

# Business Update

January 2018

Keeps you updated with business news and rationale behind changes to STANLIB Multi-Manager solutions.

## STANLIB Multi-Manager Global Equity Fund – manager changes

The STANLIB Multi-Manager Global Equity Fund is a multi-managed portfolio, investing in equities across various geographies, sectors and capitalisation sizes.

There were two manager changes implemented in the Fund during December 2017.

### Aberdeen Asset Management replaced with Sanders Capital

The Aberdeen mandate was terminated as a result of a corporate action. Aberdeen, a boutique asset manager, is merging with Standard Life, an insurance company. This raised concerns for our mandate. We expect a potential clash of cultures and after engaging with both Aberdeen and Standard Life, it is unclear how the various teams will be structured and integrated. A merger can be rather disruptive to the focus of an investment team while positions are being finalised. As such, given the large number of high quality managers available globally, we felt it prudent to allocate assets to another manager as opposed to exposing the STANLIB Multi-Manager Global Equity Fund to potential qualitative risk.

Five potential value managers were considered and we chose to replace Aberdeen with Sanders Capital. Sanders is an unusual new age pragmatic value manager, with a focus on downside protection. The investment team comprises highly experienced value-investing veterans who are almost unrivalled in the industry. The fact that all investment professionals are partners is a positive, as are key investment professionals who are invested alongside us. We particularly liked the fact that they are a pragmatic value manager, willing to adjust the beta of their mandate or rein in sector allocations if risk is too high. This has resulted in flexibility, ranging from a value-biased portfolio to deep value at times.

### Capital Group replaced with Sands Capital Management

The Capital Group mandate was terminated for a number of reasons, of which the most significant was insufficient risk being taken in the mandate. While we continue to hold Capital in high regard, given that we blend our active managers with a beta manager (AB), we need our active managers to maintain sufficient tracking error and risk in the portfolio. Capital's tracking error reduced with time. This combined with the restructure turnaround not materialising as anticipated, underwhelming performance over the life of our mandate and two senior portfolio managers retiring, resulted in our decision to terminate the mandate.

Given the blend of the remaining managers in the portfolio, we searched for a more authentic growth manager to replace Capital. We considered three managers before selecting Sands Capital Management. Sands is a Tier 1 asset manager on both the STANLIB Multi-Manager buy list as well as the FundQuest buy list – our manager research partner for global manager research. Sands Capital is a boutique asset manager with a highly experienced investment team. It provides purer growth investing exposure, which we were looking for from a portfolio construction perspective. We have considered Sands to be a high quality manager and they have been of interest to us for some time. Sands recently launched a new product – Global Leaders – that is better aligned to the STANLIB Multi-Manager Global Equity Fund from a risk perspective.

### Current manager blend for STANLIB Multi-Manager Global Equity Fund

Post these two manager changes, the segregated mandates for the STANLIB Multi-Manager Global Equity Fund are as follows:

Manager	Role
AB	Value-weighted alternative beta manager
Arrowstreet Capital	Multi-factor quantitative manager
Hosking Partners	Aggressive thematic manager
Sands Capital Management	Growth manager
Sanders Capital	Pragmatic value manager
Veritas Asset Management	Quality defensive manager

## STANLIB Multi-Manager Global Bond Fund – manager changes

The STANLIB Multi-Manager Global Bond Fund is a multi-managed global bond fund, investing in fixed income markets across a range of credit ratings, currencies, duration, countries and sectors.

There was one manager change implemented in the Fund during December 2017.

### Columbia Threadneedle Investments replaced with Amundi Asset Management

The Columbia Threadneedle Investments bond mandate was terminated due to a combination of factors. From a portfolio construction perspective, we need a higher risk mandate – higher tracking error versus the benchmark – to blend with the alternative beta we have in the Fund. In addition, Columbia Threadneedle has experienced a high degree of turnover in key members of the investment team. This has resulted in reduced conviction in their positions – a lower tracking error.

Five potential bond managers were considered and Amundi Asset Management was selected to replace Columbia Threadneedle. Amundi are flexible, active multi-asset macro managers. They are aggressive tactical asset class allocators, which blends well with our existing managers. Amundi follows a team-based approach, providing stability in decision-making. They believe in rigorous diversification across asset classes, risk factors, investment horizons and manager profiles while avoiding a style bias. They have a well-resourced and highly experienced team.

### Current manager blend for STANLIB Multi-Manager Global Bond Fund

Post the December manager change; the segregated mandates for the STANLIB Multi-Manager Global Bond Fund are as follows:

Manager	Role
Amundi Asset Management	Tactical asset allocation
BlackRock	Alternative beta with sovereign risk overlay
Brandywine Global Investment Management	Country and currency
Capital Group	Credit selection



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