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

The fund had a good relative quarter, delivering a return of 0.8% relative to the benchmark return of -1.0%. This saw the year-to-date return move to 9.4%, which is 0.5% ahead of the fund's benchmark and a pleasing absolute return following a number of periods of very low returns from multi-asset funds. It has continued to be an exceptionally difficult market, with many asset classes struggling and, as such, we are very happy to have been able to achieve this result.

We have been fairly active in our global allocation, moving the overall currency exposure, as the rand has been very volatile. We have taken advantage of selloffs to reduce our US dollar exposure and then re-established these positions as the rand has strengthened. The rand has moved within an 11% range this quarter and a 16% range this year, reflecting local factors and the volatility globally.

Within our offshore allocation we have continued to reduce our global equity allocation, through both outright sales and derivate protection strategies. We have reduced developed market equities, as the US markets hit all-time highs early in July and reduced some of our emerging market exposure where our internally managed building block has delivered an outstanding performance (well ahead of its benchmark).

We have added to our international property allocation, as this is one asset class that has failed to perform on the back of lower yields, as other concerns, which we believe are short-term in nature, have weighed on the respective share prices.

We increased our weighting to local listed equity as the JSE sold off in August, although our stock selection remains biased towards global companies listed on the JSE. Any pure domestically focused South African business has continued to have a torrid time, and few have shown results reflecting any sign of a turnaround.

The big contributor to our local equity returns this quarter has been our exposure to platinum, mainly through Northam Platinum. The listed platinum miner delivered a return in excess of 40% as the price of the overall platinum-group metals (PGM) basket rose, and the company showed improving results and strong cash generation. The progress on Booysendal - its new, low-cost, mechanised mine - continues to be in line with project and budget, and this is gaining further recognition in the market. We also benefited from owning Impala Platinum and Royal Bafokeng Platinum. The fundamentals driving the higher prices in the PGM markets are firmly in place, as continued demand from automobile manufacturers - due to tightening emissions standards - meets declining supply from an industry that has not invested in new mines for close on a decade.

Our holding in Distell, the African cider, wine and spirits producer, also delivered a positive return this quarter as their results showcased a business that has managed to maintain market share and revenue growth in a tough environment and opened up operating margins through significant efficiency programmes. This should continue into the period ahead and will be further boosted from initiatives into Africa, where its products are gaining much traction and new routes to market take hold.

A big contributor to the fund's relative performance this quarter (and year) was having virtually no exposure to Sasol. After a series of disappointing updates about their giant Lake Charles Chemicals Project (LCCP) this year, the company managed to further disappoint the market with a weak trading update, followed a month later by a delay in the production of their results due to auditor concerns around controls at the LCCP. This delay was extended further and, as it stands, we have yet to see Sasol's June year-end results. These are all concerning issues; however, the market has now taken an extremely dim view on the group and its management, with the share price down over 40% since the beginning of the year. At these levels, despite the challenges the group faces, we think the share offers sufficient margin of safety to own a position and we have built a position in Sasol in the fund.

On the disappointing side, most exposure to South Africa-facing companies struggled in the quarter. The sentiment locally remains poor, and the brutally tough economic environment means there is very little revenue growth to be had for purely South African companies. Foreign investors have generally been sellers, putting more pressure on the share prices of most domestic stocks. While the banks we own all showed decent earnings numbers for the half year, they have all sold down further as concerns over the general outlook for South Africa, and worries over potential debt downgrades, has weighed on sentiment.

Our exposure to locally listed property has remained a weak spot in our performance. The UK-domiciled but South African-listed Intu has continued to struggle against the backdrop of bad news relating to Brexit and persistent worries over its debt structure. The new management team has undertaken to dispose of its very attractive Spanish assets, and we hope that by year end this will have alleviated some of the funding concerns. Local property remains weak as the tough trading environment takes its toll on retail centres and the weak economic conditions, as well as oversupply in key nodes, see very negative reversions in office rentals. We have improved the quality of the property exposure and the majority of it now comprises of fairly defensive and lowly-geared property counters.

We have continued to increase our exposure to domestic government bonds as the real yields remain attractive. While fiscal concerns remain, and the risk of the loss of our last investment grade rating is high, we think this is more than reflected in the prices of these assets. Our real yields are some of the highest available globally and make a compelling lower risk investment for the fund.

We continue to be optimistic about the return potential of the fund. Despite global macro conditions remaining fragile as trade wars and extreme political events remain prevalent and the local gloom that has descended on our economy, we feel that forward-looking returns can be very significant. A number of the building blocks in the portfolio are now very attractively priced and should be able to deliver strong returns in the period ahead. It is in tough environments where active management can add significant value, and we remain excited about the asset allocations in the fund.

Portfolio managers
Neville Chester and Nicholas Stein
as at 30 September 2019