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. Unfortunately, higher DM interest rates and a stronger US dollar does not bode well for EM assets.

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	6.5% (12 months ended June 2018)	
Highest rolling 12-month return	22.9% (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: STMMGEA:JY Class B: SMMGEB1:JY
Structure	Open-ended investment unit trust
Trustee/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 7 business days
Publication of NAV	STANLIB Fund Managers Jersey Limited

Portfolio review

The STANLIB Offshore Unit Trusts Multi-Manager Global Equity Fund returned 4.5% for the third quarter and 7.8% over the year. The Fund continued to receive inflows ($60 000), although smaller than previous quarters. These inflows did not affect returns, with the Fund underperforming the underlying fund by 15bps for the quarter.

The underlying 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%. This outperformance came from a number of stocks, namely Cigna, CVS, Health, Allergan and Thermo Fisher Scientific. Performance also came from Qualcomm and Charter Communications in IT, as well as Safran in the aerospace sector. The quarter's strong performance reverses their losses, bringing their 12-month performance marginally ahead of the benchmark.

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. Healthcare exposure also contributed.

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.

The AB mandate detracted as a result of the value style underperforming. This is in line with our expectations.

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. They have more than 19% of their portfolio in EM – the largest allocation of any of our managers. Hosking continue to hold the view that EMs remain better placed to weather the storm, with well-contained inflation, current account deficits and external debt coverage ratios.

Arrowstreet performed strongly over the quarter, producing more than 2.5% of alpha. Pleasingly, this came from both allocation (large overweights to healthcare and technology), as well as stock selection. Their information ratio remains robust, with the alpha being produced on a good risk adjusted basis.

Portfolio positioning and outlook

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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