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 declined 2.6% against a flat benchmark, bringing the rolling 12-month performance to -5.6% against the 1.4% returned by the MSCI All Country World Index.

After a rollercoaster quarter, the Index finished flat for the period, masking the small advance by developed equity markets and the decline in emerging markets (EMs). The quarter was marked by a rotation in September, reflecting a negative outlook on the weak global economy and trade. Equities mirrored this reversal, with the momentum factor giving back its prior gains, and value stocks rising. Oil prices briefly rose by nearly 20% on news of an attack on facilities in Saudi Arabia, before subsiding when it became clear that it would not affect the oil supply for long. As was widely expected, the US Federal Reserve cut interest rates by another 25 basis points (bps) and the European Central Bank cut its rates further into negative territory and restarted its bond buying programme. The US-China trade war continues with no deal in sight. Rhetoric coming from President Donald Trump is also making it hard to see how this could be resolved.

Japan was the best-performing region over the quarter, advancing 3.3% (in US dollar terms). The weakest return was from Asia ex-Japan, which declined by 5.1% (in US dollar terms). North America advanced 1.5% and Europe fell 1.8% (in US dollar terms). EMs had a poor quarter, declining 4.3%, lagging developed markets which advanced 0.5% both (in US dollar terms). On a look-through basis, the fund's exposure to North America is in line with the benchmark, overweight to Europe, underweight Japan and it has a marginal overweight position to EMs.

Among the global sectors, utilities (+5.8%), real estate (+3.6%) and consumer staples (+3.5%) rose the most. The worst-performing sectors were energy (-6.7%), materials (-4.1%) and healthcare (-1.6%).

The fund's underlying managers mostly underperformed during the quarter, with one manager in particular contributing to the underperformance.

Contrarius Global Equity declined 11%. Contrarius has a large exposure to oil through its investments in oil services and deep-sea drillers. A volatile oil price and debt issues within the drillers mean that these businesses are subject to extreme movements, as reflected in the share price declines in Transocean (-30%), Valaris (-43%) and Diamond Offshore (-37%). Global growth concerns are weighing on the oil price and depressing oil services in the short term. The drillers are very cheap and face their own set of issues, but capacity reduction and the reserve replacement needs mean that they have potential for excellent returns over the medium to long term. Contrarius is often an early investor and strong quarterly returns from previous laggards such as Macy's (+7.2%), Bed Bath & Beyond (+12%) and Abercrombie & Fitch (+8.2%) shows that patience can be rewarded.

After a long run of index-beating performance, Egerton slightly underperformed over the quarter with negative alpha of 1%. Exposure to energy was a driving factor but performance was also impacted by the decline in steel pipe producer Tenaris's share price (-19%). Tenaris incurred greater costs than expected and guided to softer sales in the medium term.

Lansdowne continued to struggle with another small underperformance this quarter. Exposure to materials through Rio Tinto (-13%) and Arcelor Mittal (-21%) contributed to this as the market worried over global growth. There was some good news for them though after the German courts ruled that a rent freeze imposed by the Berlin government was illegal and caused a strong rebound in Vonovia, a residential housing provider, which had previously fallen on news of the rent freeze.

Despite strong returns from communication services exposure, Maverick underperformed by 1% over the period. DXC Technology (-46%) fell after warning of a large decline in sales and the subsequent departure of its CEO. Maverick is very happy with the new CEO and that its investment thesis remains intact.

Coronation Global Emerging Markets marginally underperformed its index but continues to enjoy a very strong period of performance year-to-date. Consumer staples were a strong contributor and after a year of selling off, the tobacco stocks also made a large positive contribution to performance. Coronation Global Equity Select was in line with the benchmark, as a strong contribution from its financial exposure was offset by the performance of its consumer discretionary exposure.

Outlook

The effect of President Trump's trade wars is beginning to ripple through the global economy and while the relaxing of monetary policy will ease some of the impact, many investors are concerned it may not be enough to offset the full effect. Furthermore, as mentioned previously, it is hard to see a resolution of this any time soon. However, with an election year looming and a slowing economy one shouldn't be surprised if President Trump acquiesces to something to improve his chances of re-election. If, of course, he isn't impeached first. Another Brexit date is coming up and with 20 days to go, no one knows exactly what is going to happen on 31 October. The uncertainty is affecting the UK and wider European economy as businesses await the outcome. Resolution of these two issues could be very positive for markets but equally increase the risks to the downside while they remain unresolved. EMs however have sold off recently and with support from monetary easing they look attractive over the medium term.

Portfolio managers
Tony Gibson and Karl Leinberger
as at 30 September 2019