Please note that the commentary is for the US dollar retail class of the fund. The feeder fund is 100% invested in the underlying US dollar fund. However, given small valuation, trading and translation differences for the two funds, investors should expect differences in returns in the short term. Over the long term, we aim to achieve the same outcome in US dollar terms for both funds.

The fund advanced 12.2% against a benchmark return of 9.0%, bringing the rolling 12-month performance to 27.2% against the 26.6% returned by the MSCI All Country World Index (ACWI).

Global markets enjoyed a strong end to the year, with the ACWI rising 9.0%. Trade uncertainty faded with the US-China "phase one" deal announcement and the Federal Reserve Board (Fed) cut interest rates by a further 0.25%, and forward-looking indicators continue to show that the US economy is expanding moderately. In Europe, Germany had better economic data and the result of the UK election will bring certainty to the Brexit process and enable negotiation as to the future relationship. Emerging markets were very strong given the trade deal announcement with China, with Korea and Taiwan benefiting, while a rising oil price benefited Russia.

North America was the best-performing region in the fourth quarter of 2019 (Q4-19), advancing 8.9% (in US dollars). The weakest return was from Asia ex-Japan which advanced 5.8% (in US dollar terms). Europe advanced 8.8% and Japan rose 7.7% (in US dollars). Emerging markets had a strong quarter, advancing 11.4% compared to developed markets which advanced 8.7% both (in US dollars).

Among the global sectors, healthcare (+13.4%) and information technology (+13.7%) were the most significant drivers of the index's return for the quarter. The worst-performing sectors were real estate (0.6%), utilities (1.5%) and consumer staples (2.1%).

The fund benefited from good returns from all its managers over the quarter.

Maverick returned 15% over the quarter which capped an excellent annual return of 37%. The investments driving the quarterly performance were also the main contributors to the annual return. Medicines rose 344% over the year after its anti-cholesterol drug tested well and led to a purchase offer from Novartis. Alnylam Pharmaceuticals rose 58% after one of its drugs received FDA approval and Alibaba advanced 55% as its core business continued to expand in China and it obtained a second listing in Hong Kong.

Coronation Global Equity Select performed well, with alpha of 3.2% over the quarter and returning 27.2% over the year, a strong comeback after a weak 2018. The best performers over the quarter included United Healthcare (+36%), which benefited from a decreased threat from Medicare-for-All, Charter Communications (+18%) due to a strong increase their customer base, and Alibaba (+27%).

Contrarius had a good quarter with a return of 12 %, but has a long way to go to recover after returning negative alpha of 23% over 2019. As discussed in previous quarterlies, this is largely as a result of its investment in oil drilling companies, which fell precipitously during the year. This quarter's returns were also mainly due to a bounce from the oil drillers, with Transocean (+54%), Valaris (+36%) and Diamond Offshore (+29%) all rebounding off very low bases. Bed, Bath & Beyond also contributed with a return of 64% during the quarter.

Lansdowne also struggled in 2019, but as with Contrarius, they also enjoyed a strong end to the year, returning 13.1% in Q4-19. Lansdowne has a large exposure to the UK, which has been under pressure from the protracted Brexit saga over the last two years. The UK election produced a significant (and somewhat unexpected) majority for Boris Johnson and the Conservatives, putting an end to any uncertainty of actually leaving the EU by 31 January 2020. Beneficiaries of this included IAG (+35%) and Lloyds Bank (+36%). Arcelor Mittal rose 21% on better-than-expected profitability and the phase one China-USA trade agreement. Egerton, Tremblant and Maverick all produced strong quarter and annual performance.

Outlook

While a phase one deal with China is a positive, the next phase may prove more difficult to negotiate. In addition, Europe is facing threats of increased tariffs, with France in particular attracting the ire of the US President due to its internet tax that would impact a number of large American technology companies. Tension in the Middle East and the consequent potential for higher energy prices, coupled with the ongoing trade issues, could prove detrimental to growth in the medium term. On the positive side, monetary easing during 2019 by a number of central banks should continue to be supportive of the global economy. Although the Fed has recently indicated that it is done easing for now, others may ease further. If trade tensions subside, it will reinforce the monetary easing and should have a positive impact on emerging markets. In summary, markets have performed well recently, and the conditions remain supportive, but there remain a number of risks that could impact this.

Portfolio managers
Tony Gibson and Karl Leinberger
as at 31 December 2019