

### Market overview

Global equities returned 12.6% in rand terms, driven by the positive impact of trade talks and the dovish US Fed tone. European equities bucked the global trend, retreating 0.8% in US dollar terms on the back of a broad economic slowdown in the region. SA markets rallied 3.9%, driven primarily by resources, which gained 17.8% and in particular, iron ore, palladium and platinum.

The SA 10-year government bond rallied from 8.87% to 8.60%. As developed market central bankers started implying that there would be no interest rate hikes in 2019, foreign investors bought up \$0.5 billion of SA bonds. SA cash gained 1.7% for the quarter. Following a dismal 2018 the listed property market enjoyed a welcome bounce back in January. Disappointingly, the momentum faded, and listed property finished the quarter up only 1.3%.

### 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 -14.0% (12 months ended October 2008)

Highest rolling 12-month return 37.1% (12 months ended April 2006)

	Fund'	Benchmark
Maximum drawdown	-17.3%	-13.3%
Portfolio volatility	7.3%	6.0%

Source: STANLIB Multi-Manager.

### Portfolio review

The Fund returned 4.76% on a net basis for the quarter. This is a reasonable return considering the bounce in domestic equity and listed property in January, albeit short-lived in the property space. The Fund is 0.8% behind peers over the year but has a pleasing longer-term track record.

The Fund is constructed using underlying STANLIB Multi-Manager building blocks to gain exposure to various asset classes. Going into the quarter, the *local bond building block* was slightly short the long end of the curve, thus underperforming the ALBI for the quarter. It still managed to deliver alpha of 1.3% ahead of the benchmark on a gross basis over the 12-month period. The *cash building block* delivered a quarterly return of 1.93%, outperforming the benchmark by 0.15%.

The *absolute income building block* returned 2.1% for the quarter after fees. Over the three-year period, it returned 8.7% per annum, well ahead of income fund peers at 7.7%, and 3.9% above inflation. Its conservative positioning and avoidance of high allocations to property were the largest contributors to the stellar performance. The *property building block* returned 1.4% for the quarter, well ahead of peers at 0.7% and outperforming the All Property Index (ALPI) benchmark.

STANLIB Multi-Manager Global Equity underperformed the benchmark for the quarter due to overweight positions in emerging markets (EM) and financials that dragged on performance. Sands produced another positive quarter of alpha, with stock selection contributing strongly. STANLIB Multi-Manager Global Bond performed in line with the benchmark for the quarter. Exposure to credit and EMs contributed, while developed markets lagged. During February, we replaced Capital with PIMCO.

### Portfolio positioning and outlook

We caution that global equity markets are back to their highs, presenting some vulnerability especially as US economic activity is losing momentum. We will use rand weakness opportunities to trim the Fund's overweight exposure to global equity. On the positive side, our underlying managers continue to see value in domestic shares and we therefore have a small overweight exposure to this asset class. From an economic point of view, many of the Fund's underlying managers have indicated that inflation is expected to remain firmly within the 3% - 6% band, with the SARB targeting more the middle of the band. For this reason, as well as the continued low rate of growth in SA, the underlying managers maintain a more positive view on SA bonds.

### Portfolio managers



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



**Lubabalo Kenyane**  
Portfolio Manager  
BBA, CIPM