

Market overview

The global trade war between the United States and China continued to dominate headlines during the quarter. The US intensified tariffs on Chinese goods and China retaliated. Despite the tussle between the two economic giants, the US economy remains strong. This is visible in the rally of the US dollar and their robust labour market. These positive developments gave the Fed room to hike interest rates in September from 2.0% to 2.3%.

Unfortunately, the higher developed market (DM) interest rates and stronger US dollar do not bode well for emerging market (EM) assets such as South Africa, and most EM countries saw their currencies weaken. SA fared worse than its EM peers as signs of poor economic growth surfaced during the quarter, resulting in SA moving into a technical recession.

SA equities lost 1.6% over the quarter, driven largely by poor returns from industrials. SA property fell 1.0% as Intu PLC, Hyprop and Growthpoint lost 12.6%, 5.2% and 4.9% respectively. The weaker rand provided a boost to offshore returns leading to a 7.4% return from global equities.

Asset class performance and risk statistics

Asset class	Q3 2018	1 year	3 years p.a.	5 years p.a.
FTSE/JSE ALSI	-2.2%	3.4%	6.7%	8.0%
<i>Financials</i>	2.8%	8.1%	4.6%	10.9%
<i>Resources</i>	5.2%	27.1%	15.7%	1.0%
<i>Industrials</i>	-7.8%	-7.7%	2.5%	7.7%
FTSE/JSE Capped SWIX	-1.7%	0.4%	4.5%	7.4%
Bonds ALBI	0.8%	7.1%	7.8%	7.2%
Cash STeFI Composite	1.8%	7.3%	7.3%	6.8%
All Property Index (ALPI)	-1.5%	-14.0%	-3.5%	6.1%

Risk statistics since launch

Lowest rolling 12-month return -26.3% (12 months ended October 2008)
 Highest rolling 12-month return 39.9% (12 months ended February 2010)

	Fund ¹	Benchmark
Maximum drawdown	-32.2%	-36.2%
Portfolio volatility	12.1%	12.0%

Source: STANLIB Multi-Manager.

Portfolio review

The Fund outperformed peers by 1.5% over the quarter, resulting in the performance being ahead of peers over 12 months. The Fund's three and five-year track records remain pleasing with approximately 2.5% and 1.9% alpha respectively, relative to peers.

At an underlying fund level, the Allan Gray SA Equity Fund outperformed its benchmark, given an increased exposure to Sasol and reduced exposure to Old Mutual and MTN.

The Nedgroup Investment Fund outperformed its mid/small equity peers for the quarter, continuing to add to its long-term of performance track record.

The STANLIB Multi-Manager SA Equity Fund marginally outperformed its benchmark for the quarter, while slightly lagging over the 12-month period. The longer-term performance of the fund is still recovering from the impact of Steinhoff.

The STANLIB Multi-Manager Property Fund outperformed its benchmark by 1.2% for the quarter as a result of its overweight positions in smaller UK and European-focused property companies such as EPP N.V. and MAS Plc. The fund benefited from being underweight large caps. Most notably, it was overweight the Resilient Group of companies, as they recovered.

The STANLIB Multi-Manager Global Equity Fund outperformed the MSCI ACWI IMI by 1.54% on a gross basis, in rand terms for the quarter.

Portfolio positioning and outlook

The economic outlook has not changed much from last quarter as we expect trade wars to continue to dominate headlines. In SA, asset prices have retreated to pre-Ramaphoria levels, which may provide a good entry point for local investors. Foreign outflows could also provide buying opportunities for local investors. To balance this view, the Fund has an overweight exposure to rand hedges. This would support performance should sentiment to EMs continue to deteriorate or SA's economic conditions not improve, resulting in a weaker rand. The Fund's continues to have an overweight exposure to global equities.

Portfolio managers



Vuyo Mkhathazo
Portfolio Manager
CA(SA)



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