The Glacier Global Stock Feeder Fund delivers a strong performance in Q1

The Glacier Global Stock Feeder Fund gives investors access to a global asset manager, without having to externalise capital.

Glacier Management Company, a registered manager of collective investments, partnered with San Francisco-based asset manager Dodge & Cox, to bring investors the opportunity to invest in rands in an actively managed global equity portfolio through the Glacier Global Stock Feeder Fund (the Fund).

The Fund is rand-denominated and invests directly into the Dodge & Cox Worldwide Global Stock Fund (USD class) (the underlying fund), using Glacier's offshore capacity. The Fund also provides a hedge against a weakening rand.

Speaking at a webinar hosted by Glacier by Sanlam recently, Dodge & Cox Director James Rushmere gave an overview of the Fund's performance over the first quarter of 2021 and the reasons behind the strong performance.

Global market backdrop and a resurgence of value

According to James, the market has seen a real resurgence in value-orientated sectors of the market over the last six months. "Looking at returns over that time period, we see financials have returned 40%, energy 54%, and utilities 10%. Looking at the growth sector, we see IT returning 14%, consumer discretionary 20% and communication services 23%," he said.

"Considering the valuation of the overall stock market, we see the MSCI World Growth Index trading at 30.7x earnings and the MSCI World Value Index trading at a lower level of 15.5 x earnings. The stock market is somewhat differentiated. Many areas are still relatively inexpensive relative to growth sectors and their long-term history.

"We had a large correction as the pandemic hit and energy, financials and travel stocks were hit hardest. In contrast, technology, discretionary, and communication stocks held out the best," he said.

The market is naturally worried about the lasting effects of COVID-19. On 7 November, Pfizer announced that its vaccination was approved and available to be used. “This is one of the major catalysts for the resurgence of value – it gave everyone a way out of this crisis,” said James.

Portfolio themes

“We’re overweight both energy and financials. These are two of the sectors that were hardest hit during the crisis, but we leapt into both,” said James.

Energy – 2020 saw a serious reduction in the demand for energy. This year we’re expecting to see some of this demand come back, although not fully. The demand shock, and lower oil price, led to the reduction in share prices and valuations. “We added selectively to the portfolio in that time period. Our exposure in this sector is diversified, for example between energy equipment and services, and oil & gas consumables.”

Financials – The Fund currently has 26.6% invested in diversified financials. Dodge & Cox remains overweight to financials relative to the broader market, largely due to the price anomalies it believes to be present. Again, the company has a diversified position across various financial services companies – including banks, consumer finance and insurance - in Europe, UK, USA and emerging markets.

“Financials was one of the biggest contributors to performance during Q1 and also over the past year - driven by expectations of a cyclical rebound in earnings as economies re-open,” said James.

Positioning of the Fund

The Fund is sensibly diversified across 80 holdings. “Our universe includes companies with a market capitalisation of $5bn and more. We’re overweight financials, healthcare, communication services, energy and materials. On a geographic basis, we’re overweight developed markets in Europe and the UK and we’re underweight the US and Japan,” said James.

Performance

Since the market rally in November, the US has been driving the market. “We’ve still managed to beat the MSCI World Index despite being underweight the US, due to our stock selection in the US.

“Our portfolio turnover for the quarter was quite high, given that we tend to buy and hold. Our investment horizon is three to five years and we typically hold companies for even longer than that. The high activity over the quarter was due to the crisis and the volatility that came with it,” said James.

“He concluded that the past 10 years has been a difficult time for value investing but that has changed. Over the past year, the Fund is up 70.61% versus the MSCI which was up 54.03%. Year-to-date the Fund is up 11.37% versus 4.92% for the MSCI World (in USD).

Click here to view the product brochure.

NB. This document should be read in conjunction with the Minimum Disclosure Document (MDD) where the schedule of fees is provided.

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Glacier Management Company (RF) (Pty) Ltd is a registered and approved Manager in Collective Investment Schemes

*A feeder fund is a portfolio that invests in a single portfolio of collective investment schemes, which levies its own charges, and which could result in a higher fee structure for the feeder fund.