STANLIB Multi-Manager Global Equity Fund

Commentary: 30 September 2018

STANLIB

Market overview

Emerging markets (EM) lagged developed markets (DM) for the second consecutive quarter in 2018 as the global trade war between the United States and China continued to dominate headlines. The US intensified tariffs on Chinese imports, adding 10% on a further $200 billion worth of goods. After the increase, President Trump highlighted that he stood ready to increase the basket of goods should China retaliate. His message fell on deaf ears as China swiftly countered with 5% to 10% increases on $60 billion worth of US imports.

Despite the tussle between the two economic giants, the US economy remains strong. This is visible in the rally of the US dollar; their robust labour market and the 7.7% quarterly return from the S&P 500 at a time when DM only gained 5.1%. These positive developments gave the Fed room to hike interest rates in September from 2.0% to 2.25%.

Unfortunately, the higher DM interest rates and stronger US dollar do not bode well for EM assets andmost countries saw their currencies lose value. EM equities lost 1% for the quarter in US dollars and are more than 13% behind DM equities year-to-date. Real yields remain high in most countries and in recognition of this and other dynamics, foreign investors have ploughed $13 billion into EM bonds this year and $21.7 billion into equity markets.

Asset class performance and risk statistics in USD

Asset class	Q3 2018	1 year	3 years p.a.	5 years p.a.
MSCI World Index	5.0%	11.2%	13.5%	9.3%
JP Morgan Global Bond Index	-1.8%	-1.6%	1.5%	0.5%
FTSE EPRA Property Index	-0.2%	4.6%	7.2%	6.3%
7-day US LIBID	0.5%	1.6%	0.87%	0.5%
Rand/dollar	-3.0%	-4.2%	-0.7%	-6.6%

Fund risk statistics since launch	
Lowest rolling 12-month return	-52.0% (12 months ended February 2009)
Highest rolling 12-month return	57.3% (12 months ended March 2010)

Source: STANLIB Multi-Manager

Portfolio facts

Bloomberg Code	LIBIGEI JY
Structure	Open-ended investment company
Custodian	Link Corporate Services (Jersey) Limited
Sub Custodian	The Bank of New York Mellon SA/NV London Branch
Auditors	PricewaterhouseCoopers Ireland
Manager	STANLIB Fund Managers Jersey Limited
Investment Manager	STANLIB Asset Management Pty Limited
Administrative Agent	BNY Mellon Fund Services (Ireland) Designated Activity Co
Year End	31 December
Custody Fee	0.035% 0-$50m; 0.025% $50m-$100m; 0.010% $100m-$500m; 0.005% $500m-above
Dealing Valuation	Daily
Redemption Payment	Within 14 business days
Publication of NAV	STANLIB Fund Managers Jersey Limited
Directors	SM Place, N Deacon, M Mitchell, M Farrow

Portfolio review

The STANLIB Multi-Manager Global Equity Fund produuced a strong return of 5.0% over the quarter, on a gross basis, 1.1% ahead of the benchmark. This outperformance is pleasing given that the overweight to EMs would have weighed on returns. Sector positioning contributed, particularly the overweight to healthcare and technology.

Veritas had a strong quarter, outperforming their benchmark by more than 3%. Healthcare stock selection came through strongly, having been a large detractor in the recent past. Sanders also had a good quarter, which is pleasing given that the value style underperformed. Sector allocation contributed most to their outperformance, with the technology sector contributing strongly. This positioning is reflective of their pragmatic approach to value. Sands' large overweight to technology contributed over the quarter, resulting in strong alpha. This is pleasing given that they have 17% in EMs, an exposure that weighed on performance.

Hosking had a tough quarter, underperforming by almost 3%, bringing their 12 month performance to a disappointing 5.5% behind the benchmark. Given that EMs were sharply in the red, the negative alpha quarter for Hosking is in line with expectations. Hosking used the EM weakness to add to their exposure, resulting in a more value-oriented portfolio. Arrowstreet performed strongly over the quarter, producing more than 2.5% of alpha. Pleasingly, this came from both allocation and stock selection.

Portfolio positioning and outlook

We expect trade wars to continue to dominate headlines and possibly weigh heavily on risk assets generally and EM sentiment specifically. We also view the increased market volatility coupled with markets becoming less directional, as an opportunity for active managers. As such, we continue to be overweight active managers over beta. Our managers maintain their constructive view on their EM positioning and we continue to be overweight. The Fed remains on track with interest rate hikes and will possibly raise rates once more in 2018, with three hikes currently being priced in for 2019.

Portfolio managers

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