STANLIB Multi-Manager Global Bond Fund
Commentary: 30 September 2018

STANLIB

Market overview

After raising rates 25bp in June, the US Fed hiked by the same amount in September to 2.25%, backed by solid economic data. CPI rose from 2.1% at the start of the year to 2.7%, while unemployment fell to 3.7%, the lowest level in 50 years. This operating environment resulted in US 10 year yields rising 20bp between June and September to finish at 3.06%.

Italy announced a deficit equivalent to 2.4% of GDP for 2019 and 2020, as the League and Five-Star Movement put their campaign promises ahead of fiscal conformity. This has resulted in 10 year Italian BTP yields rising 115bp year-to-date to 3.15%. The euro ended the period marginally lower due to uncertainties over possible contagion from the Turkish crisis via European bank liabilities – the Turkish lira lost 24% against the dollar. In contrast, the Mexican peso rallied on the new free-trade agreement between Mexico and the US, gaining 5%. Although the Bank of England voted unanimously to raise its key rate from 0.50% to 0.75% in August, sterling fell 1.2% against the greenback, driven by Brexit concerns. Both the European Central Bank and the Bank of Japan kept their monetary policy settings unchanged.

Asset class performance and risk statistics in USD

Asset class	Q3 2018	1 year	3 years p.a.	5 years p.a.
MSCI World Index	5.0%	11.2%	13.5%	9.3%
JP Morgan Global Bond Index	-1.8%	-1.6%	1.5%	0.5%
FTSE EPRA Property Index	-0.2%	4.6%	7.2%	6.3%
7-day US LIBID	0.5%	1.6%	0.87%	0.5%
Rand/dollar	-3.0%	-4.2%	-0.7%	-6.6%

Fund risk statistics since launch	
Lowest rolling 12-month return	-9.9% (12 months ended February 2009)
Highest rolling 12-month return	22.8% (12 months ended November 2009)

Source: STANLIB Multi-Manager

Portfolio facts

Bloomberg Code	LIBIGBI JY
Structure	Open-ended investment company
Custodian	Link Corporate Services (Jersey) Limited
Sub Custodian	The Bank of New York Mellon SA/NV London Branch
Auditors	PricewaterhouseCoopers Ireland
Manager	STANLIB Fund Managers Jersey Limited
Investment Manager	STANLIB Asset Management Pty Limited

Administrative Agent	BNY Mellon Fund Services (Ireland) Designated Activity Co	
Year End	31 December	
Custody Fee	0.035% 0-$50m	0.025% $50m-$100m
	0.010% $100m-$500m	0.005% $500m-above
Dealing Valuation	Daily	
Redemption Payment	Within 14 business days	
Publication of NAV	STANLIB Fund Managers Jersey Limited	
Directors	SM Place, N Deacon, M Mitchell, M Farrow	

Portfolio review

The STANLIB Multi-Manager Global Bond Fund lost 0.4% on a gross basis for the quarter, outperforming the Bloomberg Barclays Multiverse, which lost 0.8%. The Fund remains ahead of its peers. The outperformance over the quarter is pleasing given that the overweight to emerging markets (EM) would have weighed on returns.

As expected, Brandywine struggled over the quarter given their aggressive positioning. Their bond exposure detracted, with longer-dated Mexican government bond yields faring the worst. The Mexican peso, however, recovered strongly in the wake of a new trade deal with the US and Canada. It was the largest contributing position for the quarter. Other EM currency exposure detracted over the quarter, but this was offset by positive attribution against the yen and euro positioning. The Capital mandate performed in line with the benchmark for the quarter. Currency and issuer selection detracted, while country allocation and high yield exposure contributed. Mexican peso exposure contributed while exposure to Italian government bonds dragged on returns.

Amundi had a strong third quarter, outperforming the benchmark by more than 60bps. Alpha came from their short duration, which contributed as yields rose. In addition, country allocation and currency positioning also contributed. BlackRock's beta mandate also performed well, with short duration contributing.

Portfolio positioning and outlook

We expect uncertainty to continue to dominate markets, driven by upcoming elections, central bank actions and trade discussions. The three main issues currently are Italy, EMs – country specific risks as well as the risk of contagion – and US politics. The Fed remains on track with interest rate hikes and will possibly raise rates once more in 2018. EM inflows are potentially vulnerable to the changing interest rate environment in the developed world where flows could reverse as interest rate differentials continue to reduce. However, Brandywine's view is that the dollar is overvalued and EM currencies are cheap.

We view the increased market volatility coupled with markets becoming less directional, as an opportunity for active managers. As such, the large inflow during the quarter provided the opportunity to increase the allocation to active managers.

Portfolio managers

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