STANLIB Multi-Manager Enhanced Yield Fund
Commentary: 31 December 2018

STANLIB

Market overview

The STeFI Composite Index returned 7.2% for the year, outperforming equities and delivering inflation-beating returns. Despite yields increasing and the rand depreciating by some 16% during the year, longer term fixed interest assets offered higher returns with the ALBI returning 7.7%.

Asset class performance and risk statistics

Asset class	Q4 2018	1 year	3 years p.a.	5 years p.a.
FTSE/JSE ALSI	-4.9%	-8.5%	4.3%	5.8%
Financials	*-2.1%*	*-8.8%*	*5.1%*	*8.9%*
Resources	*-4.5%*	*15.7%*	*22.3%*	*-0.3%*
Industrials	*-6.5%*	*-17.6%*	*-1.9%*	*4.9%*
FTSE/JSE Capped SWIX	-3.8%	-10.9%	3.0%	5.3%
Bonds ALBI	2.7%	7.7%	11.1%	7.7%
Cash STeFI Composite	1.8%	7.2%	7.4%	6.9%
All Property Index (ALPI)	-6.2%	-25.0%	-5.0%	4.2%

Risk statistics since launch		
Lowest rolling 12-month return	6.9% (12 months ended March 2017)	
Highest rolling 12-month return	8.8% (12 months ended August 2017)	
	Fund*	Benchmark
Maximum drawdown	0.3%	0.4%
Portfolio volatility	0.3%	0.6%

Source: STANLIB Multi-Manager.

Portfolio review

It is pleasing to note that the Fund delivered 8.9% return over the past 12-months on a gross basis, with all the underlying managers beating the STeFI composite. Despite yields rising over the longer term, short-term yields offered opportunities and therefore income-oriented managers delivered the most alpha relative to the benchmark. As such, Aluwani and STANLIB were the best performing underlying managers in the Fund. We highlight that the construction framework of the Fund has an allocation to higher duration mandates in order to capitalise on a good fixed income environment. Prescient has a more of a cash plus mandate, which has delivered consistent performance. Both the Investec and STANLIB Money Market funds produced returns ahead of cash.

Portfolio positioning and outlook

The Fund's underlying managers are positioned differently. We believe this diversity across different mandate types is one of the core strengths of the Fund. After a period of increasing duration, the income-oriented managers have reduced slightly. Prescient continues to maintain lower duration closer to the benchmark. Overall, the Fund has a duration of 0.43 for the year, allowing for better yield pick-up but with some conservatism in that the Fund has 55% allocation to cash. Looking forward, the results of the general election may provide better policy certainty. If this materialises, it may provide some support for interest rate sensitive assets. In addition, the outlook for inflation is that it will remain under 6% during 2019. These factors could be positive for the Fund. We highlight that local and global politics and credit rating reviews remain a risk for interest rate sensitive assets.

Duration – a measure of the sensitivity of the price of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

Portfolio managers

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