

Question 3

Joshua Strydom^a

^a*Stellenbosch University, Stellenbosch, South Africa*

1. ALSI and SWIX

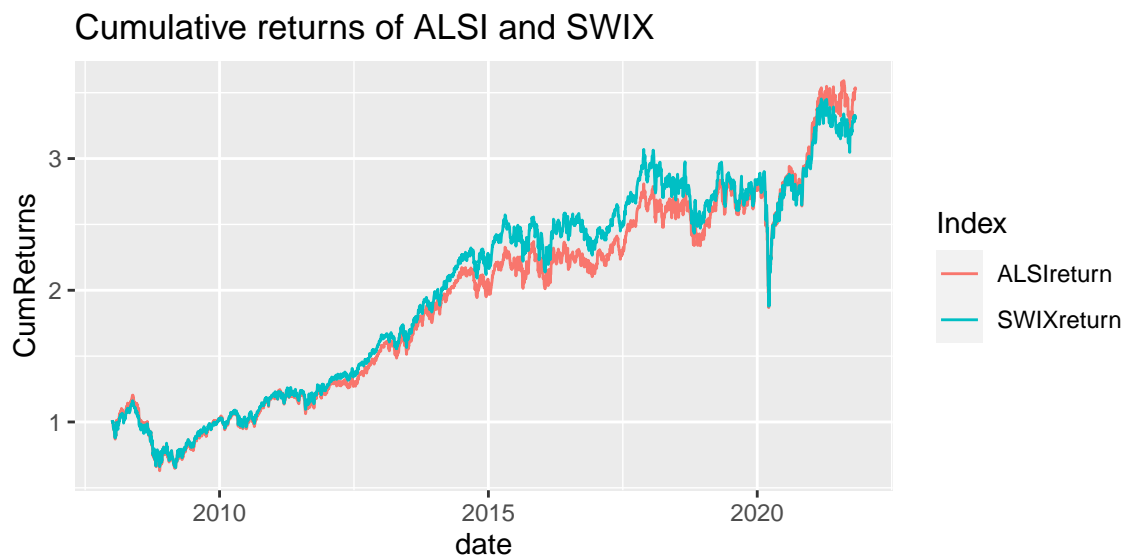


Figure 1.1: Cumulative returns

The ALSI and the SWIX have, over the past decade, followed each other closely in terms of cumulative returns. The SWIX seemed to have consistently outperformed the ALSI from approximately 2011 to 2020. Post-2020, the ALSI has outperformed the SWIX.

Email address: 20718284@sun.ac.za (Joshua Strydom)

Contributions:

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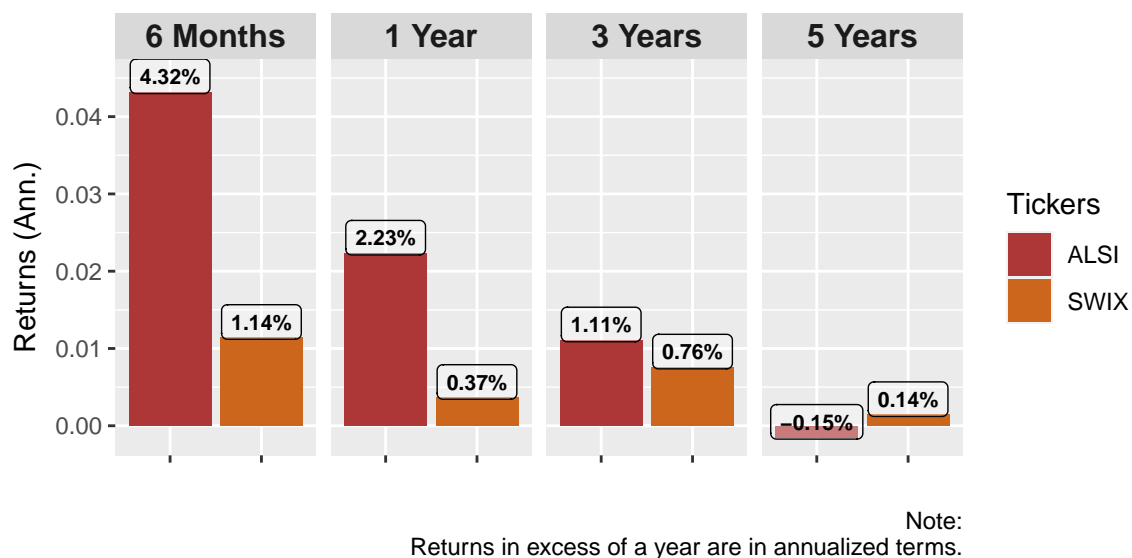


Figure 1.2: Rolling returns

Figure 1.2 displays the returns generated by the ALSI and SWIX over a 6 month, 1 year, 3 year and 5 year period. The only time that the SWIX outperformed the ALSI was over the 5 year period. The outperformance, however, was by a meagre 0.29%. The longer an individual intends for their money to be in the market, the more attractive the SWIX becomes in a relative sense.

2. Large, Mid and Small cap contributions to returns

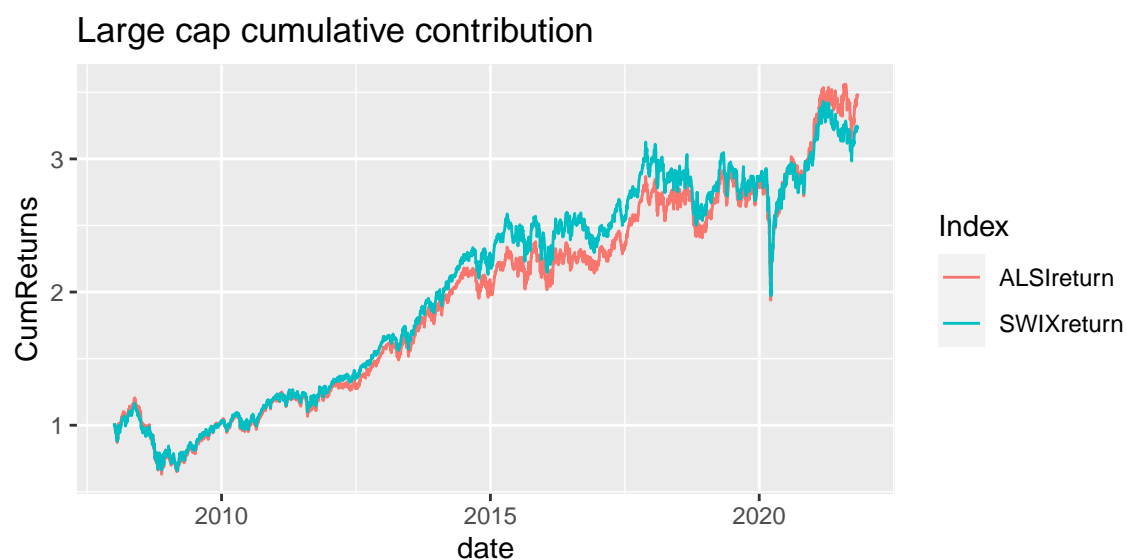


Figure 2.1: Large caps

Seeing as though the SWIX and ALSI are predominantly made up of large cap stocks, the choice of such stocks is very important. The contribution to cumulative returns by large cap stocks has been historically larger for the SWIX than for the ALSI. This is not, however, the case post-2020 as the cumulative returns for the ALSI are larger than that of the SWIX.

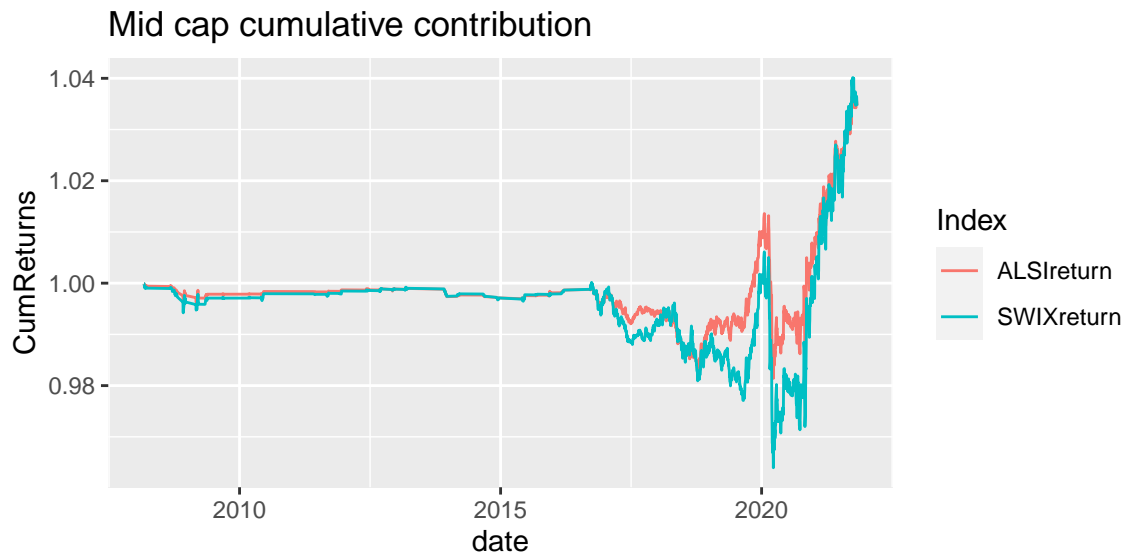


Figure 2.2: Mid caps

Mid cap cumulative returns for both indices have tracked each other reasonably well, with the ALSI generally just outperforming the SWIX. The actual contribution of these stocks to overall cumulative returns have not been that high though.

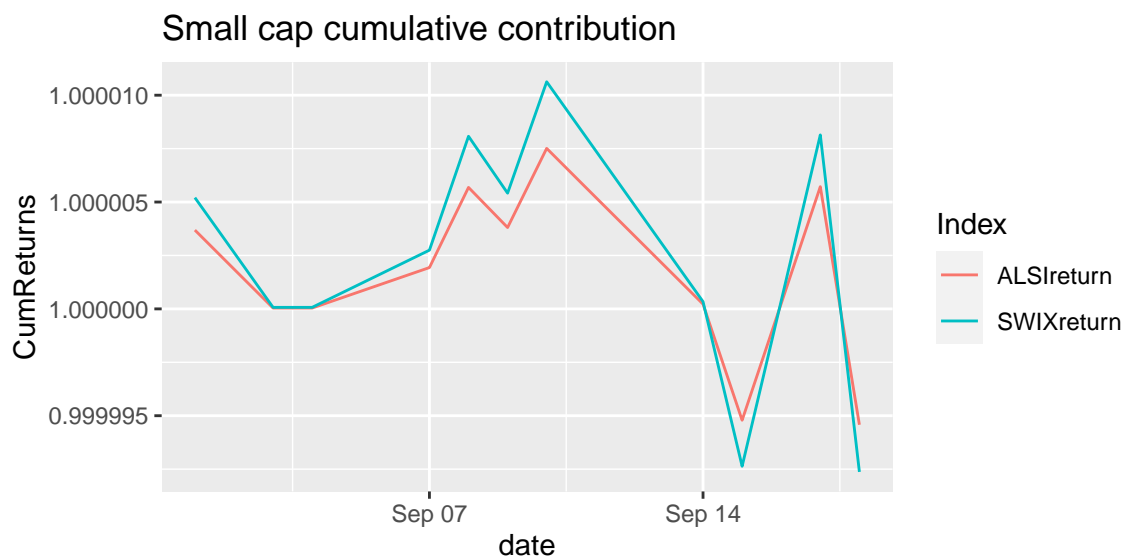


Figure 2.3: Small caps

The contribution of small cap stocks to cumulative returns is at best marginal. Small cap stocks within the SWIX seem to be ‘better’ than those of the ALSI. The sample does not extend past 2018 though.

3. Conclusion

The ALSI and SWIX have largely performed equally well. The performance of different size indexes, sector exposures and stock concentration over time are very important.