

### Market overview

Emerging markets lagged developed markets for the second consecutive quarter in 2018 as the global trade war between the United States and China continued to dominate headlines. South Africa fared worse than its EM peers as signs of poor economic growth surfaced during the quarter. For these reasons, foreign investors sold \$1 billion of SA equities. On the back of this, the Capped SWIX produced negative 1.7% over the quarter largely driven by poor returns from the Industrials sector, led by a 12.3% fall in Naspers. SA property fell 1.0% as Intu PLC, Hyprop and Growthpoint fell 12.6%, 5.2% and 4.9% respectively. The only sector that delivered good returns for the quarter and year was Resources (+27% 12-month return), mainly driven by the diversified miners performing well.

### 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 -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%	-9.6%
Portfolio volatility	12.2%	10.2%

Source: STANLIB Multi-Manager.

### Portfolio review

The Fund marginally outperformed the benchmark for the quarter but remains slightly behind over the 12-month period, as a result of the Fund's exposure to Steinhoff. Over the six-month period, the Fund is 2% ahead of the benchmark. As liquidity has dried up on the back of the US raising rates, markets have witnessed increased volatility, making it a good environment for active managers.

Truffle was the best performing underlying manager over the quarter, driven by being active in terms of sector rotation, as well as being overweight Sasol and Old Mutual.

The investment case for Old Mutual has been a positive for many of the underlying managers. Old Mutual has been through a process of unbundling various businesses. Quilter, which provides advice, investments and wealth management both in the UK and internationally, was unbundled during the quarter. Nedbank was unbundled at the start of October. Going into the quarter, the fund had a 2.3% overweight to Old Mutual. While Visio's relative performance improved over the past six months, their recovery has not been as pronounced as that of Truffle.

Foord had a particularly difficult month in September, which detracted from their short-term performance. They had a 4% overweight to Aspen, which lost 32% after publishing results.

Prudential's 12-month alpha reduced over the short-term given their overweight to Naspers and BTI, which were both down for the quarter. Nevertheless, Prudential produced excellent alpha over a 12-month view.

### 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 more than a 6% 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.

### Portfolio managers



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



**Vuyo Mkhathazo**  
 Portfolio Manager  
 CA(SA)