

Market overview

Global equity markets recovered strongly from the significant sell-off in the fourth quarter of 2018, gaining 12.6% in rand terms as trade tensions between the US and China eased following months of negotiations. The US Federal Reserve provided further impetus to the recovery with their more dovish tone. European equities bucked the trend, retreating 0.8% for the quarter on the back of a broad economic slowdown in the region. The European Central Bank (ECB) retaliated and pledged more support for the economy, committing to keep rates unchanged this year and pledging additional stimulus when needed. SA equities benefited from the global recovery and the JSE All Share Index returned 8.0% for the quarter. The Capped SWIX gained 3.9%. Resource shares returned an impressive 18.0% while listed property lagged equity. Local bonds rose 3.8%.

Asset class performance and risk statistics

Asset class	Q1 2019	1 year	3 years p.a.	5 years p.a.
FTSE/JSE ALSI	8.0%	5.1%	5.7%	6.5%
Financials	-0.5%	-5.8%	2.8%	7.5%
Resources	17.9%	41.8%	22.2%	1.0%
Industrials	7.4%	-3.7%	0.6%	6.3%
FTSE/JSE Capped SWIX	3.9%	-2.6%	2.1%	5.1%
Bonds ALBI	3.8%	3.5%	10.1%	8.3%
Cash STeFI Composite	1.8%	7.2%	7.4%	7.0%
All Property Index (ALPI)	1.3%	-7.0%	-5.9%	4.1%

Risk statistics since launch

Lowest rolling 12-month return	-21.8% (12 months ended February 2009)	
Highest rolling 12-month return	51.5% (12 months ended April 2006)	
	Fund ¹	Benchmark
Maximum drawdown	-27.0%	-18.3%
Portfolio volatility	9.5%	7.5%

Source: STANLIB Multi-Manager.

Portfolio review

The Fund returned 6.5% for the quarter, 1.7% ahead of the average peer fund. The overweight exposure to resources and high global allocation assisted performance relative to peers. Sizeable allocations in Naspers and British American Tobacco (BTI) also contributed and it was pleasing to see BTI recovering after a tough 2018.

Coronation had an exceptional quarter, with many of the stock picks that took strain during 2018 recovering. Big contributors include Naspers, BTI, Anglo American, Northam Platinum and Impala Platinum. Coronation's relatively high allocation to SA equities of approximately 68%, further assisted performance. They maintain their position in MTN and large property exposure.

Foord underperformed as a result of their low equity allocation. They remain conservatively positioned in domestic assets given the weak domestic economy and struggling consumer. Their equity positioning favours globally exposed businesses.

Prudential continued their consistent performance, remaining overweight SA equities and longer duration SA bonds. They prefer resource shares with exposure to global growth such as Sasol and Anglo American but also find value in financials such as Standard Bank and Old Mutual. They remain underweight retail and property stocks.

Investec produced satisfactory performance for the quarter. Their local equity composition is largely invested in global cyclical companies geared to the global economic cycle and exhibiting favourable earnings revisions profiles such as Anglo American, BHP Group and Naspers, alongside more defensive companies such as AB InBev and BTI. They also have exposure to select SA Inc. plays with decent relative earnings revisions profiles and trading at reasonable valuations. These include Absa Group and Mr Price.

Allan Gray had a reasonably good quarter, but three-year performance remains exceptional relative to peers. During the quarter positions in Impala Platinum, BTI and Investec Plc contributed, while holdings in Nampak and Woolworths detracted.

The Fund's global allocation performed well in rands, fuelled by global optimism. Please refer to our global equity and bond factsheets for more detailed information.

Portfolio positioning and outlook

SSA still faces many headwinds and we are of the opinion that solid growth is not likely if severe load-shedding persists. A sustainable solution to the power crisis is critical. Our managers are cautiously optimistic around valuations for many of the SA centric companies in the Fund, while many of the global shares held provide excellent diversification benefits. There are some concerns around the negative global earnings revisions that we currently monitor, but optimism is expected to continue into the second quarter of 2019. Local bonds and income-type assets are expected to deliver promising real returns and are key ingredients in the Fund's composition. On balance, we believe the Fund is well positioned to deliver on its long-term objectives.

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



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