STANLIB Multi-Manager Global Equity Feeder Fund
Commentary: 31 December 2018

STANLIB

Market overview

Investors started the year with optimistic expectations that SA and global growth assets would build on their 2017 momentum and outperform traditional fixed income assets. This was justified as economic data was pointing towards synchronised global growth and an improved political environment in SA. However, that proved to be a tall order as the year progressed.

Global equities lost 10% in US dollar terms in 2018 (+4.4% in rands), pulled down by poor performance from emerging markets (EM) and small capitalisation companies. The escalating trade tensions between Washington and Beijing; rising US interest rates; a stronger greenback and the collapse of the Turkish Lira, were some of the factors that drove EM asset prices to the ground. EM equities retreated 14.5% but this masked the dismal performance of the Borsa Instanbul in Turkey, which plunged 41.1% as inflation soared to its highest levels in 15 years. Energy companies came under pressure due to the oil price falling almost 20% in 2018, despite attempts by OPEC to cut production. The S&P 500 bucked this trend in the second and third quarter of 2018 but fell back in line in the fourth quarter when energy and technology companies started selling off. The index still performed better, however, retreating only 4.5% for the year.

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	-40.3% (12 months ended March 2003)	
Highest rolling 12-month return	48.5% (12 months ended December 2013)	
	Fund*	Benchmark
Maximum drawdown	-43.3%	-35.3%
Portfolio volatility	16.3%	14.2%

Source: STANLIB Multi-Manager.

Portfolio review

The STANLIB Multi-Manager Global Equity Feeder Fund was down sharply over the quarter, falling more than 12.5%. Markets being 12% lower in the last quarter of the year drove this. Over the year, the Fund returned more than 4%, with rand weakness being the reason for a positive return. An overweight exposure to health care contributed, while exposure to financials, EMs and small caps detracted.

Hosking had a tough year, underperforming extensively. While disappointing, this underperformance aligns with their philosophy. Overweights to EMs, financials and small caps all detracted from relative performance. On the contrary, Sands had an exceptional year with alpha more than 12% for the year. Stock selection drove returns, from various positions in industrials and IT. The large underweight to financials also contributed strongly. Arrowstreet performed well, with sector positioning having contributed.

Given that value underperformed, the low cost beta mandate with AB also detracted from the overall Fund's performance. Sanders has a pragmatic approach to value investing. This resulted in them underperforming the benchmark by much less than the value index, thanks to their exposure to technology.

Portfolio positioning and outlook

Looking forward, we expect tighter monetary policies to continue in 2019. Higher interest rates in developed countries alongside uncertainties on global trade, will probably not bode well for EM countries such as SA. Brexit will probably dominate headlines in first quarter and if it is a 'softer Brexit', UK assets could rerate. Generally, we expect higher volatility, especially given the current risks. Brexit, global trade tensions, the government shutdown in the US, as well as Eskom and SA elections, all result in increased instability in equity markets and the rand. We expect more clarity on policy direction post the general elections and if that prevails, it may bring back much needed confidence in SA.

Portfolio managers

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