

STANLIB Multi-Manager Global Bond Fund

Commentary: 30 September 2018

STANLIB

Market overview

After raising rates 25bp in June, the US Fed hiked by the same amount in September to 2.25%, backed by solid economic data. CPI rose from 2.1% at the start of the year to 2.7%, while unemployment fell to 3.7%, the lowest level in 50 years.

The highlight of the third quarter was the Italian government's budget negotiations. A deficit equivalent to 2.4% of GDP for 2019 and 2020 was announced, as the League and Five-Star Movement put their campaign promises ahead of fiscal conformity.

The Mexican peso rallied on the new free-trade agreement between Mexico and the US, gaining 5%. Market participants most likely took to heart the statement from Governor Carney that the likelihood was 'uncomfortably high' that no Brexit agreement would be reached. This fear that was confirmed when the government released a series of explanatory notes detailing the consequences of a no-deal Brexit.

Global 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	0.4% (12 months ended June 2018)	
Highest rolling 12-month return	9.0% (12 months ended January 2018)	
	Fund	Benchmark
Maximum drawdown	-	-
Portfolio volatility	-	-

Source: STANLIB Multi-Manager. *This Fund has a track record that is less than three years.

Portfolio facts

Bloomberg Code	Class A: STMMGBC:JY Class B: SMMGGB1:JY	Administrative Agent	BNY Mellon Fund Services (Ireland) Designated Activity Co	
Structure	Open-ended investment unit trust	Year End	31 December	
Trustee/Custodian	Link Corporate Services (Jersey) Limited	Custody Fee	0.035% 0-\$50m	0.025% \$50m-\$100m
			0.010% \$100m-\$500m	0.005% \$500m-above
Sub Custodian	The Bank of New York Mellon SA/NV London Branch	Dealing Valuation	Daily	
Auditors	PricewaterhouseCoopers Ireland	Redemption Payment	Within 7 business days	
Manager	STANLIB Fund Managers Jersey Limited	Publication of NAV	STANLIB Fund Managers Jersey Limited	
Investment Manager	STANLIB Asset Management Pty Limited			

Portfolio review

The STANLIB Offshore Unit Trusts Multi-Manager Global Bond Fund lost 1.07% for the third quarter. Over 12-months, the Fund has lost 2.7%. The Fund received a large inflow of \$29 900 in August, which marginally detracted from performance, resulting in the STOUT fund underperforming the underlying fund by 46bps.

The underlying fund lost 0.4% gross for the quarter, outperforming the Bloomberg Barclays Multiverse, which lost 0.8%. The fund remains ahead of the peers. The outperformance over the quarter is pleasing given that the overweight to emerging markets (EM) would have weighed on returns.

As expected, Brandywine struggled over the quarter given their aggressive positioning. Their bond exposure detracted, with longer-dated Mexican government bond yields faring the worst. The Mexican peso, however, recovered strongly in the wake of a new trade deal with the US and Canada. It was the largest contributing position for the quarter. Other EM currency exposure detracted over the quarter, but this was offset by positive attribution against the yen and euro positioning.

The Capital mandate performed in line with the benchmark for the quarter. Currency and issuer selection detracted, while country allocation and high yield exposure contributed. As with Brandywine, exposure to Mexico exposure contributed albeit to a lesser degree given the lower exposure. Exposure to Italian government bonds dragged on returns as the political uncertainty led yields higher.

Amundi had a strong third quarter, outperforming the benchmark by more than 60bps. Alpha came from their short duration, which contributed as yields rose. In addition, country allocation –underweight Japanese government bonds – and currency positioning – overweight the US dollar, Canadian dollar over the yen, as well as reducing the EM currencies prior to the selloff – also contributed.

BlackRock's beta mandate also performed well, where short duration contributed.

Portfolio positioning and outlook

We expect uncertainty to continue to dominate markets, driven by upcoming elections, central bank actions and trade discussions.

We view the increased market volatility coupled with markets becoming less directional, as an opportunity for active managers. As such, the large inflow during the quarter provided an opportunity to increase the allocation to active managers.

Portfolio managers



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