Please note that the commentary is for the retail class of the fund.

The fund had a good final quarter of the year, delivering a return of 3.5%, and taking the full year return to 13.3%. It is pleasing to see double digit returns from a multi-asset fund and that performance was well ahead of the benchmark for the year as well as well ahead of inflation meaning solid real returns for investors. The final quarter was boosted by strong support for risk assets globally as sentiment improved on the expectation of the relaxation of the trade war between the US and China.

The fund's equity exposure was the big driver of performance, with the strongest return coming from our exposure to global emerging markets, followed by the developed market equity exposure. The local South African equity market also delivered good returns, albeit less than the other equity allocations. What made these numbers especially good was the fact that there was significant alpha added over and above the pure market returns with emerging market and South African equity allocations having had a stand-out year in terms of performance ahead of their relevant benchmarks.

We have continued to trim the global equity exposure as developed markets, in particular the US stock market, have delivered very strong returns and look fairly fully priced. In contrast, we have maintained our emerging market exposure as we think the majority of these markets remain cheap and should benefit from an improved global trade environment as well as a potentially weaker dollar in the years ahead.

We have added to our South African equity exposure where we have consistently held an overweight position in global companies listed on the JSE and in specific resource shares. These shares have delivered the strong returns in 2019, whereas those companies focused mainly on the South African market have continued to have a torrid time. Big positions in the fund such as British American Tobacco (BAT), Naspers and Anglo American all had a very strong year, the first two in particular recovering from a very poor 2018 where stock specific issues had weighed on their performance. BAT delivered a total return of 36% for the year and Naspers 22%, both well ahead of the overall market. While Anglo American delivered a very commendable 29% return for the period, this was dwarfed by the phenomenal return from Northam Platinum of 186%. The strong returns were driven by the huge increase in the price of the platinum group metals, Platinum, Palladium and Rhodium, which finally reacted to the increasing deficits and continued strong demand from auto manufacturers.

Taking into account our direct offshore exposure as well as our high exposure to global companies in our South African equity holding, we still have fairly low exposure to pure domestic assets. With the continued sell off in South African focused equities as well as South African bonds, we are starting to add to these positions. In the equity component, we have been adding to our existing holdings in the banks, which we believe to be very cheap, as well as building up positions in high quality businesses such as the FMCG retailers.

On the bond holdings, we have moved quite quickly to build up a meaningful position in longer dated South African government bonds. The budget risks and likelihood of a sovereign downgrade are all well known, and in our view, fully priced into the bond market. South African bond spreads over equivalent US treasuries are well above other sub-investment grade issuers. With inflation remarkably sticky around 4%, the opportunity to pick up South African bonds with real yields in excess of 5% is a very attractive investment, with relatively low risk. Given the lack of absolute return in the global bond space, we have virtually no bond exposure outside of South Africa.

Our property allocation remained static, as we prefer to take our yield exposure to the bond market. Having said that, we do see yields looking attractive now even in the blue chip property names and this is an area we will explore in the new year. Globally we hold positions mainly in European REITS where yields are significantly above sovereign bond yields offering attractive returns in hard currencies.

2020 has started with renewed global uncertainty after the US assassinated a significant member of the Iranian regime. Locally, we were greeted by an early bout of load shedding, raising further concerns about our economic growth and increasing the likelihood of further downgrades by the rating agencies, all indicating that 2020 is unlikely to be any less of a rollercoaster ride than the past few years. In this light we continue to manage the fund in a cautious manner, cognisant of the myriad of risks, but still looking to take advantage of the significant mis-pricing of assets in the local and global markets. The mix of different jurisdiction equity positions, combined with high yielding local bonds makes for a portfolio that should be able to ride out the tumultuous period ahead, delivering growth and yield to continue beating inflation.

Portfolio managers
Neville Chester and Nicholas Stein
as at 31 December 2019