

### Market overview

The global stock market declined 9.4% during 2018, in stark contrast to the positive 12.4% return in 2017. The rally in 2017 was driven by US tax cuts and spending increases, which boosted the US economy. However, there are expectations of slowing growth in the US and China, which has caused markets to decline. In addition, central banks have gone from buying to selling bonds. This reduced liquidity in markets. Overall this impacted emerging markets, which lost 17%, including SA with the JSE All Share declining 8.5%. Financials (-8.8%), industrials (-17.6%) and property (-25.0%) stocks all contributed to these losses. Resources, however, returned 15.7% and this proved supportive of value managers.

### 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%
<i>Financials</i>	-2.1%	-8.8%	5.1%	8.9%
<i>Resources</i>	-4.5%	15.7%	22.3%	-0.3%
<i>Industrials</i>	-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	-30.9% (12 months ended February 2009)	
Highest rolling 12-month return	41.3% (12 months ended March 2010)	
	Fund <sup>1</sup>	Benchmark
Maximum drawdown	-36.4%	-13.2%
Portfolio volatility	12.2%	10.3%

Source: STANLIB Multi-Manager.

### Portfolio review

The Fund declined 8.5% for the year gross of fees, 2.4% ahead of the benchmark and in line with peers. Prudential, Visio and Truffle outperformed the benchmark while Coronation and Foord detracted. Truffle was the best performing underlying manager for the year, driven by being active in terms of sector rotation as well as being overweight Sasol and Old Mutual. Visio's performance turned around quite well during the year. Bidvest, Shoprite and Old Mutual drove their performance. Prudential's performance continues to be strong with Anglo American, Pick n Pay and BHP contributing to performance.

Foord had a negative fourth quarter, due to overweight exposures to Aspen, Naspers and BTI. Coronation also had a tough year, with overweights to Naspers and MTN dragging on performance. However, there was some good news on MTN late in December. They have been cleared of any wrongdoing in repatriating dividends over an eight-year period and will only have to pay back \$52.6 million, less than 1% of the alleged \$8.1 billion.

### Portfolio positioning and outlook

The US equity market looks to be pricing in a recession in 2019, which could be positive for emerging markets including SA as global investors typically hunt for additional yield when the US economy slows. The SA market in particular is looking cheap, relative to its own history, with a 4% forward dividend yield and consensus earnings growth of about 15%. SA economic growth expectations remain on the low side with a 1.5% consensus forecast for 2019. This could dampen companies' earnings growth. During 2018, some of our underlying managers increased their cash holdings and hence, the Fund currently has 2.5% in cash. Managers typically view this as dry powder to invest when stocks are looking cheap. The Fund remains overweight resources and consumer goods and underweight banks, telecoms and property.

### Portfolio managers



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



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