

Market overview

Global markets turned dovish during the quarter on the back of slowing growth in the US and Europe. Global bond yields therefore fell as the US Fed moved from two prospective hikes to no hikes. As a result of the dovish statements from the two regions, the US 10-year government bond repriced from 2.68% in December to 2.41% at the end of March, while German bond yields fell from 0.24% to -0.07%. South African fixed income assets followed the trend, as the 10-year government bond rallied from 8.87% to 8.60%. SA bonds returned 3.8% driven largely by the long end of the curve where the 12+ area was up 4.0%. SA cash returned 1.7%, and like bonds, 6- and 12-month NCDs outperformed short-dated instruments, rallying 1.8% and 1.9% respectively.

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 6.9% (12 months ended March 2017)
 Highest rolling 12-month return 8.8% (12 months ended August 2017)

	Fund ¹	Benchmark
Maximum drawdown	0.3%	0.4%
Portfolio volatility	0.3%	0.6%

Source: STANLIB Multi-Manager.

Portfolio review

Pleasingly, the Fund delivered a 2.2% return for the quarter and 8.9% over the 12-month period on a gross basis. All of the underlying managers outperformed the STeFI Composite. In an environment where long-term yields have been declining, income-oriented managers with longer duration have delivered good performance. Both Aluwani and STANLIB have more income-oriented mandates, with both producing good alpha. STANLIB's alpha has been driven by good placement on the curve and yield pick-up.

Prescient's more cash-plus type mandate produced reasonable returns with a low duration position reducing alpha. Within the market context both the Investec and STANLIB money market funds produced satisfactory results.

The Fund continues to perform in line with peers.

Portfolio positioning and outlook

The Fund continues to be overweight income-oriented managers. This should continue to benefit investors in a contained interest rate environment. 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 and continued low growth in SA, the underlying managers reflect a more positive view on SA bonds. Having said that inflation seems well under control, the escalating oil price and above inflation electricity increases granted to Eskom by NERSA pose a threat to the inflation outlook. The FRA curve, however, does not seem to be concerned about inflation and is pricing no changes to interest rates this year and a small probability of interest rate cuts in 2020.

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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