Publication: Finweek (English)
Date: 14 Apr 2016
Page: 19

FUND IN FOCUS: STANLIB MULTI-MANAGER DEFENSIVE BALANCED FUND

By Jaco Visser

Capital-preservation option for those nearing retirement

The fund aims to preserve investors' capital and grow underlying assets modestly over the long term. This regulation 28-compliant fund invests in underlying managers such as Absa Asset Management, Coronation Fund Managers, Investec Asset Management and Prudential Investment Managers.

FUND INFORMATION

Benchmark:	SA Multi-Asset Low Equity Avergae
Fund managers:	Richo Venter and Malcolm Holmes
Total expense ratio (TER):	Not yet available*
Fund size:	R1.23bn
Minimum lump sum / subsequent investment:	R5 000 lump sum or R500 monthly
Contact details:	0860 123 003

TOP 10 EQUITY HOLDINGS

as at 29 February 2016:

1	Naspers**	1.53%
2	British American Tobacco	1.33%
3	Intu Properties	0.94%
4	Standard Bank Group	0.77%
5	Richemont	0.72%
6	MTN Group	0.69%
7	Growthpoint Properties	0.68%
8	Reinet Investments	0.67%
9	Old Mutual	0.67%
10	Steinhoff	0.64%
	TOTAL	**8.64%**

**finweek *is a publication of Media24, a subsidiary of Naspers.*

PERFORMANCE (ANNUALISED)

as at 29 February 2016:

Since inception on 4 May 2015

Stanlib Multi-Manager Defensive Balanced Fund	6.9%
Benchmark	N/A*

*The fund's metrics can only be gauged after the completion of a 12-month period.

Fund manager insights:

The outlook for bonds is particularly double-edged at the moment given the upcoming ratings review of South Africa, says Malcolm Holmes, one of the fund's managers.

"Whilst we think that much of the bad news was priced into the market in December, bonds will likely sell off on the announcement of a South African downgrade," he says. "There is a real risk this could happen."

All the major credit ratings agencies have issued negative comments on the South African government's ability to repay its surging debt in recent months.

A ratings downgrade of the country's sovereign debt, to below investment grade or "junk" status, will affect longer-dated maturities more, according to the fund manager. The vast majority of the fund's bond exposure is, however, in short maturities and some corporate credit, according to him.

"If it weren't for the ratings issue, bonds would be attractively priced, offering around inflation plus 2.5% over the next 10 years," says Holmes. "In the face of this uncertainty, we would rather remain defensively positioned until there is further clarity from the ratings agencies."

Should SA be downgraded, the rand will depreciate, and this will benefit rand hedges, or stocks earning a substantial part of their earnings outside of SA, as well as the global exposure in the fund, explains Holmes. This positive effect will offset the negative impact on local bonds to some extent, according to him.

"The rand has to some extent already priced in this prospect and by most accounts would be regarded as a cheap currency," he says. "This, together with the improved sentiment to emerging markets in the short term, has resulted in the recent 'tentative' strength in the rand and relative weakness in rand hedges, which have also had a good run over time."

Even though they remain a little expensive relative to history, they are solid business models and will always have a place in a multi-managed portfolio like theirs, but his team has noticed a mild down-weighting more recently, concludes Holmes.

Why finweek would consider adding it:

The fund is a typical defensively positioned unit trust relying on fixed-income assets, such as bonds, for the bulk of its capital-preserving activities.

Given its cautious approach to the SA sovereign debt credit rating prospects and reliance on solid rand hedges, this fund would stand people closer to retirement in good stead as a vehicle to preserve capital. ■

editorial@finweek.co.za