it was decided that data from Fundsdata would not be used due to the possibility of a timing mismatch between the date of data retrieval and the quoted TER. In all likelihood, the TER on Fundsdata would be calculated from the most recently published fund financials – either six monthly or quarterly. The timing mismatch would arise from the NAV data being retrieved *monthly* from fund fact sheets and the financial information published *quarterly* at best.

3.2 Data Collection Methodology

Due to the fact that mainstream data providers failed to provide fruitful data, it was decided that data would be compiled manually. Initially, a bottom-up approach was followed by performing a simple Internet search comprising the name of the country in focus, followed by the relevant collective investment scheme terminology for the said country. For example, “Nigeria Unit Trusts”. This proved to be somewhat fruitful but was flawed for two reasons: Firstly, there was a high likelihood that the data sourced would be incomplete due to an unknown number of excluded fund managers without websites. Secondly, an annoying trend emerged whereby the level of disclosure on various fund fact sheets varied substantially. For most fund management entities, fund fact sheets generally contained performance data, asset allocation and top holdings – all of which are outside the scope of this study. With regards to size statistics, there was at best a 50 percent chance that the size was disclosed as the desired measure – Assets Under Management. Furthermore, the overwhelming majority of African fund fact sheets did not contain details regarding Total Expense Ratios (TER).

At this stage it was decided that the bottom-up research approach needed to be changed to a top-down approach. As fund managers are answerable to various regulatory bodies, it was hypothesized that correspondence with the non-banking financial regulator in each of the pertinent countries could lead to a database, and failing that, should yield an exhaustive list of registered fund managers. This plan proved to be highly effective and was executed in a three-tiered procedure depending on the financial regulator’s level of discretion regarding the sensitivity of the requested data. These tiers are illustrated below:

Figure 3 – DATA COLLECTION METHODOLOGY



*Note – A detailed critique of the corporate governance exhibited by the African Financial Regulators, specifically with regard to collective investment, is included in Section 6 of this paper – *Other Findings*.

3.2 Countries Selected

The countries selected for research included the following:

- All countries sharing borders with South Africa including Namibia, Botswana, Swaziland and Lesotho, but excluding Mozambique (due to non-existence of collective investment schemes in the country and Portuguese language barrier) and Zimbabwe (see 3.3.3 below).
- Other Sub-Saharan countries with a measure of financial market development, including Nigeria, Kenya, Uganda, Zambia and Tanzania.
- Mauritius, due to its tax haven characteristics.

Intentional exclusions from the scope of this study include:

- South Africa, due to the freely available data on Morningstar and Profile Data; and due to the sweeping research and analytical work already performed by Griffiths (2009).
- Egypt and Morocco. Though both the Egyptian exchange and the Casablanca Stock exchange are among the top five largest exchanges on the African continent in terms of market capitalization; also rank in the top five in terms of number of listed instruments; and are among the top three oldest exchanges being founded in 1883 and 1929 respectively; both capital markets are governed by Sharia law (Islamic Finance). Due to the complications involved with the raising of capital under Sharia law by the equivalent fund management entities known as “UCITS” (Undertakings for Collective Investment in Transferable Securities), mutual funds and unit trusts (“FCPs” and “SICAVs”) were purposefully excluded from the purview of this study. The scope exclusion does present external validity for further research into Islamic collective investment in Africa.

3.3 Limitations and Definition of Scope

3.3.1 Funds of funds

The first rather strange limitation was imposed on the research of African *funds of funds*. Due to the fact that no more than two fund of funds were identified during the entire investigation, no further analytics can be performed regarding funds of funds in the context of this research report. However, the mere non-existence of funds of funds in most of the countries selected is an observation that must not be cast aside. Non-observation can be attributed to the juvenile nature of capital markets in many of the countries investigated. Notwithstanding Namibia, Swaziland and Lesotho (all of which form part of a Common Monetary Area with South Africa, hence funds tend to include Johannesburg Securities Exchange (JSE) listed asset to their universe of investable assets), the investment opportunity set for each fund is limited to the number of listed equity and debt securities in each country and perhaps neighboring countries depending on regulation. For the overwhelming majority of the countries investigated, this investment opportunity set was very small compared with international capital markets. Excluding the aforementioned South African Rand CMA countries, the number of publicly traded instruments in each country ranged from 17-223. The lack of capital market development could be the precursor for the seemingly absent funds of funds. In addition, certain financial regulators expressly preclude collective investment schemes from investing a significant amount of the fund’s

NAV in other CISs. For these reasons and due to general non-observation, the fund of funds dummy variable was excluded from the dataset.

3.3.2 Zambian Data

The second imposed limitation was a geographical scope issue. The Securities and Exchange Commission (SEC) of Zambia was contacted several times in order to enquire regarding the existence of a local mutual fund database, and a list of registered collective investment scheme / unit trust providers. The financial regulators were not helpful with divulging any such information due to their opinion that all such data should not be publicly available. In addition to the lack of cooperation, the website of the SEC was found to be incoherent and non-functional.

While it was observable that the SEC of Zambia once had a webpage detailing a list of active fund managers, it seemed that the webpage was broken. In addition, the Lusaka Stock Exchange contains a 'Fund Managers' webpage that does not contain any text or content. A simple Internet search was then used in order to ascertain whether or not it would be possible to obtain the required information by manually forming a list of active fund managers, however three shortfalls arose. Firstly, there was a high likelihood that the data sourced would be incomplete due to an unknown number of excluded fund managers without websites. Secondly, only three fund managers were found using this technique, one of which was merely an intermediary for the other funds. Thirdly, of the two possible candidates, one only appeared to have data from April 2011, of which no TER or fund size statistics were available for any of the three funds they had on offer. The other fund management company only disclosed asset allocation splits across its five available funds. Both entities were not contactable via telephone and did not respond to emails. It was interesting to note, that the first of the two aforementioned entities quoted an annual management fee of 4 percent, regardless of the fund selected. Furthermore, the fund performance benchmarks were heavily weighted toward the Zambian CPI, recorded at 7.70 percent in January 2015, and averaged of 9.38 percent from 2005 to 2015 (Trading Economics, 2014). The Lusaka Stock Exchange quotes a total of 22 listed entities, which form the entire population from which the equity funds may select investments. When aggregating the following facts about these funds, it is clear that the lack of competition and development in the Zambian Mutual Fund industry is cause for the abnormally high annual management fees charged by the fund manager in question:

- The level of diversification achievable from such a modest capital market leaves much to be desired;
- Investors are charged 4 percent per annum for a relatively low benchmark return; and most importantly
- The fact that the population of investable assets is so small should logically result in less work done by equity analysts in appraising each equity instrument for possible investment; hence less operating costs for the fund manager to cover through fees.

Consistent with the observation made by Fernando et al (2003), capital market development could be hypothesized to be the main determinant of mutual fund growth in Zambia. The small number of listed securities on the Lusaka Stock Exchange (22) could therefore have explanatory value when considering the small number of active fund managers offering Collective Investment Schemes in Zambia.

3.3.2 Zimbabwean Data

Zimbabwe was initially selected due to a number of reasons that make for potentially interesting analysis: The collapse of the Zimbabwean economy and hyperinflation following the radical land reform, resulted in dollarization in Zimbabwe. Apart from the economic stability and traction gained from U.S. dollarization, new regulation governing collective investment was required, with key figures and investment floors to be stated in U.S. dollars. It seems the new regulations were expected by the CIS industry, as the issue of revised dollarized regulations proved to be a precursor for the registration of a significant number of new funds in 2014. This was corroborated telephonically with a number of fund managers newly registered in 2015.

Obtaining meaningful data from the Zimbabwean Collective Investment Industry was unfortunately not possible. The Securities and Exchange Commission of Zimbabwe (SECZIM) would not provide data for registered funds. The data collection methodology as per *Figure 3* above was therefore followed, and a total of seven fund managers were identified, contacted and confirmed to have unit trusts or mutual fund product offerings as at 31 December 2013. Formal data requests were sent to the respective fund management personnel, and in all instances the requests had to be approved by senior management. All fund managers concluded with the same blunt response – that the data published on fund fact sheets per their website amounts to the entirety of data to be made available to the public. Further telephonic enquiry with senior management in each case, confirmed their stance that both fund size and expense ratios do not constitute public information. Furthermore, after

inspection of all the available fund fact sheets, only Old Mutual Zimbabwe's fact sheets displayed data of any relevance (fees), with disclosures from other fund managers focusing entirely on measures of performance and risk.

Market participants in the Zimbabwean collective investment industry seem to be 'keeping their cards close to their chest' as the industry gains traction post U.S. dollarization. After two months of telephonic enquiry and argument, Zimbabwe was excluded from the scope of this research paper.

3.3.4 Performance Fees

Performance linked fees proved to be few and far between. Among the entire compiled database, only three fund managers were observed to be charging fees linked to fund performance. Due to the non-observation of such fees, it was decided that performance fee data would be excluded from the scope of this research paper.

3.3.5 "African Mutual Funds"

An important aspect of the data collection methodology was the definition of African Mutual Funds. This might be construed in a number of ambiguous ways. One might ask if this means the universe of funds that invest in African securities - i.e. A Foreign Managed fund that invests in securities that are listed on African exchanges. The answer is no. The scope of the research was to collate a database for funds that are:

- Domiciled in Africa (regardless of whether or not their domicile and investment opportunity set are the same country). This means that the management company must be resident in an African country; and
- Available for investment by the general public in one or more African countries.

The second criteria had to be applied as a litmus test in order to scope out a large number of funds whose holding company is domiciled in Mauritius in order to take advantage of the Mauritian tax haven status.

Finally, it the importance of the words 'general public' in the aforementioned sentence must be stressed. In certain instances, unit trusts hold two or more Classes of units for purchase. Class A generally being intended for retail investors, characterized by a low minimum initial investment, and

Class B intended for institutional investors with a much higher (generally US \$ 100 000 and up) minimum initial investment. In such cases, management fees and initial fees are notably lower for Class B or institutional investors. Where applicable, Class A fees and expenses data were used as the intention of research was to assimilate a database of African funds available for investment by the general public.

3.4 Data Assimilation

Data was standardized by manually populating a database from the ground up. Fund fact sheets and email correspondence were used in tandem to compile a database containing 247 African funds.

Underlying data, which can be filtered, sorted and analyzed, include the following fields:

- Fund name
- Fund family name
- Type of fund / Investment mandate
- TER
- Annual Management Fee (actual percentage charged)
- Load / Initial Fee (dummy variable)
- Maximum Load / Initial Fee (actual percentage charged)
- Fund Size (Assets Under Management)
- Family Fund Size (sum of Assets Under Management)
- Date of data observation
- Currency of data
- The number of countries where the fund manager has set up operations
- Dual listed funds – South Africa only (dummy variable)
- Doing business, Strength of Investor Protection Score (proxy for degree of regulatory obligation)

A great deal of work was done in terms of communicating the exact details of what was needed to the various correspondents from each financial regulator or fund management representative. For example, finance professionals in each country used different terminology for the funds under investigation – Unit Trusts, Open-ended Collective Investment Schemes, or Mutual Funds. Similarly, for the size observations, it was noted that fund managers domiciled in certain countries quote fund size as Assets Under Management, whereas fund managers in other countries quote size as Total Net

Asset Value Attributable to Fund Holders. As there is no fundamental difference between the two, this did not prove to be a problem.

Assets Under Management for each fund was taken directly from the data supplied by various sources. The purpose of collating AUM for each fund is to have a fund size variable in the database. However in certain instances, fund fact sheets expressed fund size as 'Total NAV attributable to Fund Holders'. In these circumstances it was corroborated by correspondence with the correspondent at the affected fund, that these two measures of fund size are in fact interchangeable. The size of each fund is stated in millions of each country's currency.

The total fund family size was calculated manually by aggregating the total AUMs for all funds provided by each fund manager in a given country. Each fund was allocated to fund families either manually by inspecting fund fact sheets, or by simple observation of the name of the fund for clear inclusion of the fund family name (e.g. "*Old Mutual* Balanced Fund"). Similarly, the number of funds per fund family was counted manually and input.

Initial fees were obtained directly from the data supplied. In certain instances where financial regulators could not provide details regarding initial fees, they were obtained directly by inspection of fund fact sheets. Note that for all funds analyzed in all the countries studied, the initial fees used are stated as a percentage of the initial investment. Furthermore, no adjustments have been made with regards to any Value Added Taxes (VAT) or Goods and Services Taxes (GST). This is due to the fact that the fees and expenses are generally quoted exclusive of VAT or GST, thus any derived relationship between the two in each country will not be affected. In addition, funds that charge initial fees were allocated an indicator of one and funds that don't charge initial fees were allocated an indicator of zero. It must be noted that many funds observed quoted a variable initial or load fee. Such fees are generally quoted as "up to X percent". Due to the lack of data available, and in order to eliminate the subjectivity inherent in the nature of the charges, the maximum possible initial fee was selected and manually added to the database.

Total Expense Ratios (TERs) were acquired from the fund managers or regulators and are expressed as a percentage of AUM. The mere fact that the majority of the funds investigated do not disclose their TERs in their fund fact sheets, resulted in the necessity of obtaining TERs directly from correspondence with each fund manager.

Other observations were included in the database in order to confirm the existence or non-existence of certain relationships already noted in the international studies introduced in the *Literature Review* section. These include:

- The number of countries in which the fund's management company operates (observed and added manually);
- Dual listed status of the fund (for South African CMA countries only); and
- Country ranking of Minority Investor Protection (obtained from Doingbusiness.org, 2014).

Finally, in order to obtain assurance over the data obtained from financial regulators, a sample of funds was selected from the data obtained from each regulatory body. The data for these funds was cross-checked against fund fact sheets, where possible, for any observable differences and for confirmation of the accuracy of the data.

For the sake of external validity and further research, Appendix B has been included as a separate worksheet in the database of this research report. It contains an exhaustive list of the names of the contacts at each financial regulator and fund manager, the extent of the data they provided, and their contact details.

4. DESCRIPTIVE STATISTICS

The statistics that follow have been included for completeness sake. A thorough statistical analysis including the implementation of regressions was simply not possible, owing to the small population of African funds unearthed. The paper still achieves its core focus of compiling a new and unique database of African Mutual Fund Size, Expense and Fee variables. While the population of data for certain countries may not be statistically significant in order to analyze with regressions, the summary statistics provided in the *Results* section, coupled with the Appendix of contact details and details of data obtainable from each correspondent, exudes value in that foundation has been built for further research as Mutual Fund Industries on the African continent continue to burgeon.

Due to the non-existence of a complete database of mutual funds in each of the countries analyzed and the lack of cooperation of the majority of the related non-banking financial regulators, it cannot be irrevocably said that the database compiled is entirely complete in terms of available African funds at 31 December 2013. However, it must be noted that the top-down data collection methodology was thorough – no stone was left unturned. All investment managers displayed on each regulator web page was contacted, and Internet searched. In a handful of instances – “Investment Managers” included both Closed-end and Private Equity Funds registered with the relevant regulatory authority. These were promptly eliminated. In other instances, it was found that a small number of firms were not operational in 2013, or had not been operational for a full 12-month period as at 31 December 2013 and hence could not report a Total Expense Ratio for their maiden year. The tables that follow are intended to give the reader a broad overview of fees, expenses and scale in the mutual fund industry.

4.1 Number of Funds

The following table presents the number of funds for which data was obtained (247), fragmented further by country, and by fund type:

Table 4.1

| Number of Funds | | | | | | |
|------------------------|-----|----------|--------|--------------|--------------|-------|
| | ALL | Balanced | Equity | Fixed Income | Money Market | Other |
| Namibia | 74 | 25 | 9 | 16 | 18 | 4 |
| Kenya | 48 | 15 | 13 | 10 | 10 | 0 |
| Nigeria | 46 | 9 | 18 | 9 | 4 | 6 |
| Mauritius | 33 | 17 | 9 | 4 | 0 | 2 |
| Botswana | 25 | 10 | 10 | 2 | 3 | 0 |
| Swaziland & Lesotho | 8 | 8 | 5 | 1 | 1 | 0 |
| Tanzania | 5 | 4 | 0 | 0 | 1 | 0 |
| Uganda | 5 | 2 | 0 | 1 | 2 | 0 |

4.2 TER by Fund Type – Balanced, Equity, Fixed Interest and Money Market

The following table houses descriptive statistics for the TERs of the funds analyzed, separated into four broad categories according to the fund's investment mandate or objective; namely Balanced funds, Equity only funds, Fixed Income funds and Money Market funds.

Table 4.2

| TER - By Fund Type | | | | |
|---------------------------|----------|--------|--------------|--------------|
| | Balanced | Equity | Fixed Income | Money Market |
| Min | 0.00% | -0.86% | -0.33% | -0.17% |
| Max | 5.07% | 4.36% | 4.17% | 3.34% |
| Average | 1.92% | 1.71% | 1.36% | 1.10% |
| Standard Deviation (%) | 0.96% | 1.16% | 1.21% | 0.90% |

4.3 Initial Fees, No Initial Fees

The following table reports descriptive statistics for funds where the investor is required to pay an upfront load fee and funds where the investor does not pay a load fee. While not much can be gleaned from the minimum and maximum TERs in each case, the average TER for Sub-Saharan African Funds was significantly higher for funds that charge an initial load.

Table 4.3

| TER - Initial Fees | | |
|---------------------------|--------------|-----------------|
| | Initial Fees | No Initial Fees |
| Min | -0.86% | 0.30% |
| Max | 5.07% | 3.34% |
| Average | 1.88% | 1.65% |
| Standard Deviation (%) | 1.17% | 0.89% |

4.4 TER Overall

The following table presents descriptive statistics for all of the TERs of all funds included in the database, disclosed by country.

Table 4.4

TER - ALL Funds

| | ALL |
|---------------------------|--------|
| Namibia | 0.973% |
| Lesotho & Swaziland (CMA) | 1.395% |
| Botswana | 1.729% |
| Nigeria | 0.789% |
| Kenya | 2.709% |
| Tanzania | 2.449% |
| Uganda | 2.040% |
| Mauritius | 1.938% |

5. RESULTS

The newly collated database may be used by academics and institutions to examine the existence or non-existence of relationships between African fund size, annual management fees, initial / load fees, expense ratios, fund family size etc.

An international comparison of expense ratios is included below, which compares the unique African database to existing studies performed on an international scale. Additional ancillary observations supersede the international comparison.

5.1 South African vs. International TERs

All Fund Types

Table 5.1

| Domicile | Mean TER - Full Sample |
|------------------------------|------------------------|
| Japan | 0 |
| Netherlands | 0.64 |
| Austria | 0.76 |
| France | 0.77 |
| United States | 0.81 |
| Belgium | 0.88 |
| Ireland | 0.99 |
| Finland | 0.99 |
| Denmark | 1 |
| Germany | 1.05 |
| United Kingdom | 1.13 |
| Island Offshore | 1.16 |
| Australia | 1.17 |
| Sweden | 1.19 |
| Luxembourg | 1.22 |
| Italy | 1.23 |
| Spain | 1.29 |
| Switzerland | 1.39 |
| South Africa | 1.55 |
| Norway | 1.89 |
| Canada | 2.2 |
| Global Mean | 1.0880% |
| Global Std. Deviation | 0.4481 |

Source: Griffiths (2009)

The above table was completed using data obtained from the Khorana et al (2007) study on Mutual funds around the world. TERs are displayed per domicile and have been ranked from smallest TER to the largest. The Global Mean TER was calculated as a simple average of the TERs of countries analyzed in the study. Although the global mean is flawed in that it does not take into account the weightings of market capitalizations of each country's mutual fund industry, it gives us a reasonable approximation of the global average.

Note that values of zero for mean TER have been allocated to certain countries. This is due to a limitation in the detail of the database used by Khorana et al (2007), as the databases used either did not allow for the allocation of funds to different fund types, or that the data was simply not available for that specific country. This is evident in Tables 5.2 to 5.4 that follow. Note further that the 'Island Offshore' line relates to a collection of nine offshore locations including The Cayman Islands, Bermuda, The Isle of Man, Jersey and Guernsey.

The mean TER for each African country's mutual fund industry as a whole has been calculated using fund Net Asset Value (NAV) weightings of each individual fund in order for a more accurate representation of the mean TER. Prior investigation performed by Griffiths (2009) found that South African fund TERs were statistically significantly higher than the global mean, across all fund types.

The following tables display a fragmentation of fund TERs per the Khorana et al (2007) study, into balanced funds, equity funds and fixed income funds. South Africa, which ranks among the top of the African continent in terms of financial market development, was studied in detail by Griffiths (2009). Out of the 21 countries included in the sample he investigated, South African expense ratios ranked 18th, 16th and 17th for balanced funds, equity funds and fixed income funds respectively.

Balanced Funds

** Source: Griffiths (2009)

Table 5.2**

| Domicile | Mean TER - Balanced |
|------------------------------|---------------------|
| Netherlands | 0 |
| Denmark | 0 |
| Norway | 0 |
| Japan | 0 |
| Austria | 0.72 |
| Belgium | 0.81 |
| United States | 0.89 |
| France | 0.95 |
| Germany | 0.98 |
| United Kingdom | 1.08 |
| Sweden | 1.18 |
| Switzerland | 1.24 |
| Luxembourg | 1.29 |
| Finland | 1.35 |
| Australia | 1.4 |
| Italy | 1.42 |
| Island Offshore | 1.56 |
| South Africa | 1.61 |
| Spain | 1.64 |
| Ireland | 2.31 |
| Canada | 2.63 |
| Global Mean | 1.0725% |
| Global Std. Deviation | 0.7167 |

Equity Funds

Table 5.3**

| Domicile | Mean TER - Equity |
|------------------------------|-------------------|
| Netherlands | 0.64 |
| Belgium | 1.05 |
| United States | 1.11 |
| Denmark | 1.15 |
| Germany | 1.17 |
| Australia | 1.17 |
| United Kingdom | 1.18 |
| France | 1.22 |
| Sweden | 1.37 |
| Austria | 1.47 |
| Switzerland | 1.47 |
| Ireland | 1.52 |
| Finland | 1.57 |
| Spain | 1.58 |
| Island Offshore | 1.61 |
| South Africa | 1.69 |
| Luxembourg | 1.7 |
| Italy | 1.92 |
| Japan | 1.92 |
| Norway | 1.97 |
| Canada | 2.56 |
| Global Mean | 1.4675% |
| Global Std. Deviation | 0.4214 |

Fixed Income Funds

Table 5.4**

| Domicile | Mean TER - Fixed Income |
|------------------------------|-------------------------|
| Netherlands | 0 |
| Japan | 0 |
| Austria | 0.55 |
| Finland | 0.55 |
| Sweden | 0.59 |
| Norway | 0.59 |
| Belgium | 0.59 |
| Australia | 0.63 |
| Island Offshore | 0.65 |
| United States | 0.78 |
| Germany | 0.79 |
| France | 0.85 |
| Denmark | 0.86 |
| United Kingdom | 0.88 |
| Switzerland | 0.89 |
| Luxembourg | 1 |
| South Africa | 1.04 |
| Ireland | 1.08 |
| Spain | 1.08 |
| Italy | 1.08 |
| Canada | 1.79 |
| Global Mean | 0.7615% |
| Global Std. Deviation | 0.3863 |

5.1 African TERs vs. International TERs

The tables below indicate the descriptive statistics for expense ratios on a global scale, and for the African countries studied. As per Table 5.4 which was populated using the work of Griffiths (2009) and Khorana et al (2007), the country demonstrating the highest mean TER is Latvia, and the country demonstrating the lowest mean TER is the United States. It must be noted that the sample sizes of certain countries studied represent varying proportions of the total populations of domiciled funds.

Table 5.4 – Descriptive Statistics for Existing Studies, Total Expense Ratios (TERs)

| | South Africa ¹ | Norway | Canada | France | Italy | Latvia | Malaysia | United Kingdom | United States |
|-----------------------|---------------------------|--------|--------|--------|--------|--------|----------|----------------|---------------|
| Min | 0.02 | 0 | 0.01 | 0.01 | 0.01 | 0.04 | 0.04 | 0.01 | 0.18 |
| Max | 4.08 | 7.07 | 3.45 | 144 | 13.35 | 7.44 | 28.36 | 8.86 | 3.08 |
| Mean | 1.645 | 1.580 | 1.572 | 1.616 | 1.668 | 1.839 | 1.434 | 1.410 | 1.234 |
| Standard deviation | 0.628 | 0.769 | 0.428 | 1.718 | 0.910 | 0.915 | 1.466 | 0.709 | 0.553 |
| Size of sample | 559 | 2748 | 7244 | 12484 | 3799 | 555 | 460 | 5313 | 920 |
| % of pop | 61.63% | 37.30% | 100% | 84.01% | 30.37% | 90.83% | 83.79% | 84.13% | -* |
| Number on Morningstar | 907 | 7367 | 7244 | 14860 | 12507 | 611 | 549 | 6315 | -* |

1 - As per the study of South African fees and expenses performed by Griffiths (2009)

Table 5.5 – Descriptive Statistics for New African Database, Total Expense Ratios (TERs)

| | Namibia | Lesotho & Swaziland | Botswana | Nigeria | Kenya | Tanzania | Uganda | Mauritius |
|-----------------------|------------------|---------------------|------------------|---------|------------------|------------------|------------------|------------------|
| Min | -0.855 | 0.745 | 0.300 | -0.413 | 1.112 | 1.916 | 0.760 | 0.930 |
| Max | 1.691 | 2.393 | 2.930 | 3.132 | 5.072 | 3.148 | 2.670 | 3.416 |
| Mean | 0.973 | 1.721 | 1.640 | 0.789 | 2.833 | 2.449 | 2.040 | 2.126 |
| Standard deviation | 0.440 | 0.701 | 0.860 | 0.856 | 0.994 | 0.539 | 0.895 | 0.832 |
| Size of sample | 74 | 8 | 25 | 46 | 48 | 5 | 5 | 26 |
| % of pop | N/A ² | N/A ² | N/A ² | 100% | N/A ² | N/A ² | N/A ² | N/A ² |
| Number on Morningstar | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

2 - It must be reiterated for Table 5.5 that although the entire population of funds as at 31 December 2013 for each African country studied cannot be definitively stated, that all domiciled fund managers in existence were contacted for data.

*Data providers could not provide explanation for negative numbers, representing **Min** TERs for Namibia and Nigeria.

It is expected (and empirically suggested) that countries with more developed financial markets should host mutual fund industries, which enjoy lower expense ratios. It is observable from Table 5.4 that the United States, the United Kingdom and Canada all enjoy lower mean TERs than countries with less developed financial markets such as Latvia and South Africa. The same observation can be mirrored and applied to Table 5.5. In terms of financial market development, all African countries studied are far inferior to financial markets in the US and the UK. It therefore should appear that all mean TERs in

Table 5.5 should be below those exhibited by the more developed nations. This is the case except for three interesting observations:

- The mean TER for Namibia is 0.973%, substantially lower than the mean TER of developed economy nations. A further note must be made with regard to the accuracy of the Namibian data. A great level of detail was required to manually calculate the TERs for Namibia from individual fund financial statements and fact sheets, as a result of the lack of research support from NAMFISA (Namibian Financial Institutions Supervisory Authority). While the reason for Namibia's low TER cannot be inextricably stated, the precursor can be hypothesized as follows: The Namibian mutual fund industry is dominated by large South African firms (all fund managers originated from South Africa, or have links to South Africa) with the exception of two local fund managers (one being the Bank of Windhoek). In addition, the funds available in Namibia invest an overwhelming proportion of their assets in JSE (Johannesburg Securities Exchange) listed assets. It can therefore be hypothesized that research costs and expenses associated with the selection of stocks is centrally borne by South African group entities. Information could be freely passed on to Namibian fund managers, greatly lowering employee related expenses. Note that the same cross border affiliation was evident between Kenya and Uganda for a number of firms operating in both countries, however TERs for both Kenya and Uganda were higher than mean TERs in the US and UK (and hence in line with the lack of financial market development) and therefore do not warrant further theory.
- The mean TER for Nigeria is 0.789%, substantially lower than the mean TER of developed economy nations. Again, it must be noted that the Nigerian data was supplied directly by the Securities and Exchange Commission of Nigeria. In terms of financial market development, the Nigerian Stock Exchange (NSE) ranks third in terms of market capitalization in Africa. As of 31 December 2013, the NSE played host to 200 listed companies with a total market capitalization of roughly US \$ 80 billion. However, explanation cannot be submitted as to why the mean TER for Nigerian funds is lower than both the UK and the US – the world's most developed financial markets.
- The mean TER for Mauritius is 2.126%, almost double the mean TER for the 'Island Offshore' category in table 5.1 which is almost entirely made up of tax haven islands. While this seems puzzling at first glance, the reason for this is thought to arise as a result of the scope of the research. As previously stipulated, this research paper analyses those African funds that are available to the general public. Per correspondence with the FSC of Mauritius (Financial Services Commission) there are numerous classifications of Investment Schemes in Mauritius. The only relevant funds in this case are CIS and Unit Trusts. However, a further distinction can

be made with regard to the domestic or foreign nature of the funds. Mauritian authorities detail the 'GBC' or 'Global Business Category' of a given company, and accordingly issue licenses with varying tax effects. In short, the Mauritian fund population is comprised of a small number of fund managers with domestic product offerings (17 as per the FSC 2014 Annual Statistical Bulletin). The remaining funds, hundreds of which can be found using Bloomberg software by filtering funds by Mauritian domicile, appear to be holding companies or shell entities set up by large multinational banks and institutions for the sole purpose of reaping the benefit of tax favorable group structuring in light of the 3% (at most) Mauritian corporate tax rate. Accordingly, these funds were left out of the dataset. One could infer that these foreign funds, domiciled on the island purely for international tax structuring, were included in the 'Island Offshore' dataset from Khorana et al (2007).

A further explanation for the substantially higher TERs noted in the African database, could be derived from the lack of competition within the countries under review. Not a single African country can claim a fund population exceeding 100 funds. Namibia comes the closest with an observed 64 funds as at 31 December 2014. This compares dismally with the sample of TERs drawn from the United Kingdom in the Khorana et al (2007) study. The study quotes a total of 6315 funds domiciled in the UK, of which 5313 were used for data. A greater number of funds is likely to cause a greater degree of competition between the said funds. Funds could therefore aim for greater operating margin efficiency in order to remain competitive, by quoting lower fees and attracting or retaining more unit holders. However, in the African Mutual Fund industry the level of competition is clearly very low compared with international markets. The lack of competition, together with the lack of knowledge of mutual fund products by the general public in the African countries analyzed, could be hypothesized to be a further reason for the higher expense ratios in Table 5.4.

Finally, a greater number of funds operating in a country may be indicative of economies of scale and hence lower expenses borne by the fund. Latzko's (2001) work on economies of scale can be recalled. He attributed the lower fees observed among funds with larger fund families to the fact that fixed operating expenses are spread over a greater number of funds, which has the effect of reducing the expense ratios of each individual fund. Table 5.6 ranks the African Mutual Fund industries studied by average fund family size in descending order:

Table 5.6 – Mean Fund Family Size (\$ USD) vs. Mean TER

Mean Fund Family Size & TER - all funds

| | Mean Family Size | Mean TER |
|---------------------|------------------|----------|
| Tanzania | 114 946 | 2.449% |
| Uganda | 1 894 772 | 2.040% |
| Kenya | 52 028 004 | 2.709% |
| Mauritius | 60 126 194 | 1.938% |
| Nigeria | 105 571 709 | 0.789% |
| Namibia | 423 819 559 | 0.973% |
| Swaziland & Lesotho | 424 362 452 | 1.395% |
| Botswana | 7 932 475 522 | 1.729% |

The general trend observable in Table 5.6 shows that mean TERs are inversely related to fund family size. It must be noted that Botswana is clearly an outlier. However, Botswana’s abnormally high mean fund family size can be met with logical explanation. Allan Gray, one of the largest fund managers in South Africa, offers a substantial number of its South African funds to investors in Botswana. The total NAV of the Allan Gray fund family available in Botswana amounts to over US \$ 18 billion. This skews the mean fund family size for Botswana funds dramatically upward.

5.2 Ancillary Observations

Recalling the theory put forward by Khorana et al (2007), whereby the variation in fund fees across international borders is hypothesized to arise due to varying degrees of regulatory obligation, we can apply the theory to the new African mutual fund database. Khorana et al (2007) considered that the level of financial market regulation could be interpreted as the strength of investor protection. A greater degree of financial regulation results in greater barriers to entry, strangling the level of competition in the industry. It could therefore also be argued that high regulatory expenses, coupled with the lack of competition that follows suit, leads to greater fees charged by the fund in order to recoup costs and due to the lack of supply.

A proxy for the strength of investor protection can easily be found on DoingBusiness.org (2015). Using the rankings reported under the criteria entitled “Minority Investor Protection,” the African countries studied can be ranked on both a global scale and out of Sub-Saharan Africa. Detailed methodology on this ranking can be found at [<http://www.doingbusiness.org/methodology/protecting-minority-investors>]. In short, the minority investor protection index compiled, scores each country by aggregating the following indicators:

- Extent of disclosure index
- Extent of director liability index
- Ease of shareholder suits index
- Extent of conflict of interest regulation index
- Shareholders' rights in corporate governance
- Extent of shareholder rights index
- Strength of governance structure index
- Extent of corporate transparency index
- Extent of shareholder governance index
- Strength of minority investor protection index

The following table presents the minority investor protection ranking (an indicator for capital market regulation stringency) alongside mean TERs for each of the African countries researched.

Table 5.7 – Strength of Investor Protection vs. Mean TER

| Strength of Investor Protection / Regulation vs. TER | | |
|---|--|-------------------------|
| | Minority Investor Protection Rank (out of 189) | Mean TER (All funds, %) |
| Mauritius | 28 | 1.938% |
| Nigeria | 62 | 0.789% |
| Namibia | 87 | 0.973% |
| Botswana | 106 | 1.729% |
| Swaziland & Lesotho | 108 | 1.395% |
| Uganda | 110 | 2.040% |
| Kenya | 122 | 2.709% |
| Tanzania | 141 | 2.449% |

With the exception of the unusually high expense ratio exhibited by Mauritius (which has already been explained in further detail) it can be said following observation of Table 5.7 that a negative relationship exists between the strength of investor protection and the mean expense ratio. I.e. The weaker the capital market regulation in a country, the higher the expected mean TER in the mutual fund industry. This provides a weak form of confirmation of the theory emphasized by Khorana et al (2007), which linked fees and expenses to the levels of financial market regulation in the countries in the sample studied.

5.3 A Note on External Validity

While the number of relationships that could be theorized from the compiled database could be speculated ad nauseam, the in depth statistical discussion of regressions, residuals and distributions thereof have been purposefully excluded from this research paper. The reasoning behind this is that a concentrated statistical discussion was not possible due to the small number of funds observed in each country.

That said, the scope for external validity is seemingly endless. This is due to the fact that no such database currently exists. Researchers and academics may continue to build on this foundation in a number of ways, including:

- Expanding the dataset to additional African countries
- Updating the dataset to a more recent point in time, with the addition of a number of new fund managers that were not yet operational in 2013, but were registered as fund managers in 2014/2015.
- Adding performance data into the database and analyzing for the existence of relationships between performance and other variables
- Detailed statistical analysis of the relationships between any combination of the variables presented in the database:
 - Fund Type
 - Fund Country
 - Fund Size
 - Fund Family Size
 - TER
 - Initial Fees charged (dummy variable)
 - Initial Fees charged
 - Management Fees charged
 - Fund manager operational in >1 country (dummy variable)
 - Fund manager operational in >3 countries (dummy variable)

6. OTHER FINDINGS – AFRICAN FINANCIAL REGULATOR GOVERNANCE

This research paper could not be deemed complete without a further contribution in the form of commentary and criticism over the state of governance in the African financial regulators.

By frequent contact with a number of correspondents of the relevant financial regulators, a unique point of view was obtained regarding the efficiency of the capital markets departments of each financial regulator. The commentary that follows includes a hierarchy for the categorization of each regulator's efficiency – including findings relating to the corporate governance of the regulator in each of countries analyzed, a discussion regarding the perceived privacy of the data requested, conclusions regarding collective investment schemes as a meaningful means of savings for individuals in Africa, and investment from foreign institutions.

6.1 Financial Regulatory Efficiency Hierarchy

The table below and commentary that follows, is intended to give the reader an understanding of the level of efficiency exhibited by the Financial Regulators responsible for the supervision of collective investment in each of the countries studied.

Figure 6.1.1

| | Existence of a database confirmed by Regulator | Data freely available to the public on the Regulator's website. | Database request subject to consent of regulator management. Request denied due to CIS NAV and Expense data deemed "not for public use". | Database manually compiled by the Regulator for the purpose of this study. | Raw data (2013 Fund Financial Statements) made available by Regulator for this study. | Other Commentary |
|--|--|---|--|--|---|--|
| HELPFUL | | | | | | |
| Nigeria - Securities and Exchange Commission (SEC) | × | × | | | | Data available online, updated weekly |
| Kenya - Capital Markets Authority (CMA) | | | | × | | No database exists. Capital Markets employees very helpful agreeing to compile the database. |
| Swaziland - Financial Services Regulatory Body (FSRA) | | | | | × | Funds financial statements for certain fund managers were obtained |
| Lesotho - Central Bank of Lesotho | | | | | × | Funds financial statements for certain fund managers were obtained |
| Tanzania - Capital Market and Securities Authority (CMSA) | | | | | × | CMSA assisted with linking to the fund financials of the UTT |
| Uganda - Capital Markets Authority (CMA) | | | | | | Regulator facilitated separate data requests to the two registered fund managers. |
| NO ASSISTANCE | | | | | | |
| Namibia - Namibia Financial Institutions Supervisory Authority (NAMFISA) | × | | × | | | Fund data perceived as private data, "not for public use". No assistance from Regulator. |
| Mauritius - Financial Services Commission (FSC) | × | | × | | | Fund data perceived as private data, "not for public use". No assistance from Regulator. |
| Botswana - Non-Bank Financial Institutions Regulatory Authority (NBFIRA) | | | | | | No database exists. No assistance obtained from Regulator. |
| Zimbabwe - Securities and Exchange Commission (SECZIM) | | | | | | No database exists. No assistance obtained from Regulator. |

The table above illustrates two findings with varied consequences and inferences:

1. The number of African financial regulators maintaining a database of fund size and expenses is surprisingly low.

In Section 2.8 of this study, *African Mutual Fund Industries*, it was noted that African Regulatory bodies require the submission of Financial Reports from Collective Investment Schemes on a bi-annual basis. It is assumed that all Regulators will fulfill their supervisory duty by audit of locally domiciled fund solvency, minimum capitalization, and investment restrictions. However, there is clearly little or no review of fund expenses and fees charged by the funds. This is evidenced by the non-existence of a database of expense ratios in all countries studied with the exception of Nigeria, Namibia and Mauritius. The implications of this governance flaw are concerning in light of the following facts initially introduced in the *Literature Review* in Section 2 of this paper:

- Firstly, the majority of the general public in the African countries studied are perilously uneducated with regard to capital markets and securities. Recall the Lutwama (2010) study of collective investment in Africa that confirmed a severe lack of knowledge of the investment universe – e.g. over 70% of the adult population saves in a secret hiding place. The lack of mutual fund fees and expense data review by financial regulators, in tandem with the uninformed consumer base, makes for an environment where fund managers may freely exploit the said consumers.
- Secondly, the number of investable securities in each financial market must be considered when evaluating the higher (by international comparison) expense ratios noted in the African countries studies. Mean total expense ratios for all funds in Tanzania and Uganda can be argued to be abnormally high relative to the number of listed investable securities in each of those countries. A comparison of mean TERs and the total number of available listed securities in each country are included below to illustrate this incongruity:

Figure 6.1.2

TER vs. Number of Listed Securities (Q1, 2014)

| | Mean TER, all funds | Number of Listed Securities |
|---------------------------|----------------------------|------------------------------------|
| Namibia | 0,973% | *Free from JSE restrictions |
| Lesotho & Swaziland (CMA) | 1,395% | *Free from JSE restrictions |
| Botswana | 1,729% | *Free from JSE restrictions |
| Nigeria | 0,789% | 223 |
| Kenya | 2,709% | 64 |
| Tanzania | 2,449% | 17 |
| Uganda | 2,040% | 17 |
| Mauritius | 1,938% | 88 |

Certain equity funds in Kenya charge an initial load fee of between 4 and 5 percent, along with an annual management fee of between 4 and 5 percent. How can it be argued that security analysis and portfolio management of a total opportunity set of 64 securities can warrant such exorbitant fees? This consideration is even more troubling upon observation of Uganda and Tanzania’s mean TER in direct comparison with the population of investable securities.

In conclusion, the general lack of fees and expense databases undoubtedly represents a failure in minority investor protection on the part of the financial regulators. The combination of a general public that is poor and uneducated in capital markets and investment; the sparse number of investible securities; and high mean expense ratios exhibited by many of the African Mutual Fund industries studied, represents an environment vulnerable to ethically questionable practices. As illustrated by Khorana et al (2007), the variation in fund fees across international borders arises due to varying degrees of regulatory obligation. Khorana et al (2007) theorizes that the strength of investor protection can be construed as a proxy for the level of regulatory obligation in the collective investment industry. They find evidence that nations whose laws protect investors better have larger fund industries. If the financial regulators truly desire rapid growth in collective investment, a notable improvement in the oversight of fees and expenses in the industry is a necessary prerequisite in order to gain the confidence of local retail investors and foreign institutional investors.

2. The widespread perception among African financial market regulators, that fees and expense ratio data relating to open-ended collective investments is 'private information' is perplexing.

The rejection of requests for data coupled with a complete lack of assistance with data collection for this research report was startling. Consider how the data collection and collation process might have played out in a developed market environment – For the U.S. mutual fund industry, a sophisticated data service such as Bloomberg software would be recruited, employing a simple search for funds by domicile. A seemingly endless dataset of fund size, fees, expense and performance would be obtainable in minutes. Consider the South African database put together by Griffiths (2009) – mutual funds and unit trust data service providers including Morningstar, ASISA and ProfileData's 'FundsData' platform were used as a robust foundation for the analyses of expenses and fees in a South African context. The only country studied for which mutual fund expense data was freely and frequently available was Nigeria. The Securities and Exchange Commission of Nigeria makes the data available for public use on their website on a weekly basis. Apart from inefficiencies noted in other countries, why are the financial regulators of Namibia, Mauritius, Botswana and Zimbabwe of the opinion that fund data should not be made available to the general public – the same people who the investment products are aimed at? It just does not make sense.

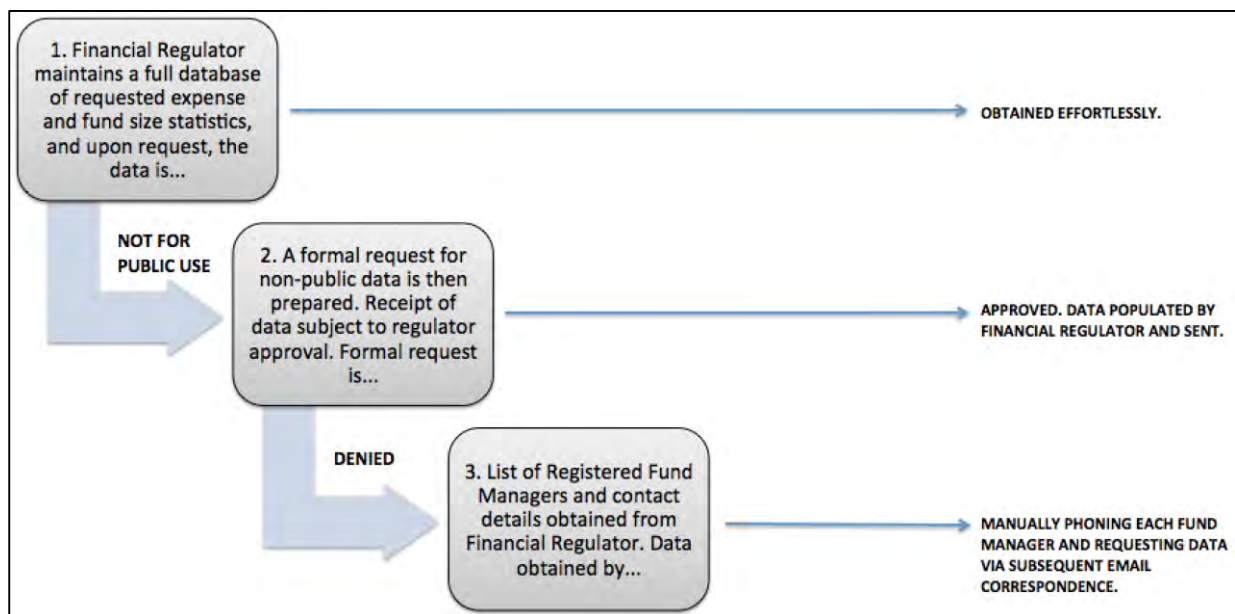
In order for the investment industries in these nations to burgeon with growth, regulators must follow suit with the informational efficiency exhibited by their international counterparts. Meaningful information should be prepared and made available to the general public as well as institutional investors. Without a measure of transparency and openness regarding funds data, it is unlikely that material inflows of capital will ever make an appearance.

In conclusion, it would be foolish to expect significant inflows of capital from offshore institutions until the corporate governance practices of non-bank regulators is substantially improved. The capital market development that Africa so desperately needs, hinges on an improvement in disclosures and information reported by financial regulators.

6.3 Simplistic Classification of Financial Regulator Efficiency

The hierarchy displayed in Figure 6.1.1 can be simplified further – by categorization of each African financial regulator into one of the three tiers within the Data Collection Methodology. The Data Collection Methodology figure can be found in the *Data* section of this paper (*Section 3*). For ease of reference, the figure is included verbatim below:

Figure 3 – DATA COLLECTION METHODOLOGY



Categorization of the African financial regulatory bodies contacted in this study into one of the above three tiers, allows the formulation of a new hypothesis linking regulation with fund expenses. One would expect sound corporate governance practices as exhibited by Nigeria and South Africa (Griffiths, 2009) to be associated with lower fees in the mutual fund industry – an observation consistent with the findings of Khorana et al (2007):

TIER ONE – Data Readily Accessible

1. Nigeria – A full dataset including fund NAVs and TERs for all registered collective investment schemes is freely available on the Nigerian Securities and Exchange Commission’s website. Furthermore, the data is updated weekly. In terms of data efficiency, the Nigerian SEC claims the top spot.
2. South Africa – Although not explicitly included in this study, financial market informational efficiency evident in South Africa warrant a tier one categorization.

TIER TWO – Private Data Provided on Request / Data Populated by Regulator

3. Kenya – No formal database existed upon enquiry. However, the Capital Markets Authority of Kenya were undoubtedly the most helpful regulator encountered by this study, as they agreed to manually compile a database using the fund financial statements they have on hand.
4. Swaziland & Lesotho – No formal database existed upon enquiry. However, both financial regulators were happy to assist by sending fund financial statements for the overwhelming majority of the funds covered by this study.

TIER THREE – List of Fund Managers Accessible, No data

5. Uganda – No funds data could be acquired from the Capital Markets Authority (CMA) of Uganda. However, the CMA of Uganda assisted by providing a list of registered and operational fund managers as at December 2013. In addition, they facilitated the communication of data requests to the fund managers and were exceptionally helpful in this regard.
6. Namibia – Both Namibia and Mauritius (below) were similar in that both financial regulators claimed to actively maintain a live database containing all the fund data requested by this paper. The data however, could not be provided due to senior management within the financial regulators denying the formal data request as required by this paper. The only assistance gained from both regulators were lists of registered fund managers.

7. Mauritius – *as above*.

NO ASSISTANCE

The final three financial regulators did not assist with the preparation of this paper in any way for varied reasons:

- 8. Tanzania – The CMSA of Tanzania was not contactable over a number of months.
- 9. Botswana – The NBFIRA of Botswana as well as the SEC of Zimbabwe could not assist in any regard (whether by choice or ability), despite their own regulation implying their possession of fund financial statements.
- 10. Zimbabwe – *as above*.

The above categorization allows for the comparison of African financial regulator efficiency with expense ratio data for each country. The following tables provide weak evidence for the assertion that financial market regulation over collective investment and fund expense ratios are inversely related:

Figure 6.3.1

| Data Collection Methodology Tier | Mean TER | Weighted Average TER |
|---|-----------------|-----------------------------|
| Tier 1 | 0.789% | 0.789% |
| Tier 2 | 2.052% | 1.628% |
| Tier 3 | 1.650% | 1.071% |
| No Assistance | 2.089% | 1.729% |

The third tier is clearly the cause for confusion – it may be questioned as to why the mean and weighted average TERs noted appear to be lower than the second tier. This is due to the categorization of Namibia and Mauritius under the third tier, due to their non-compliance with data requests. However, as failure to comply with the data request of this research paper is an unfair basis with which to conclude on Namibian and Mauritian collective investment regulation (both actually claim to actively maintain databases with the relevant fund data), they have been removed from the third tier:

Figure 6.3.2

| Data Collection Methodology Tier | Mean TER | Weighted Average TER |
|---|-----------------|-----------------------------|
| Tier 1 | 0.789% | 0.789% |
| Tier 2 | 2.052% | 1.628% |
| Tier 3 | 2.040% | 2.040% |
| No Assistance | 2.089% | 1.729% |

The variation in fund fees across African borders could therefore be argued to arise due to varying degrees of regulatory obligation. The same relationship is clearly evident in Table 5.7.

6.4 Failure in information assimilation equates to failure of goals for the CIS industry

A common theme that was noted in the vast majority of Annual Reports and Quarterly Reports released by the financial regulators in the countries studied, was the ultimate desire for broad-based ownership of the private sector – an ideal where the poorest citizens are uplifted by ownership of the most prosperous entities.

The upliftment of the average African, however, cannot occur with initial load charges and annual management fees as high as 5 percent each. The unreasonably high and ill-supervised charges will continue to deter the general public from Collective Investment Schemes – opting for fixed deposits and ‘secret hiding places’ instead. Instead, there will be a growing disparity whereby Africa’s vast potential and wealth will continue to flow offshore, as more and more closed-end / private equity funds (largely domiciled offshore) look to Africa as the final frontier for abnormal returns.

6.5 Conclusion

In summary, the financial regulators are masters of their own fate. In order for substantial buy in by the general public and by offshore investors, fees and expenses of collective investment schemes must be monitored more closely and relevant information should be made freely available, as is the case in South Africa and Nigeria.

CONCLUSION

While descriptive statistics presented for the African Mutual Fund Industry are not revolutionary, they are meaningful. They also do indeed manage to achieve an objective of this research, being the initial collection and assimilation of data across the African Mutual Fund Industry.

The most significant results relate to the following:

- A negative relationship may exist between the strength of investor protection and the mean expense ratio in the African Mutual fund Industry.
- A negative relationship may exist between mean TERs and fund family size in the African Mutual fund Industry.
- The significantly higher expenses within the African Mutual Fund Industry when compared to developed nations internationally.

The existence of significantly higher expenses charged by African Mutual Funds when compared to developed nations is further indication that African financial markets have a long way to go in terms of development. Retail investors need to pay more attention to these charges as this is an indication that the African retail investor is being taken advantage of. The state of corporate governance in the African Mutual Fund industry leaves much to be desired. Significant improvements in the form of a tighter fees and expenses framework for mutual funds is required in order to stimulate general public buy-in and significant capital inflows in the form of foreign investment.

A foundation for the research of African funds has been built. This paper may serve as a platform for future research as African financial markets continue to develop.

APPENDIX A – AFRICAN MUTUAL FUND DATABASE

*Included below as a Picture file – Database available on request with no queries at graysenwright@gmail.com. (I merely want to gauge interest and relevance).

| | | | | | | | | | | | | | | | | | | | |
|----|---------|----|----|-----|-----|-----------------------------------|----------------------------------|-----------------|-----------|-----|----------------|-------|----------------|----------------|--------|-----|-------|-------|-----|
| 25 | Nigeria | No | No | Yes | Yes | Zenith Income Fund | Zenith Asset Mgt Ltd | Fixed Income | 31-Dec-13 | NGN | 667,153,326 | 1,000 | 667,153,326 | 5,391,693,741 | 0.531% | N/A | N/A | N/A | N/A |
| 26 | Nigeria | No | No | Yes | No | Nigeria International Debt Fund | Affiliated Asset Mgt Ltd | Fixed Income | 31-Dec-13 | NGN | 2,117,887,343 | 1,000 | 2,117,887,343 | 2,613,954,374 | 0.292% | N/A | N/A | N/A | N/A |
| 27 | Nigeria | No | No | Yes | No | Stable BTC Guaranteed Invest Fund | Stable BTC | Fixed Income | 31-Dec-13 | NGN | 2,229,855,279 | 1,000 | 2,229,855,279 | 47,159,003,070 | 0.610% | N/A | N/A | N/A | N/A |
| 28 | Nigeria | No | No | No | No | Kakawa Guaranteed Income Fund | Kakawa Asset Mgt. Co. Limited | Fixed Income | 31-Dec-13 | NGN | 4,693,249,937 | 1,000 | 4,693,249,937 | 2,964,964,964 | 0.334% | N/A | N/A | N/A | N/A |
| 29 | Nigeria | No | No | No | No | FBN Fixed Income Fund | FBN Capital Asset Mgt. Ltd | Fixed Income | 31-Dec-13 | NGN | 3,849,967,211 | 1,000 | 3,849,967,211 | 25,921,186,762 | 0.334% | N/A | N/A | N/A | N/A |
| 30 | Nigeria | No | No | No | No | CGI Income Fund | FCM Asset Management Ltd | Fixed Income | 31-Dec-13 | NGN | 735,884,814 | 1,000 | 735,884,814 | 32,405,160,079 | 0.529% | N/A | N/A | N/A | N/A |
| 31 | Nigeria | No | No | No | No | BOI Saphire Funds | BOI Asset Management | Fixed Income | 31-Dec-13 | NGN | 502,399,177 | 1,000 | 502,399,177 | 2,288,048,867 | 0.542% | N/A | N/A | N/A | N/A |
| 32 | Nigeria | No | No | No | No | SPV Saphire Funds | SPV Capital Nigeria Ltd | Property | 31-Dec-13 | NGN | 2,288,410,990 | 1,000 | 2,288,410,990 | 7,288,048,867 | 0.189% | N/A | N/A | N/A | N/A |
| 33 | Nigeria | No | No | No | No | UFGC SEIS | FCM Asset Management Ltd | Property | 31-Dec-13 | NGN | 2,288,410,990 | 1,000 | 2,288,410,990 | 32,405,160,079 | 0.129% | N/A | N/A | N/A | N/A |
| 34 | Nigeria | No | No | No | No | UFGC SEIS | FCM Asset Management Ltd | Property | 31-Dec-13 | NGN | 13,409,828,427 | 1,000 | 13,409,828,427 | 47,159,003,070 | 0.658% | N/A | N/A | N/A | N/A |
| 35 | Nigeria | No | No | Yes | Yes | Stable BTC Ethical Fund | Stable BTC - Savings & Loans Pfc | Other - Ethical | 31-Dec-13 | NGN | 3,249,679,709 | 1,000 | 3,249,679,709 | 47,159,003,070 | 1.658% | N/A | N/A | N/A | N/A |
| 36 | Nigeria | No | No | Yes | Yes | Zenith Ethical Fund | Zenith Asset Mgt Ltd | Other - Ethical | 31-Dec-13 | NGN | 807,972,077 | 1,000 | 807,972,077 | 47,159,003,070 | 0.972% | N/A | N/A | N/A | N/A |
| 37 | Nigeria | No | No | No | No | AAW Ethical Fund | Asset & Resources Mgt. Co. Ltd | Other - Ethical | 31-Dec-13 | NGN | 293,943,694 | 1,000 | 293,943,694 | 13,034,135,642 | 0.957% | N/A | N/A | N/A | N/A |
| 38 | Nigeria | No | No | No | No | UBA Balanced Fund | UBA Asset Management Limited | Other - Ethical | 31-Dec-13 | NGN | 1,152,784,815 | 1,000 | 1,152,784,815 | 3,244,370,945 | 0.889% | N/A | N/A | N/A | N/A |
| 39 | Nigeria | No | No | Yes | No | Women Investment Fund | Chapel Hill Dunham Mgt. Lts | Other - Ethical | 31-Dec-13 | NGN | 139,346,139 | 1,000 | 139,346,139 | 511,399,387 | 0.889% | N/A | N/A | N/A | N/A |
| 40 | Nigeria | No | No | Yes | No | Nigeria Global Investment Fund | Nigeria Global Market Limited | Other - Ethical | 31-Dec-13 | NGN | 117,289,156 | 1,000 | 117,289,156 | 511,399,387 | 0.744% | N/A | N/A | N/A | N/A |
| 41 | Nigeria | No | No | No | No | Nigeria entry sector Fund | Stable BTC | Other - Ethical | 31-Dec-13 | NGN | 1,029,150,202 | 1,000 | 1,029,150,202 | 1,232,213,576 | 0.537% | N/A | N/A | N/A | N/A |
| 42 | Nigeria | No | No | Yes | Yes | Stable BTC Balanced Fund | Stable BTC | Other - Ethical | 31-Dec-13 | NGN | 1,049,469,389 | 1,000 | 1,049,469,389 | 47,159,003,070 | 1.703% | N/A | N/A | N/A | N/A |
| 43 | Nigeria | No | No | No | No | Stable BTC Index Fund | Stable BTC | Other - Ethical | 31-Dec-13 | NGN | 1,343,984,307 | 1,000 | 1,343,984,307 | 47,159,003,070 | 0.658% | N/A | N/A | N/A | N/A |
| 44 | Nigeria | No | No | Yes | Yes | Aggressive BTC Umbrella Fund | Stable BTC | Other - Ethical | 31-Dec-13 | NGN | 533,943,735 | 1,000 | 533,943,735 | 47,159,003,070 | 3.133% | N/A | N/A | N/A | N/A |
| 45 | Nigeria | No | No | Yes | Yes | Conservative BTC Umbrella Fund | Stable BTC | Other - Ethical | 31-Dec-13 | NGN | 666,134,862 | 1,000 | 666,134,862 | 47,159,003,070 | 1.101% | N/A | N/A | N/A | N/A |
| 1 | Uganda | No | No | Yes | Yes | UAP Balanced Fund | UAP Financial Services Ltd | Money Market | 31-Dec-13 | UGX | 536,827,815 | 1,000 | 536,827,815 | 7,402,935,010 | 2.67% | Yes | 2.00% | 2.00% | N/A |
| 2 | Uganda | No | No | Yes | Yes | UAP Money Market Fund | UAP Financial Services Ltd | Money Market | 31-Dec-13 | UGX | 3,469,456,263 | 1,000 | 3,469,456,263 | 7,402,935,010 | 2.67% | No | 0.00% | 2.00% | N/A |
| 3 | Uganda | No | No | Yes | Yes | UAP Umbrella Bond Fund | UAP Financial Services Ltd | Fixed Income | 31-Dec-13 | UGX | 3,399,650,932 | 1,000 | 3,399,650,932 | 7,402,935,010 | 2.67% | No | 0.00% | 2.00% | N/A |
| 4 | Uganda | No | No | No | No | CEA Uganda Bond Fund | CEA Asset Management (U) Limited | Money Market | 31-Dec-13 | UGX | 213,514,710 | 1,000 | 213,514,710 | 709,028,991 | 1.439% | Yes | 0.00% | 2.00% | N/A |
| 5 | Uganda | No | No | No | No | CEA Uganda Shilling Fund | CEA Asset Management (U) Limited | Money Market | 31-Dec-13 | UGX | 495,711,881 | 1,000 | 495,711,881 | 709,028,991 | 0.789% | No | 0.00% | 2.00% | N/A |
| 6 | Uganda | No | No | No | No | CEA Uganda Shilling Fund | CEA Asset Management (U) Limited | Money Market | 31-Dec-13 | UGX | 495,711,881 | 1,000 | 495,711,881 | 709,028,991 | 0.789% | No | 0.00% | 2.00% | N/A |
| 7 | Uganda | No | No | No | No | CEA Uganda Shilling Fund | CEA Asset Management (U) Limited | Money Market | 31-Dec-13 | UGX | 495,711,881 | 1,000 | 495,711,881 | 709,028,991 | 0.789% | No | 0.00% | 2.00% | N/A |
| 8 | Uganda | No | No | No | No | CEA Uganda Shilling Fund | CEA Asset Management (U) Limited | Money Market | 31-Dec-13 | UGX | 495,711,881 | 1,000 | 495,711,881 | 709,028,991 | 0.789% | No | 0.00% | 2.00% | N/A |
| 9 | Uganda | No | No | No | No | CEA Uganda Shilling Fund | CEA Asset Management (U) Limited | Money Market | 31-Dec-13 | UGX | 495,711,881 | 1,000 | 495,711,881 | 709,028,991 | 0.789% | No | 0.00% | 2.00% | N/A |
| 10 | Uganda | No | No | No | No | CEA Uganda Shilling Fund | CEA Asset Management (U) Limited | Money Market | 31-Dec-13 | UGX | 495,711,881 | 1,000 | 495,711,881 | 709,028,991 | 0.789% | No | 0.00% | 2.00% | N/A |
| 11 | Uganda | No | No | No | No | CEA Uganda Shilling Fund | CEA Asset Management (U) Limited | Money Market | 31-Dec-13 | UGX | 495,711,881 | 1,000 | 495,711,881 | 709,028,991 | 0.789% | No | 0.00% | 2.00% | N/A |

APPENDIX B – CONTACT LIST

*Contact lists including the details of all the correspondents who aided in the collection of data, is available on request with no queries at graysenwright@gmail.com. (Again, I merely want to gauge interest and relevance).

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ANNEXURE – OTHER CONSOLIDATED DATA

All funds

ALL FUND TYPES - SUMMARY ANALYTICS

Namibia - ALL Funds

| | Fund Size (ZAR) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 4 989 915 | 11 004 000 | -0.855% | 0.000% | 0.500% |
| Max | 4 121 756 685 | 10 290 901 075 | 1.691% | 5.000% | 1.750% |
| Average | 595 127 108 | 4 444 934 767 | 0.973% | 1.129% | 1.000% |
| Standard Deviation (%) | | | 0.4401% | 1.7917% | 0.3657% |
| Total | 42 849 151 782 | | | | |
| Number of Funds | 74 | | | | |

Swaziland and Lesotho - ALL Funds

| | Fund Size (ZAR) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 50 862 631 | 884 000 000 | 0.619% | 0.000% | 0.500% |
| Max | 7 434 600 000 | 13 759 600 000 | 2.393% | 5.000% | 2.000% |
| Average | 1 198 947 038 | 4 450 628 523 | 1.395% | 3.083% | 1.455% |
| Standard Deviation (%) | | | 0.5386% | 2.0454% | 0.5125% |
| Total | 21 581 046 676 | | | | |
| Number of Funds | 8 | | | | |

Botswana - ALL Funds

| | Fund Size (ZAR) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 13 833 648 | 21 616 083 | 0.300% | 0.000% | 0.000% |
| Max | 83 453 000 000 | 188 463 000 000 | 2.930% | 5.000% | 2.500% |
| Average | 7 776 041 872 | 68 584 421 338 | 1.729% | 1.040% | 1.260% |
| Standard Deviation (%) | | | 0.8327% | 2.0306% | 0.6981% |
| Total | 194 401 046 790 | | | | |
| Number of Funds | 25 | | | | |

Nigeria - ALL Funds

| | Fund Size (NGN) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 27 568 600 | 511 399 387 | -0.413% | N/A | N/A |
| Max | 27 686 808 963 | 47 159 003 070 | 3.132% | N/A | N/A |
| Average | 3 589 924 765 | 16 842 593 676 | 0.789% | N/A | N/A |
| Standard Deviation (%) | | | 0.8561% | N/A | N/A |
| Total | 165 136 539 182 | | | | |
| Number of Funds | 46 | | | | |

Kenya - ALL Funds

| | Fund Size (KES) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 941 134 | 24 465 554 | 1.112% | 0.000% | 1.000% |
| Max | 6 199 274 420 | 12 470 086 000 | 5.072% | 5.750% | 5.000% |
| Average | 854 443 097 | 4 426 880 760 | 2.709% | 2.245% | 2.354% |
| Standard Deviation (%) | | | 0.9199% | 2.1316% | 0.8226% |
| Total | 37 595 496 270 | | | | |
| Number of Funds | 48 | | | | |

Tanzania - ALL Funds

| | Fund Size (TZS) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 670 095 | 178 937 632 | 1.916% | 0.000% | 2.150% |
| Max | 162 182 407 | 178 937 632 | 3.148% | 0.000% | 2.400% |
| Average | 35 787 526 | 178 937 632 | 2.449% | 0.000% | 2.350% |
| Standard Deviation (%) | | | 0.5395% | N/A | N/A |
| Total | 178 937 632 | | | | |
| Number of Funds | 5 | | | | |

Uganda - ALL Funds

| | Fund Size (UGX) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 213 314 710 | 709 026 391 | 0.760% | 0.000% | 2.000% |
| Max | 3 469 456 263 | 7 402 935 010 | 2.670% | 5.000% | 2.853% |
| Average | 1 622 392 280 | 4 725 371 562 | 2.040% | 1.400% | 2.000% |
| Standard Deviation (%) | | | 0.8946% | 2.1909% | 0 |
| Total | 8 111 961 401 | | | | |
| Number of Funds | 5 | | | | |

Mauritius - ALL Funds

| | Fund Size (MUR) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 10 000 000 | 14 762 349 | 0.750% | 0.000% | 0.550% |
| Max | 3 848 322 978 | 3 940 915 803 | 3.416% | 3.000% | 2.853% |
| Average | 387 154 170 | 1 744 898 226 | 1.938% | 0.680% | 1.239% |
| Standard Deviation (%) | | | 0.8945% | 0.6727% | 0.4460% |
| Total | 12 388 933 445 | | | | |
| Number of Funds | 33 | | | | |

Balanced Funds

BALANCED FUNDS - SUMMARY ANALYTICS

Namibia - Balanced Funds

| | Fund Size (ZAR) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 9 045 916 | 23 194 159 | 0.802% | 0.000% | 0.750% |
| Max | 3 165 000 000 | 10 290 901 075 | 1.630% | 5.000% | 1.500% |
| Average | 686 709 648 | 3 818 473 345 | 1.268% | 1.293% | 1.222% |
| Standard Deviation (%) | | | 0.2437% | 2.0952% | 0.2408% |
| Total | 17 167 741 190 | | | | |
| Number of Funds | | 25 | | | |

Swaziland and Lesotho - Balanced Funds

| | Fund Size (ZAR) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 61 499 915 | 884 000 000 | 1.090% | 1.000% | 1.000% |
| Max | 7 434 600 000 | 13 759 600 000 | 2.393% | 5.000% | 2.000% |
| Average | 1 815 452 543 | 4 056 129 164 | 0.4493% | 1.5625% | 0.3756% |
| Standard Deviation (%) | | | 0.5272% | 1.7525% | 0.4383% |
| Total | 12 443 159 307 | | | | |
| Number of Funds | | 8 | | | |

Botswana - Balanced Funds

| | Fund Size (ZAR) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 21 616 083 | 21 616 083 | 0.378% | 0.000% | 0.000% |
| Max | 83 453 000 000 | 188 463 000 000 | 2.930% | 5.000% | 2.000% |
| Average | 13 112 322 304 | 94 537 039 217 | 2.002% | 1.000% | 1.125% |
| Standard Deviation (%) | | | 0.7591% | 2.1082% | 0.7193% |
| Total | 131 123 223 038 | | | | |
| Number of Funds | | 10 | | | |

Nigeria - Balanced Funds

| | Fund Size (NGN) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 46 682 902 | 511 399 387 | 0.430% | N/A | N/A |
| Max | 1 243 984 307 | 47 159 003 070 | 3.132% | N/A | N/A |
| Average | 664 302 801 | 21 707 512 350 | 1.024% | N/A | N/A |
| Standard Deviation (%) | | | 0.9204% | N/A | N/A |
| Total | 5 978 725 207 | | | | |
| Number of Funds | | 9 | | | |

Kenya - Balanced Funds

| | Fund Size (KES) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 17 414 055 | 121 401 986 | 1.892% | 0.000% | 2.000% |
| Max | 1 883 713 154 | 12 470 086 000 | 5.072% | 5.000% | 3.500% |
| Average | 599 914 373 | 5 120 743 192 | 3.020% | 3.167% | 2.441% |
| Standard Deviation (%) | | | 1.0327% | 2.0037% | 0.5987% |
| Total | 5 315 259 328 | | | | |
| Number of Funds | | 15 | | | |

Tanzania - Balanced Funds

| | Fund Size (TZS) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 1 848 587 | 178 937 632 | 1.916% | 0.000% | 2.400% |
| Max | 162 182 407 | 178 937 632 | 2.797% | 0.000% | 2.400% |
| Average | 44 566 884 | 178 937 632 | 2.275% | 0.000% | 2.400% |
| Standard Deviation (%) | | | 0.4299% | N/A | N/A |
| Total | 178 937 632 | | | | |
| Number of Funds | | 4 | | | |

Uganda - Balanced Funds

| | Fund Size (UGX) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 213 314 710 | 709 026 391 | 1.430% | 2.000% | 2.000% |
| Max | 536 827 815 | 7 402 935 010 | 2.670% | 5.000% | 2.000% |
| Average | 375 071 262 | 4 055 980 700 | 2.050% | 3.500% | 2.000% |
| Standard Deviation (%) | | | 0.8768% | 2.1213% | 0.0000% |
| Total | 750 142 525 | | | | |
| Number of Funds | | 2 | | | |

Mauritius - Balanced Funds

| | Fund Size (MUR) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 10 000 000 | 14 762 349 | 0.750% | 0.000% | 0.850% |
| Max | 617 000 000 | 3 940 915 803 | 2.934% | 2.000% | 1.600% |
| Average | 180 608 591 | 1 386 698 742 | 2.004% | 0.779% | 1.273% |
| Standard Deviation (%) | | | 0.8336% | 0.5582% | 0.2611% |
| Total | 3 070 346 053 | | | | |
| Number of Funds | | 17 | | | |

Equity Funds

EQUITY FUNDS - SUMMARY ANALYTICS

Namibia - Equity Funds

| | Fund Size (ZAR) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 18 612 633 | 200 138 704 | -0.855% | 0.000% | 1.000% |
| Max | 620 200 000 | 10 290 901 075 | 1.554% | 5.000% | 1.750% |
| Average | 229 885 770 | 5 207 655 966 | 1.001% | 3.143% | 1.464% |
| Standard Deviation (%) | | | 0.8522% | 2.1931% | 0.2249% |

Total 2 068 971 926
Number of Funds 9

Swaziland and Lesotho - Equity Funds

| | Fund Size (ZAR) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 207 140 000 | 1 610 850 000 | 0.972% | 2.000% | 1.000% |
| Max | 3 387 000 000 | 13 759 600 000 | 1.606% | 5.000% | 2.000% |
| Average | 1 098 273 957 | 4 533 707 335 | 1.279% | 4.400% | 1.468% |
| Standard Deviation (%) | | | 0.2906% | 1.3416% | 0.3607% |

Total 5 491 369 785
Number of Funds 5

Botswana - Equity Funds

| | Fund Size (ZAR) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 13 833 648 | 355 000 000 | 1.740% | 0.000% | 0.000% |
| Max | 36 993 000 000 | 188 463 000 000 | 2.620% | 5.000% | 2.500% |
| Average | 7 936 637 368 | 59 854 970 042 | 2.172% | 1.600% | 0.370% |
| Standard Deviation (%) | | | 0.3843% | 2.1082% | 0.6433% |

Total 51 999 065 788
Number of Funds 10

Nigeria - Equity Funds

| | Fund Size (NGN) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 27 568 600 | 511 399 387 | -0.413% | N/A | N/A |
| Max | 15 265 821 620 | 47 159 003 070 | 2.613% | N/A | N/A |
| Average | 2 720 225 005 | 11 501 543 884 | 0.831% | N/A | N/A |
| Standard Deviation (%) | | | 0.7287% | N/A | N/A |

Total 48 964 050 095
Number of Funds 18

Kenya - Equity Funds

| | Fund Size (KES) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 941 134 | 24 465 554 | 2.026% | 0.000% | 1.500% |
| Max | 6 177 850 000 | 12 470 086 000 | 4.356% | 5.750% | 5.000% |
| Average | 846 206 963 | 3 618 167 607 | 2.934% | 3.442% | 2.567% |
| Standard Deviation (%) | | | 0.8194% | 2.2734% | 0.9660% |

Total 11 120 435 597
Number of Funds 13

Tanzania - Equity Funds

| | Fund Size (TZS) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|-----|---------------------|-------------------------|
| Min | | | | | |
| Max | | | | | |
| Average | | | | | |
| Standard Deviation (%) | | | N/A | | |

Total
Number of Funds

Uganda - Equity Funds

| | Fund Size (UGX) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|-----|---------------------|-------------------------|
| Min | | | | | |
| Max | | | | | |
| Average | | | | | |
| Standard Deviation (%) | | | | | |

Total
Number of Funds

Mauritius - Equity Funds

| | Fund Size (MUR) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 25 228 839 | 981 856 056 | 0.800% | 0.000% | 0.750% |
| Max | 842 833 490 | 3 940 915 803 | 3.398% | 3.000% | 2.853% |
| Average | 390 346 191 | 2 216 292 414 | 2.093% | 0.611% | 1.434% |
| Standard Deviation (%) | 302 138 902 | 808 502 608 | 0.9794% | 0.9851% | 0.6702% |

Total 3 513 115 723
Number of Funds 9

Fixed Income Funds

FIXED INCOME FUNDS - SUMMARY ANALYTICS

Namibia - Fixed Income Funds

| | Fund Size (ZAR) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 10 342 355 | 11 004 000 | 0.361% | 0.000% | 0.600% |
| Max | 952 000 000 | 10 290 901 075 | 1.320% | 1.000% | 1.250% |
| Average | 291 418 553 | 4 333 252 058 | 0.9720% | 0.3821% | 0.8929% |
| Standard Deviation (%) | | | 0.2271% | 0.4705% | 0.2065% |
| Total | 4 662 696 849 | | | | |
| Number of Funds | | 16 | | | |

Swaziland and Lesotho - Fixed Income Funds

| | Fund Size (ZAR) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|--------|---------------------|-------------------------|
| Min | 442 180 000 | 1 971 490 000 | 0.853% | 1.500% | 0.750% |
| Max | 442 180 000 | 1 971 490 000 | 0.853% | 1.500% | 0.750% |
| Average | 442 180 000 | 1 971 490 000 | 0.853% | 1.500% | 0.750% |
| Standard Deviation (%) | | | N/A | N/A | N/A |
| Total | 442 180 000 | | | | |
| Number of Funds | | 1 | | | |

Botswana - Fixed Income Funds

| | Fund Size (ZAR) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 24 357 849 | 794 241 169 | 0.440% | 0.000% | 0.250% |
| Max | 631 000 000 | 188 463 000 000 | 0.550% | 5.000% | 2.000% |
| Average | 327 678 924 | 94 628 620 585 | 0.495% | 2.500% | 1.125% |
| Standard Deviation (%) | | | 0.0781% | 3.5355% | 1.2374% |
| Total | 655 357 849 | | | | |
| Number of Funds | | 2 | | | |

Nigeria - Fixed Income Funds

| | Fund Size (NGN) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 385 841 656 | 738 048 667 | -0.334% | N/A | N/A |
| Max | 4 693 249 937 | 47 159 003 070 | 2.964% | N/A | N/A |
| Average | 1 799 012 382 | 18 813 961 183 | 0.704% | N/A | N/A |
| Standard Deviation (%) | | | | N/A | N/A |
| Total | 16 191 111 435 | | | | |
| Number of Funds | | 9 | | | |

Kenya - Fixed Income Funds

| | Fund Size (KES) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 12 420 000 | 24 465 554 | 1.112% | 0.000% | 1.500% |
| Max | 397 403 000 | 12 470 086 000 | 4.170% | 2.500% | 5.000% |
| Average | 143 671 581 | 4 269 568 720 | 2.615% | 1.450% | 2.450% |
| Standard Deviation (%) | | | 0.9406% | 1.0916% | 1.0124% |
| Total | 1 436 715 808 | | | | |
| Number of Funds | | 10 | | | |

Tanzania - Fixed Income Funds

| | Fund Size (TZS) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|-----|---------------------|-------------------------|
| Min | | | | | |
| Max | | | | | |
| Average | | | | | |
| Standard Deviation (%) | | | N/A | | |
| Total | | | | | |
| Number of Funds | | | | | |

Uganda - Fixed Income Funds

| | Fund Size (UGX) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|--------|---------------------|-------------------------|
| Min | 3 469 456 263 | 7 402 935 010 | 2.670% | 0.000% | 2.000% |
| Max | 3 469 456 263 | 7 402 935 010 | 2.670% | 0.000% | 2.000% |
| Average | 3 469 456 263 | 7 402 935 010 | 2.670% | 0.000% | 2.000% |
| Standard Deviation (%) | | | N/A | N/A | N/A |
| Total | 3 469 456 263 | | | | |
| Number of Funds | | 1 | | | |

Mauritius - Fixed Income Funds

| | Fund Size (MUR) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 162 926 920 | 1 424 941 423 | 0.750% | 0.000% | 0.550% |
| Max | 900 313 031 | 2 093 377 800 | 1.439% | 0.750% | 1.160% |
| Average | 462 322 708 | 1 926 268 706 | 1.108% | 0.500% | 0.840% |
| Standard Deviation (%) | | | 0.3225% | 0.3536% | 0.2505% |
| Total | 1 849 290 831 | | | | |
| Number of Funds | | 4 | | | |

Money Market Funds

MONEY MARKET FUNDS - SUMMARY ANALYTICS

Namibia - Money Market Funds

| | Fund Size (ZAR) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 4 989 915 | 200 138 704 | 0.361% | 0.000% | 0.500% |
| Max | 4 121 756 685 | 10 290 901 075 | 1.182% | 1.000% | 1.000% |
| Average | 933 039 830 | 4 522 078 995 | 0.616% | 0.322% | 0.580% |
| Standard Deviation (%) | | | 0.2156% | 0.3799% | 0.1265% |
| Total | 16 778 394 221 | | | | |
| Number of Funds | | 18 | | | |

Swaziland and Lesotho - Money Market Funds

| | Fund Size (ZAR) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 50 862 631 | 1 610 850 000 | 0.619% | 0.000% | 0.500% |
| Max | 1 637 104 953 | 3 355 106 676 | 1.099% | 1.000% | 2.000% |
| Average | 801 084 396 | 2 573 138 338 | 0.866% | 0.500% | 1.125% |
| Standard Deviation (%) | | | 0.2221% | 0.5774% | 0.6292% |
| Total | 1 637 104 953 | | | | |
| Number of Funds | | 1 | | | |

Botswana - Money Market Funds

| | Fund Size (ZAR) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 713 270 116 | 794 241 169 | 0.30% | 0.000% | 0.250% |
| Max | 7 853 000 000 | 188 463 000 000 | 1.30% | 1.000% | 1.000% |
| Average | 3 541 133 372 | 63 909 050 390 | 0.90% | 0.333% | 0.750% |
| Standard Deviation (%) | | | 0.5294% | 0.5774% | 0.4330% |
| Total | 10 623 400 116 | | | | |
| Number of Funds | | 3 | | | |

Nigeria - Money Market Funds

| | Fund Size (NGN) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 186 370 889 | 3 244 370 945 | -0.175% | N/A | N/A |
| Max | 21 755 332 624 | 47 159 003 070 | 0.633% | N/A | N/A |
| Average | 11 570 914 591 | 22 339 668 955 | 0.355% | N/A | N/A |
| Standard Deviation (%) | | | 0.3616% | N/A | N/A |
| Total | 46 283 658 363 | | | | |
| Number of Funds | | 4 | | | |

Kenya - Money Market Funds

| | Fund Size (KES) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|---------|---------------------|-------------------------|
| Min | 94 317 399 | 121 401 986 | 1.160% | 0.000% | 1.000% |
| Max | 6 199 274 420 | 12 470 086 000 | 3.341% | 1.000% | 3.000% |
| Average | 1 995 457 495 | 4 844 663 230 | 2.077% | 0.100% | 1.850% |
| Standard Deviation (%) | | | 0.6260% | 0.3162% | 0.5798% |
| Total | 17 959 117 457 | | | | |
| Number of Funds | | 10 | | | |

Tanzania - Money Market Funds

| | Fund Size (TZS) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|--------|---------------------|-------------------------|
| Min | 670 095 | 178 937 632 | 3.148% | 0.000% | 2.150% |
| Max | 670 095 | 178 937 632 | 3.148% | 0.000% | 2.150% |
| Average | 670 095 | 178 937 632 | 3.148% | 0.000% | 2.150% |
| Standard Deviation (%) | | | N/A | N/A | N/A |
| Total | 670 095 | | | | |
| Number of Funds | | 1 | | | |

Uganda - Money Market Funds

| | Fund Size (UGX) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|--------|---------------------|-------------------------|
| Min | 495 711 681 | 709 026 391 | 0.760% | 0.000% | 2.000% |
| Max | 3 469 456 263 | 7 402 935 010 | 2.670% | 0.000% | 2.000% |
| Average | 1 982 583 972 | 4 055 980 700 | 1.715% | 0.000% | 2.000% |
| Standard Deviation (%) | | | 1.351% | 0.000% | 0.000% |
| Total | 3 965 167 944 | | | | |
| Number of Funds | | 2 | | | |

Mauritius - Money Market Funds

| | Fund Size (MUR) | Fund Family Size | TER | Initial / Load Fees | Annual / Management Fee |
|------------------------|-----------------|------------------|-----|---------------------|-------------------------|
| Min | | | | | |
| Max | | | | | |
| Average | | | | | |
| Standard Deviation (%) | | | N/A | | |
| Total | | | | | |
| Number of Funds | | | | | |