

### Market overview

After pleasing performance in 2017, 2018 was a dreadful year for listed property. The asset class retreated just over 25%, reminding investors that listed property is not a risk-free asset class. Various factors contributed to this performance including the fall in the Resilient stable following allegations of accounting irregularities and fraud, political and policy uncertainty, weak economic growth, negative SA fundamentals and concerns around Brexit. In addition, online shopping continues to place pressure on many brick and mortar retailers. Cash returned 6.5% for the year and SA bonds – as measured by the All Bond Index – returned 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	-14.6% (12 months ended June 2008)	
Highest rolling 12-month return	46.8% (12 months ended March 2006)	
	Fund <sup>1</sup>	Benchmark
Maximum drawdown	-21.0%	-31.9%
Portfolio volatility	10.6%	15.7%

Source: STANLIB Multi-Manager.

### Portfolio review

The Fund's strategic blend between property and fixed interest assets aims to protect investors from extreme volatility and drawdowns in the property market, while participating in the majority of the potential performance upside. During the year the SAPY Index was down 25.0%, while the Fund lost 14.8%. Over the past 10 years the Fund delivered 10.2% per annum.

During November and December we invested into global property. Going forward, our strategic global allocation will be 15% of the Fund, benchmarked against the FTSE EPRA/NAREIT Global REIT Index. We believe this global allocation will provide improved diversification by accessing a large universe of global property shares. Historically, the Fund gained global exposure through counters, such as Intu and Capco, that have primarily been exposed to the UK and eastern Europe. Going forward, investors will have access to a much broader universe of global property counters.

We have split this 15% global strategic position between a passive global property exchange traded fund and Catalyst's Global Property Fund. Catalyst is one of the top SA listed property asset managers, with a reputable track record in managing a global property fund. Catalyst's fund has a bias towards property companies with high quality assets.

STANLIB and Coronation continue to manage flexible property mandates for the Fund, which allows them to allocate between property and shorter-dated fixed interest assets, providing a buffer against severe property drawdowns such as that seen in 2018. Both these managers manage a strategic allocation of 30% of the Fund. The residual allocation of the Fund is managed passively to track the SA All Property Index.

### Portfolio positioning and outlook

The Fund retains exposure to property shares at roughly 60%, of which 15% will be in global. The residual consists mainly of short duration income assets and bonds. Despite the poor performance of 2018, SA property remains the best performing local asset class over the 15 years to December 2018. The big question is how does the market react to the de-rating of listed property – does it see it as a buying opportunity off a low base? Or does it feel the weak fundamentals and mid-term outlook are still not sufficiently discounted in current share prices? Regardless of the short-term impact, we believe property provides pockets of great opportunity for patient investors willing to invest for the long-term.

*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



**Richo Venter**  
Portfolio Manager  
BCom(Hons)  
(cum laude), CFA



**Jennifer Henry**  
Head of Portfolio  
Management:  
Retail Clients  
BCom(Hons), CFA, FRM