

Portfolio Manager Quarterly Comment

Market overview

South African equity markets took a downturn over the quarter, edging 0.84% lower with SA industrials (-4.30%) and resources (-3.57%) being the leading detractors. Financials (+13.23%), property (+5.94%) and industrials (+5.50%) were the leading contributors. Despite the weakness of the rand, large caps gave up 1.60% while mid-caps and small caps rallied 7.16% and 11.72%, respectively. The bond market delivered some muted gains over the quarter with the ALBI up 0.37%. Most of the returns came from the front end of the curve while the back end was flat. The 12 year+ area was edged 0.01% lower followed by the 7 to 12-year area which was up 0.22%. The 3 to 7-year and 1 to 3-year areas were up 1.16% and 1.52%, respectively. Inflation-linkers were up 0.40%. Cash (STeFI) was up 0.31% while preference shares advanced 16.67%.

On the global front, developed market equities continued to outperform their emerging market (EM) counterparts. The MSCI World gained 5.23% while MSCI EM fell 3.73%. Meanwhile, global bonds took an upturn, gaining 4.67%, supported by the weakness of the rand. Inflation remains a key talking point in global markets. The Fed kept interest rates unchanged at 0-0.25%, in line with market expectations but signaled that it will begin to scale back on its bond buying towards the end of 2021.

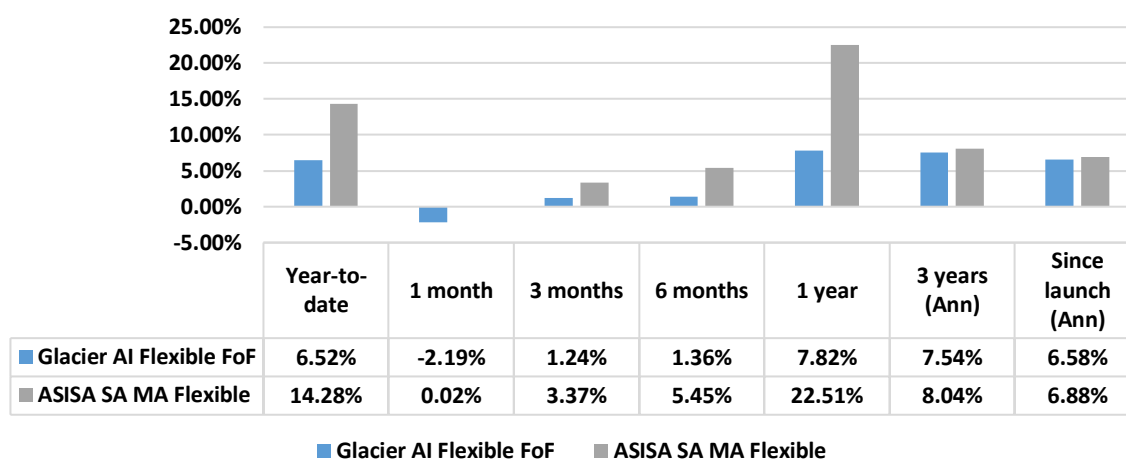
Fund performance

Over the third quarter of 2021, the Glacier AI Flexible Fund of Funds posted a meagre return of +1.24%, underperforming the ASISA SA Multi-Asset Flexible category which returned +3.37%. For the past year, as at 30 September 2021, the Fund returned +7.82% underperforming the category average which delivered a return of +22.53%.

The main detractor from relative performance over the quarter was due to the Fund's lack of exposure in financials which advanced 13.23%. Meanwhile, exposure to SA property and industrials contributed positively to performance as well as lack of exposure in resources and large cap stocks. SA property was up 5.94% while industrials and large-cap stocks were down 3.57% and 1.60%, respectively. Exposure to SA bonds (+0.37%) was a drag on performance given the muted returns delivered by the asset class. On the offshore front, exposure to US equities (+5.85%), UK equities (+3.53%) and global bonds (+4.67%) contributed to performance while lack of exposure to Japanese equities (+9.90%) detracted. Lack of exposure to emerging market equities (-3.73%) was supportive.

From an asset allocation perspective, the exposure to resources was completely sold off while SA property exposure decreased by 8.63% to 15.69% over the last two quarters. On the other hand, industrial exposure increased from zero in the second quarter to 14.51% in the third while exposure to bonds increased marginally from 33.24% in the second quarter to 36.50% in the third. On the offshore side, exposure to US equities decreased from 29.88% in the second quarter to 13.44% in the third while exposure to UK equities increased from zero in the second quarter to 12.58% in the third. Exposure to bonds increased zero in the second quarter to 4.31% in the third.

Glacier AI Flexible FoF performance as at September 2021



Source: Morningstar Direct & Glacier Research