

The Glacier AI Flexible Fund of Funds celebrates a successful two years

The Glacier AI Flexible Fund of Funds (FoF) made its debut on 3 September 2018, and recently celebrated its second year since inception with over R450m in assets under management (as at 5 November 2020). The Fund was launched during a volatile time in the markets, but despite market conditions at the time the Fund - which makes use of machine learning techniques – remained steady.

The AI engine behind the Glacier AI Flexible Fund of Funds, PIE (Predictive Investment Engine), is designed to improve investment outcomes by reducing downside risk and improving the consistency of achieving investment goals. It accomplishes this by removing human emotion from the investment decision-making process.

A brief look at the Fund's performance since inception:

2018

The Fund navigated the turbulent final quarter of 2018 relatively well, with a maximum drawdown of only 8.22% versus that of the broader JSE All Share index which had a maximum loss of 13% over the same period. It accomplished this by dynamically allocating to asset classes to protect capital and also to benefit from short-term volatility.

2019

The Glacier AI Flexible Fund of Funds generated a return of 10.78% in 2019, outperforming the SA Multi Asset Flexible category, which returned 7.95%. The Fund also outperformed its benchmark of CPI +5% (+8.62%). The fund's sizeable exposure to local bonds was supportive, alongside exposure to US equities which also added to the performance.

2020

The Fund delivered impressive returns during the first quarter of 2020 – again, a quarter with rampant volatility.

For the quarter as at 31 March 2020, the Fund was down only 6.17%, outperforming the JSE All Share Index (J203T), that was down in excess of 20%, the South African All Bond Index (ALBI) that was down 8.72% and the average fund in its category (SA Multi Asset Flexible) that was down 12.84%.

Looking back across the year, as at 30 September 2020 the Fund delivered an impressive 12-month return of 10.03% (vs the JSE ALSI of 2.01%), while over the previous two years the Fund delivered an annualised return of 7.41% (vs JSE ALSI of 1.93%). Total outperformance was mainly driven by superior protection during adverse market movements, delivering a maximum drawdown of only 6% over the previous two years compared to the JSE ALSI's -21.72%. While the Fund can lag the market during particularly strong upward movements such as during 2019 (10.78% vs ALSI 12.05%), it is during times of increased market stress and volatility that the Fund comes into its own. In addition, the Fund continues to deliver these performances in an uncorrelated fashion when compared to both its fundamental active peers and passive alternatives, therefore delivering strong portfolio construction opportunities.

Over the shorter term the Fund delivered 1.86% (JSE: 0.67%) for the three months ending 30 September 2020, while the Fund returned 15.04% (JSE: 24.01%) over the preceding six months ending 20 September 2020. However, considering the month of October where the market came back significantly and contracted by 6.48% for the three-month period ending 31 October 2020, the Glacier AI Flexible Fund of Funds only gave up 1.38%.

The Fund as part of a diversified portfolio

As the world becomes more technical and complex, so too does portfolio construction. At Glacier, we're now also able to be more granular and look at portfolio construction in terms of alpha and beta factors, low volatility etc. And we're finally starting to see an overlap between traditional, Artificial Intelligence and sustainable investing. We believe the Glacier AI Flexible Fund of Funds will continue to be successful going forward.

About the Fund

The Glacier AI Flexible Fund of Funds aims to provide CPI plus 5% over rolling three periods. It is a Multi Asset Flexible Fund, comprised of local and international Exchange Traded Funds (ETFs). There are no asset class limitations, except a 30% limit on foreign exposure. The fund is collectively managed by Glacier Management Company, Satrix - a division of Sanlam Investment Management (Pty) Ltd - and PIE, provided by Sanlam Global Investment Solutions.

Click [here](#) to view the latest fund fact sheet.

Source: Morningstar Direct

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