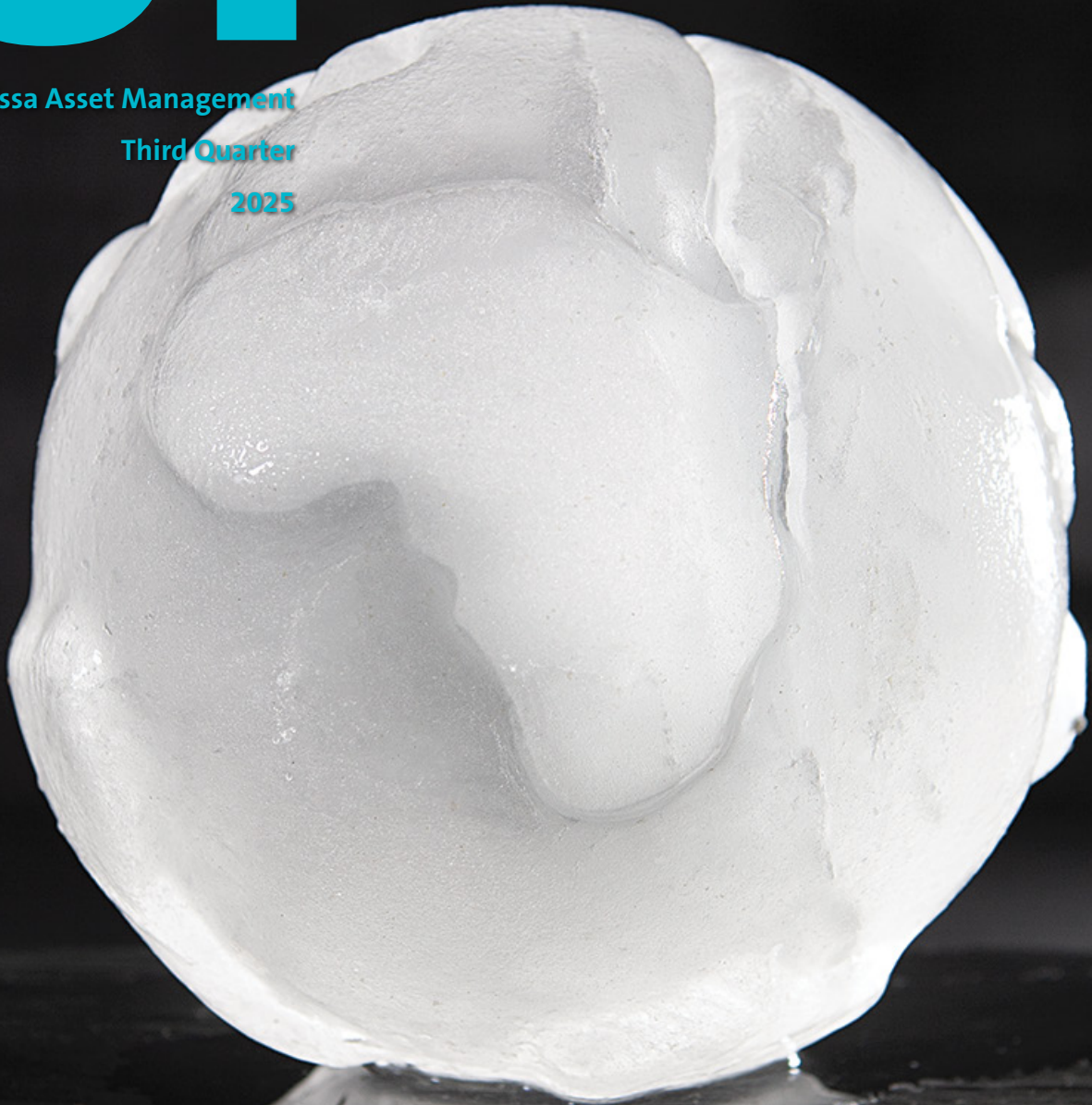


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Camissa Asset Management

Third Quarter

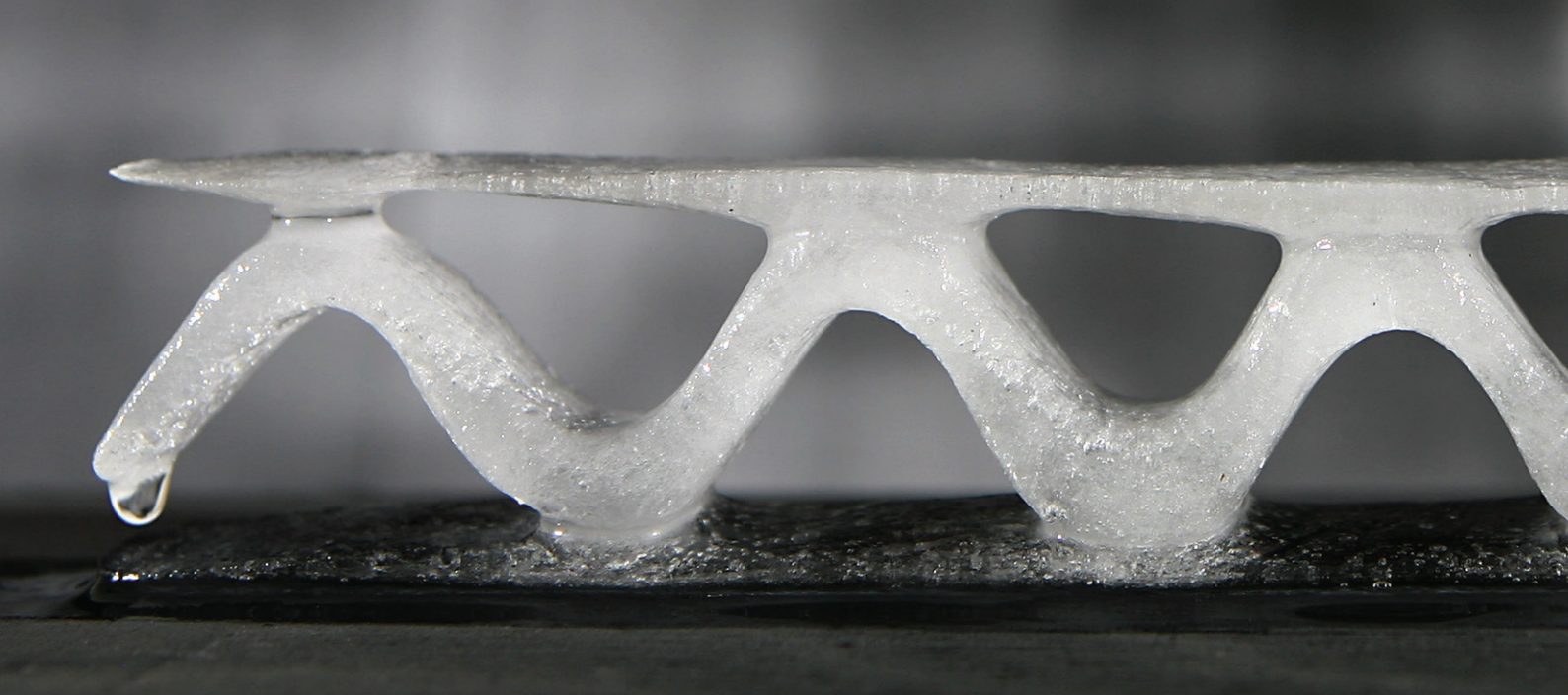
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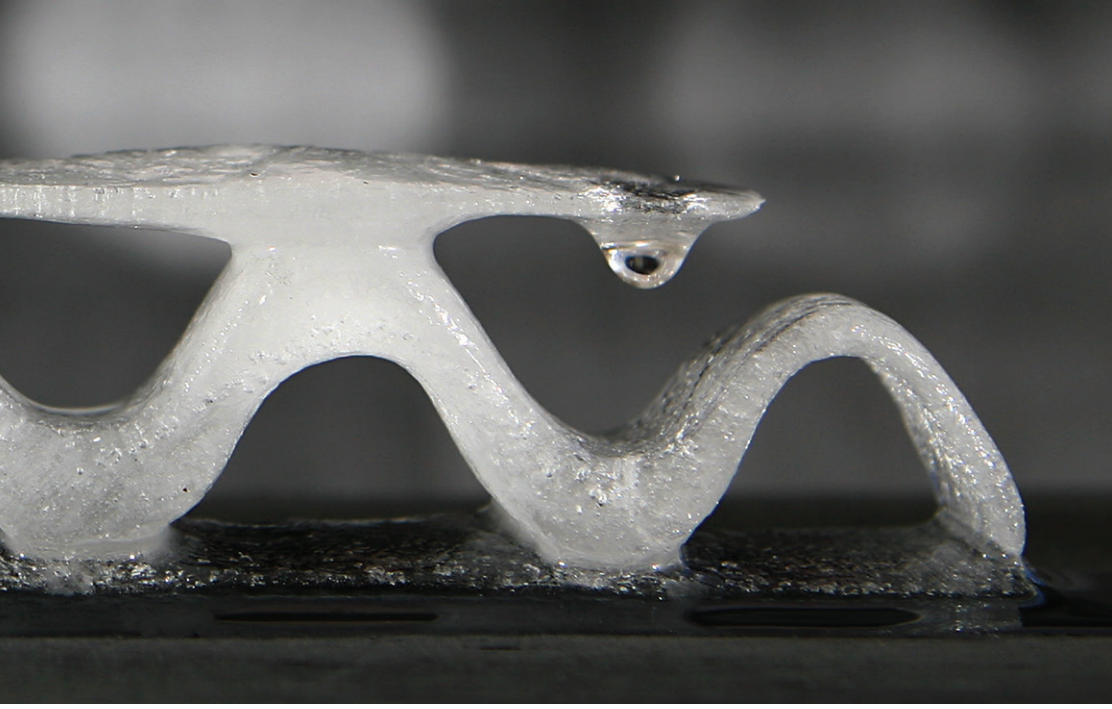
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Smurfit Westrock - Go West!

Dirk van Vlaanderen - Portfolio Manager

As global trade and consumer expenditure expands, cardboard boxes remain a critical component of the product value chain. Leading box manufacturer, Smurfit Westrock, is well positioned in the packaging industry. We explore the factors behind their strong market share positions and operating resilience, along with analysing prospective merger synergies and favourable regional growth tailwinds.

Smurfit Westrock - Go West!

Taking shape

The enormous rise in the e-commerce market share of consumer expenditure has driven strong box industry volume growth. This, combined with consumer preference for more sustainable packaging and accompanying regulatory support, has meant that box volumes have expanded at 2% per annum over the past 15 years. This momentum is set to continue over the medium term, supporting a good growth outlook for this form of packaging.

While cardboard boxes are tailored to diverse customer needs, they all follow a similar manufacturing process. As *illustrated below*, cardboard is made by combining a layer of paper-based fluting between two sheets of recycled paper or virgin fibre-based paper, called containerboard. The fluting provides strength, rigidity and insulation to the board. Virgin fibre-based board is stronger, making it ideal for higher value goods, food-grade products and high-quality printing.

The manufacturer cuts the printed board to size according to client specifications and delivers it flat-packed to customers for assembly. Box manufacturers are generally situated close to their customers to minimise transport costs. The larger global box manufacturers are also vertically integrated into the paper-making process, ensuring sufficient supply and quality

control of the paper needed for their corrugated board manufacturing operations.

From humble beginnings to global leader

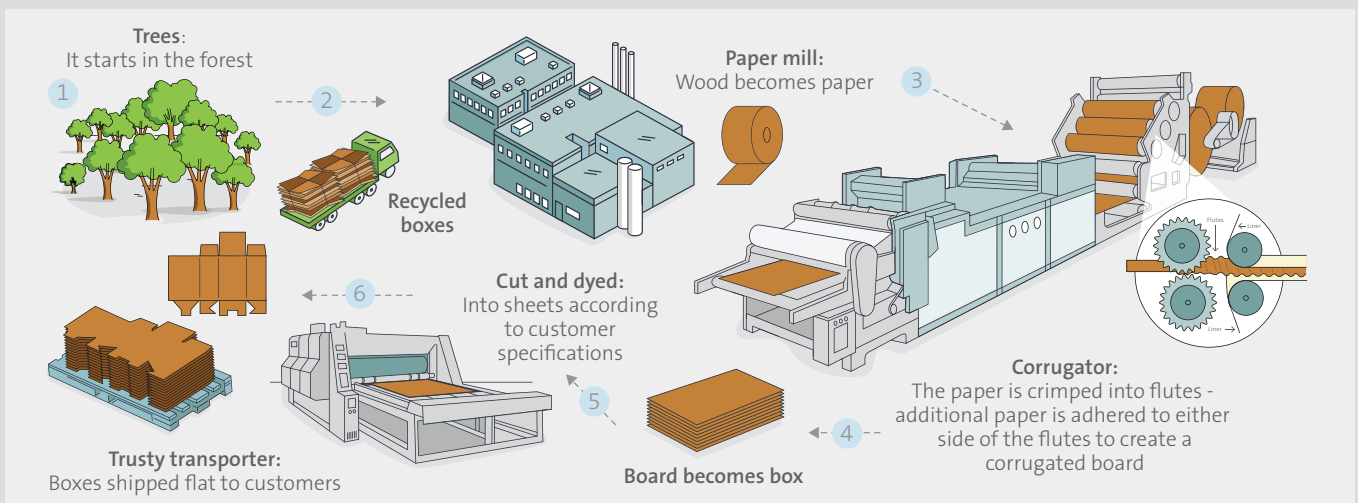
Smurfit Westrock started out as a small box-making business in Dublin in 1934, founded by John Jefferson Smurfit. Through several mergers - notably with Stone Container Corporation in 1998 (USA) and Kappa in 2005 (Europe) - the business morphed into a large, predominantly European-focused packaging leader called Smurfit-Kappa. The most recent merger with US-based Westrock in 2024 has made Smurfit Westrock one of the largest global packaging companies, now generating 54% of revenues from North America, 34% from Europe and 12% from Latin America (*left chart next page*). The majority of revenue (85%) is derived from the sale of corrugated box solutions, with the remaining 15% generated from selling other forms of consumer packaging products. The Smurfit family remains actively involved, with CEO Tony Smurfit leading the business that was founded by his grandfather.

Proven performance

The Smurfit-Kappa management team has delivered strong results over many years due to:

- o a **decentralised business model**, where a small central head office function has supported regional management, with full autonomy over production and pricing decisions.

How a box is made



- **a strong culture of innovation**, combined with a client-centric approach, delivers differentiated solutions that support market share growth in a competitive environment. A greater focus on the small and medium-sized enterprise market has resulted in strong growth and better margins.
- **a vertically integrated business model** - where the company produces its own containerboard - sees it capture the full margin of paper making and box production.
- **large internal investment programs**, with a strong focus on return on capital, leading to a low-cost, efficient production footprint and industry-leading returns.

This strategy has produced high profitability, robust returns on invested capital and strong cash generation, enabling a gradual increase in dividends distributed to shareholders - *shown overleaf*.

Opportunity from the Westrock merger

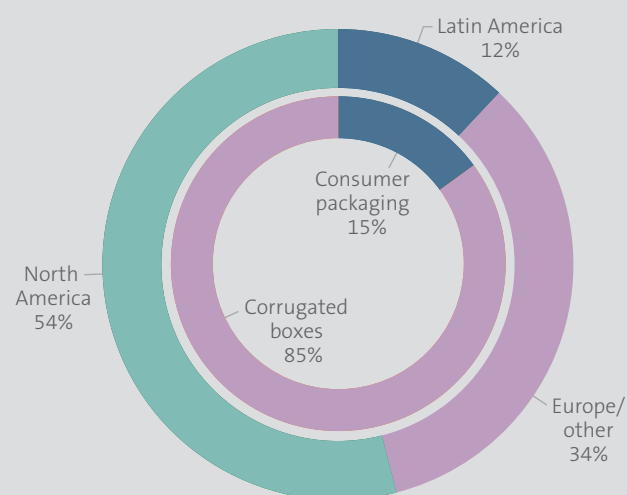
The Smurfit-Kappa and Westrock merger closed in July 2024, with the Smurfit-Kappa executives remaining at the helm of the larger group. The key architects of their European success have been tasked with implementing the group's best practices within Westrock. This should enhance Westrock's performance, which has lagged its potential in the US market for several years. Despite the scale advantages of being a very large, national player in the US, Westrock's profitability and return

metrics have significantly lagged Smurfit-Kappa and smaller US competitor, Packaging Corp of America (PCA) - *charted below right*.

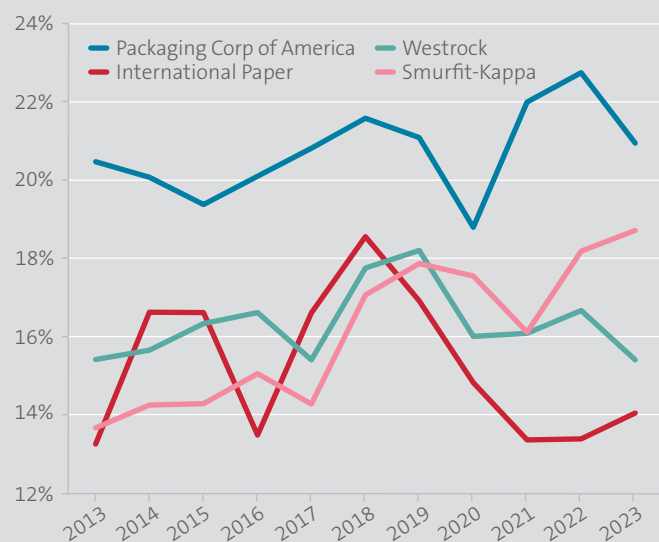
We believe there is an opportunity to materially raise the profitability of Westrock toward the levels of PCA and Smurfit's European business. Specific areas of focus include:

- **US\$400 million deal synergies** have been identified and will be delivered by the close of 2025.
- **implementing a decentralised business model**. Previously, Westrock operated a centralised structure focused primarily on maintaining full production at its paper mills. Consequently, paper prices for the box businesses were effectively subsidised, and the company entered many very low-margin contracts with customers. Smurfit has identified contracts generating around US\$10 billion in revenue that currently yield no profit. Assuming a reasonable box margin, these could contribute an additional US\$1-1.2 billion in profits over time.
- **improved innovation** using some of Smurfit's novel European products that are not yet available in the US, for example shelf-ready packaging.
- **investing in high-return capital projects**. We believe a strategic review of Westrock's manufacturing base is likely to yield several opportunities for a multi-year investment program

Smurfit Westrock revenue breakdown (2024)



Cash operating profit margin of key competitors



Source: Company reports

Smurfit Westrock - Go West!

like that which Smurfit embarked on in Europe in 2015. This will likely include mill consolidation and closures, and other efficiency and expansion related capital expenditure. This should improve profitability and shareholder returns.

US box market is transitioning through a brutal cycle

The US and European box markets have recorded volume growth of around 2% per annum over the past 15 years. This is supported by rising consumer demand, the expansion of e-commerce and a shift toward paper-based packaging - fueled by growing environmental impact concerns.

The consumer boom in discretionary goods following the COVID crisis in 2021 resulted in significant volume growth over those two years. However, as the world normalised and spending shifted back toward services, demand for durable goods and the associated packaging declined sharply and has remained at these lower levels. Oversupply in box-making paper has depressed paper prices, which in turn has pressured box prices. This challenging environment has resulted in a severely negative cycle for the industry.

The US packaging market is very concentrated, where the top four box producers are vertically integrated and contribute around 75% of total market volumes. Historically, we have seen

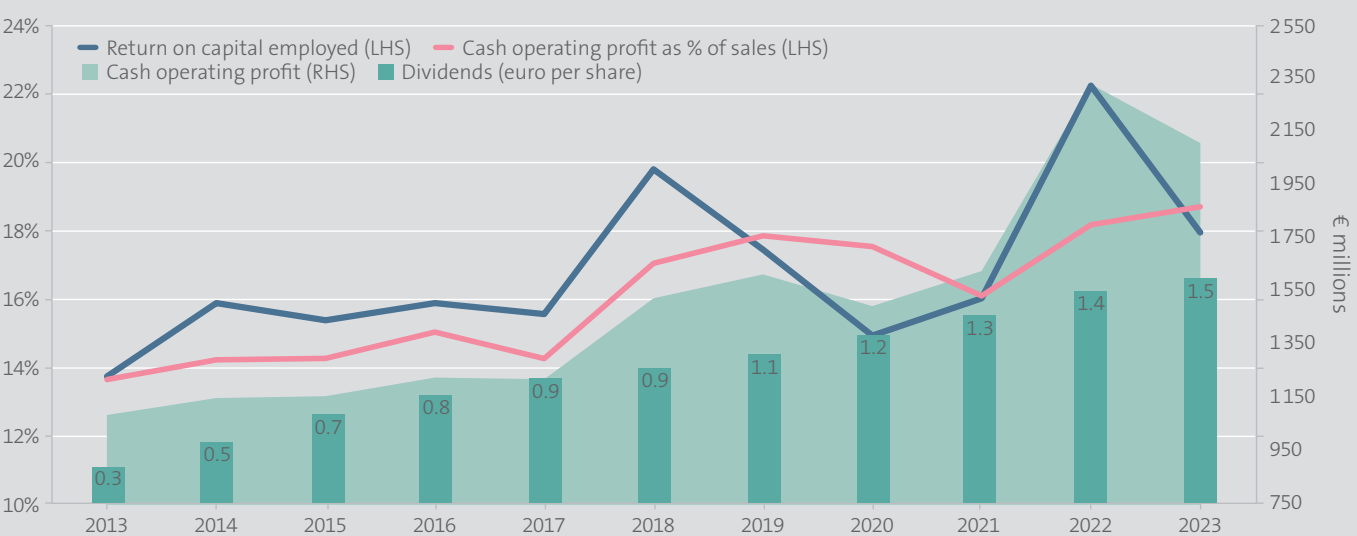
rational paper and box price inflation over the years, with the careful alignment of capacity (supply) to market demand, to reset pricing to levels where returns on capital are again strong. This concentrated market structure strengthens the US market's attractiveness by helping to broadly sustain industry margins through the cycle.

Several key industry players (including International Paper - the largest global pulp and paper producer) have indicated extensive mill closure plans this year, with 10% of total mill capacity expected to be lost in 2025. This will tighten the supply side of the US market and mean a better pricing outlook despite subdued demand.

Set to take the lead

Smurfit Westrock has navigated the softer demand environment well, with their strong innovation pipeline and vertically integrated and decentralised business model. We are confident that it can emulate the success of its European business in the US and see strong multi-year earnings growth ahead as the Westrock business is repositioned to its European standards. We believe this potential is not yet reflected in the share price and therefore hold Smurfit Westrock shares in global client funds. **UP**

Smurfit's track record of improving profitability, returns and dividends



Source: Company reports



Ageing with Charm in Japan

Ammaarah Tarmahomed - Investment Analyst

Japan is the world's most rapidly ageing society. As family-based care becomes more challenging for young people, institutional long-term care is emerging as a structural necessity within the country's healthcare system. Charm Care is well positioned as a long-term residential care operator of scale, offering investors rare exposure to this fast-growing market.

Ageing with Charm in Japan

With a strong financial profile and focus on digital innovation, we investigate how Charm Care is positioned to benefit from Japan's ageing population in premium urban markets.

Caring for Japan's old people

Caring for the elderly is deeply rooted in Japanese culture, where ageing is associated with dignity and wisdom, and treated with respect. However, economic and social shifts have made their traditional family-based caregiving model hard to sustain. Fertility rates have fallen well below population replacement levels (now at just 1.3 births per woman), while average life expectancy exceeds 85 years. As more young women enter the workforce and average household sizes shrink, fewer families can provide full-time support for ageing parents or grandparents. Concurrently, those providing care - often spouses or adult children in their 50s or 60s - are themselves ageing. This results in a higher dependency ratio¹, which means there will soon be as many elderly dependents as there are family caregivers in Japan.

Formal care, once supplemental, is now central to how Japan must manage its ageing population. The Long-Term Care Insurance (LTCI) Act, introduced in 2000, provides universal funding for elderly care. All Japanese citizens aged 65 and older are eligible for subsidised services, with users typically

financing less than 10% privately. Funded by taxes and public insurance premiums, LTCI supports a wide range of care options, from home visits and daycare to full-time residential facilities. Alongside government subsidies, a growing number of families are turning to private insurance to afford higher-quality, premium facilities that offer greater comfort, security and companionship.

Luxury retirement homes for high quality of life

Charm Care is one of the largest operators of long-term care facilities across Japan, all of which are accredited under the country's LTCI system. Unlike day clinics or home-based care, which offer limited support and rely heavily on family involvement, Charm Care provides full-time residential care that combines medical services, daily living support and social activities under one roof. Its facilities are built for long-term stays (typically five years or more), setting them apart from palliative or short-stay providers, where variable demand often leads to lower, less predictable occupancy.

Charm Care offers a tiered range of homes, from its entry-level brand to the premium 'Charm Premier Grand' (*below left to right*), where monthly costs can exceed US\$5 000 depending on location and services. Each facility is built to deliver both comfort and care, with private rooms, accessible bathrooms,

¹ The dependency ratio measures how many elderly people (65+) rely on each working-age person (20–64).

Charm facilities

\$1 500	\$2 000	\$3 000	\$5 000
			
Charm	<i>Charm Suite</i>	❖ CHARM PREMIER	❖ CHARM PREMIER GRAND
			

24-hour monitoring and on-site medical support. Thoughtfully designed interiors featuring rooftop terraces, fitness facilities and restaurant-style dining create a warm, community-oriented atmosphere. Residents take part in shared meals, recreational activities and tailored wellness programs that encourage physical and social engagement. By merging regulated medical care with hospitality-driven living, Charm Care offers a scalable, high-quality alternative to public or home-based care for Japan's rapidly ageing urban population.

Building scale in high density urban areas

Charm Care has established a dense footprint with more than 6 000 rooms available across its 90 facilities - half located in the western Kinki region and half in the eastern Tokyo metropolitan area. Focusing on high-demand, transit-accessible areas creates operational synergies across neighbouring sites. Facilities within the same area can share staff pools, training resources and supply logistics. This clustering model is supportive of higher margins and creates barriers to entry for smaller operators.

Charm Care generates revenue from two recurring income streams: long-term care fees reimbursed through LTCI subsidies and monthly usage fees paid by residents. Usage fees cover accommodation, meals and basic services, with optional

upgrades like private suites with balcony access, personalised meal plans prepared by on-site chefs and tailored rehabilitation programs beyond the standard care package.

These premium add-ons attract higher-income residents willing to pay for comfort and continuity, supporting both premium pricing and consistently high occupancy above 90%. Most of Charm Care's costs (ie staffing, rent and utilities) are largely fixed. Once a home reaches high occupancy, the same cost base supports more revenue, allowing a larger share of income to flow through to profits.

Technological innovation and staffing advantage

Japan's elderly care sector faces persistent staff shortages as demand for care is growing faster than the available workforce. At the same time, long hours, modest pay and the physically demanding nature of the work makes it difficult to attract and retain staff, while strict immigration controls limit the inflow of foreign caregivers. Targeted acquisitions in nurse staffing and age-tech have strengthened Charm Care's ability to manage labour shortages and integrate technology, creating a more efficient and resilient long-term care platform.

In 2021, the company acquired Good Partners, a nurse staffing agency. This has internalised recruitment, improved training quality and even generated modest revenue from providing

Digital transformation at Charm facilities

Patient sleep monitoring equipment



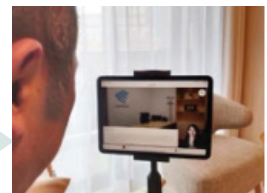
Auto-rotating beds for bedsores prevention



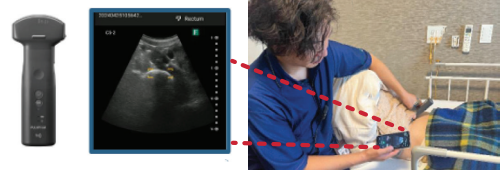
AI chat example

"Will it be sunny tomorrow?"

"I know your son is coming tomorrow, it will be a bit cloudy with no rain."



Portable ultrasound for continence care



Ageing with Charm in Japan

staff to other operators. Age-tech company, E-life Design, was another complementary acquisition, supporting the use of digital tools to reduce staff workload and enhance resident care.

As illustrated on the previous page, a typical Charm Care facility embraces technology to support every aspect of daily care. Sleep sensors monitor residents’ movement and posture throughout the night, alerting staff when assistance is needed. Portable ultrasound devices allow caregivers to manage continence with greater precision - reducing reliance on medication and minimising physical strain. AI-driven communication tools keep caregivers connected in real time, for example, service robots that deliver meals and chatbots that can answer simple resident queries. Together, these systems create a safer, more responsive environment for residents, and a smoother, more efficient workflow for staff.


A rare, listed opportunity

Since opening its first facility in 2005, Charm Care has steadily grown into one of Japan’s leading elderly home operators. As charted below, revenues and room capacity have expanded in lockstep, compounding at over 25% annually over the past 15 years. Profits have grown even faster as the group benefits from high occupancies, strong pricing power and staffing efficiencies.

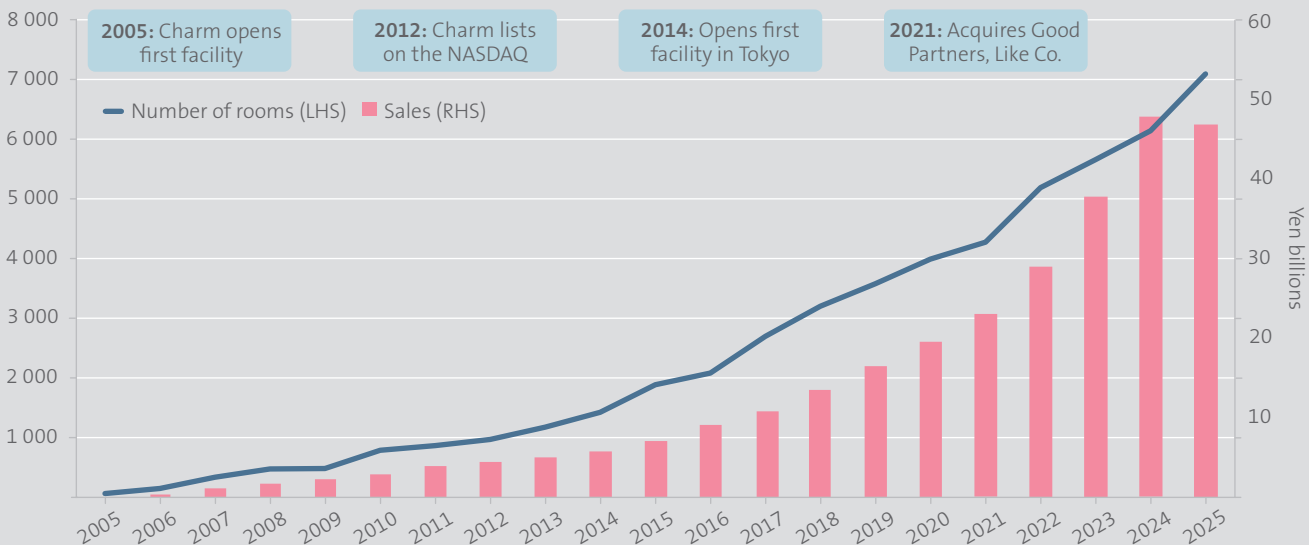
Looking ahead, Charm Care aims to add 3 000 new rooms by 2030 (a 30% increase in capacity) by continuing to target high-demand urban areas where supply is constrained. Management sets stringent return targets on each facility to ensure disciplined capital allocation and maintain profitability across the portfolio. This rigorous approach allows Charm Care to expand sustainably, while preserving cash generation ability and balance sheet strength.

Although organic growth has been strong, the company also uses strategic acquisitions to strengthen its network - such as the 2022 purchase of Like Partners. This added 16 facilities in underpenetrated areas. By expanding only where returns are strong and demand is clear, the business is poised for profitable and sustainably high growth in the years ahead.

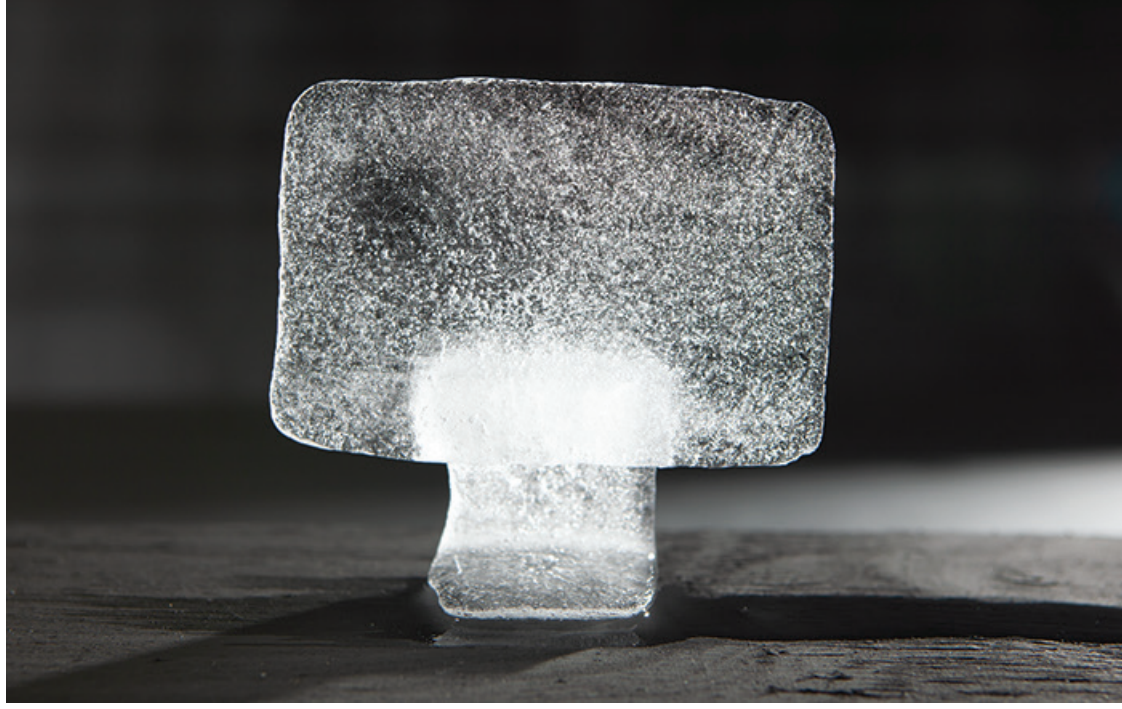
Compound growth from inexorable demographic trends

As Japan’s workforce shrinks and family-based caregiving capacity declines, Charm Care is catering for the rising demand for high-quality, long-term elderly care. In a fragmented market challenged by rising costs and regulation, its scale, complementary acquisitions and disciplined execution reinforce its strong positioning. We hold Charm Care in our global portfolios as a high-quality compounder benefitting from demographic tailwinds in a fast-growing market in Japan. 

Charm Care room and sales history



Source: Company presentations, Bloomberg



Bytes plays a vital role

Mpendulo Ncongwane - Investment Analyst

UK-based Bytes Technology Group is a value-added reseller (VAR) that specialises in the sale of software, cloud services and cybersecurity products. We unpack the reseller model and its importance as a software distribution channel, and examine Bytes' positioning within the sector and the opportunities shaping its growth outlook.

Bytes plays a vital role

Founded in 1982, Bytes began as a distributor of IT hardware and software during the early boom years of personal computing and has since evolved into a leading IT solutions provider. Following years as a subsidiary of Altron, a 2020 spin-off of Bytes unlocked significant value for Altron shareholders. Since listing, Bytes has continued growing, doubling gross profit over the last five years. Bytes operates through Bytes Software Services and Phoenix Software, focusing on the UK mid-market. They are also one of Microsoft's largest partners in the UK.

The VAR advantage

With organisational technology needs becoming more complex, resellers such as Bytes act as a trusted partner and intermediary between software providers (eg Microsoft, Amazon and CrowdStrike) and enterprise customers. They add value through software implementation, product billing, project design and integration.

For software vendors, developing direct sales and support infrastructure across every region, to serve a large and dispersed set of small and mid-size customers, is costly and inefficient. Instead, they rely on resellers to cater to these markets and thus the importance of the reseller channel has grown over time. Newer technology companies in particular (ie CrowdStrike) are choosing to rapidly scale their offering through this channel, with 80% of products sold in this way.

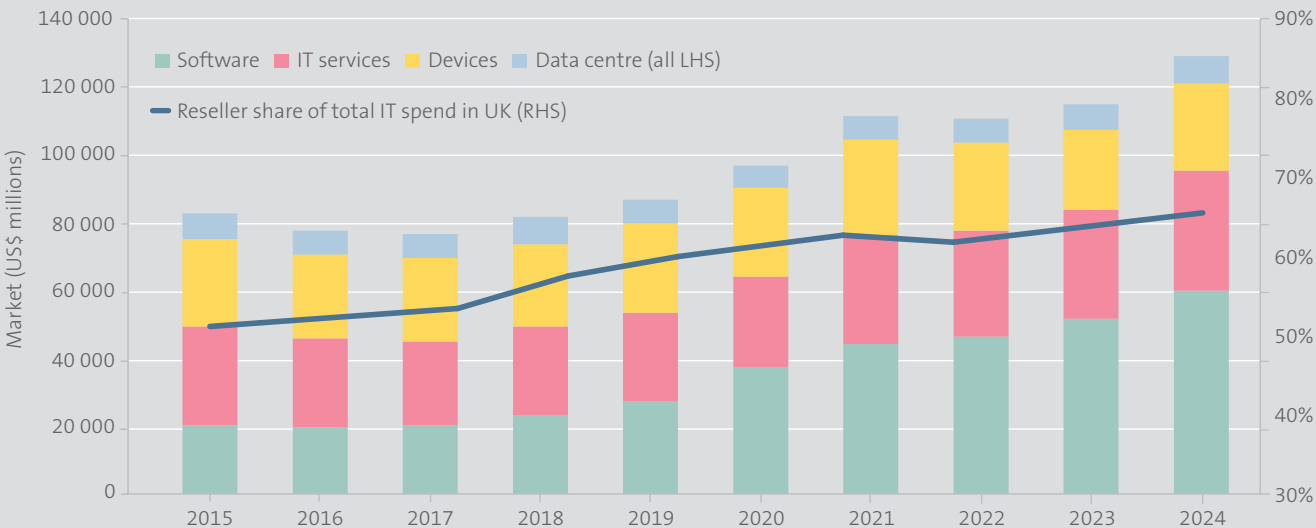
For enterprise customers, rising IT complexity makes managing multiple vendors for software and infrastructure needs increasingly cumbersome. While legacy IT environments included on-premise servers running a handful of software packages, with upgrades or renewals every few years, today's IT infrastructure ecosystem is far more complex. IT environments now comprise infrastructure integrated with various public clouds, hundreds of software-as-a-service applications with varying renewal cycles, complex security controls and ongoing cybersecurity monitoring.

In this context, resellers are increasingly valued as a trusted partner that designs, procures and implements solutions, and provides expert advice. Furthermore, their scale enables them to secure better vendor pricing, which can be partially passed on to clients. Strong underlying demand and a growing reliance by vendors on the reseller channel have led to robust growth and expanded the resellers share of spend over time. This is particularly the case for software spend via resellers, which has tripled over the past decade (*charted below*).

A software-focused player

Bytes distinguishes itself primarily as a software reseller. As *illustrated overleaf*, 90% of its sales are software related, which has been the fastest growing area of IT spend globally. Importantly, the value increases with complexity. Routine hardware procurement is reasonably commoditised, while

UK VAR market and rising importance of VAR channel



Source: Redburn Atlantic research, Gartner

software, security and cloud services are more specialised, therefore generating higher margins and profit per sale.

While hardware is more cyclical and easier to defer, software and security spend is much harder to cut as it forms part of essential operations and largely requires renewal over shorter intervals. Consequently, Bytes' sales are more uniform through time and produce higher margins. A significant portion of revenues are recurring via monthly or annual subscription renewals. Moreover, the model is capital light relying on skills, relationships and vendor programs with low working capital requirements.

Cash generation is further supported by a favourable working capital cycle, where customers typically pay for services in advance (or within 30 days of delivery), while the company pays vendors later.

Opportunities to gain market share

Bytes operates in a large, fragmented UK reseller market (main competitors *indicated below*) where it holds low single-digit market share, leaving ample room to grow. The UK's mid-sized businesses are currently underserved by the large global players, while the long tail of smaller VARs struggle to match Bytes' scale and depth of service offering. With roughly 40 000 mid-sized businesses in the UK and approximately 6 000 customers within Bytes, the runway to gain market share and grow is substantial.

Existing clients tend to spend more over time as trust and relationships grow (*shown on next page*). Approximately 95% of Bytes' gross profit is generated from existing customers and renewal rates are consistently close to 100%, highlighting this pattern.

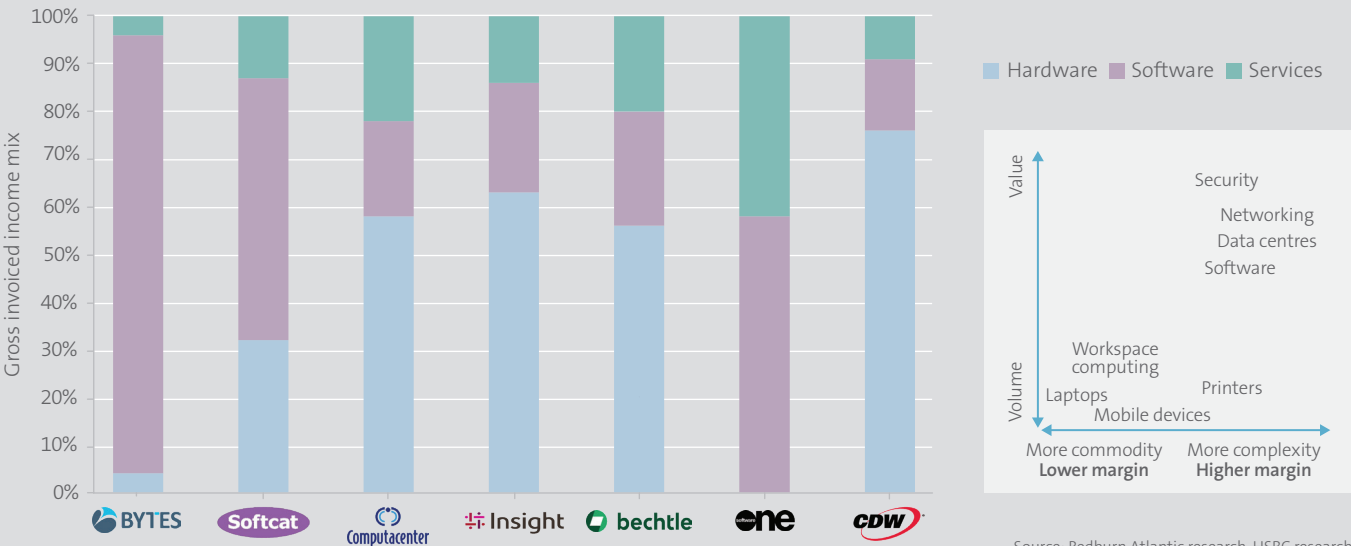
A digital ally to the UK's public sector

Bytes has a long-standing history of servicing the UK's public sector, including agencies like the National Health Service (NHS) - a key customer. Bytes played a pivotal role in supporting the NHS during the COVID pandemic, enabling remote work for the NHS's leading cancer centre. They assisted with the implementation of an Azure cloud virtual desktop solution that saved over £500 000 in hardware costs. Bytes was also involved in the optimisation of the HS2s¹ software estate (including products from Microsoft and Oracle), helping the government save an estimated £1 billion on an £11 billion budget.

In 2023, Bytes was awarded a five-year contract for the nationwide procurement of Microsoft licenses for the NHS. This is part of a multi-year upgrade to digitise infrastructure (ie patient records, shared data platforms and cyber resilience), with spend expected to double over the medium term. The NHS also plans to expand their staff cohort to address the country's growing healthcare needs. These initiatives present

¹ A major infrastructure project in the UK aimed at developing a high-speed railway to connect London with major cities such as Birmingham, Leeds and Manchester.

Gross invoiced income mix of Bytes and key competitors (2024)



Bytes plays a vital role

good growth potential for Bytes, especially given its established public sector credentials and strong track record of delivery.

Seeding future growth

In recent years, Bytes has deliberately ramped up investment in sales staff and technical talent². As employee costs account for over 80% of group expenses, this investment has temporarily dampened the group's profitability, yet lays the groundwork for future growth.

Bytes typically hires young, tech-savvy employees, training them via its well established 'Seven steps to a million' programme, which builds the necessary skills for new sales executives to become highly productive over time. Programme participants are expected to deliver £1 million annual gross profit by the seventh year. Notably, their top account managers are achieving this milestone in just three years. As new hires become more productive, we expect a meaningful increase in revenue per employee, and consequently higher profit growth as revenue grows well ahead of costs.

Microsoft's incentive reset

Microsoft has made substantial changes to its rebate model focusing on recurring subscriptions rather than one-off license sales, and channelling reseller efforts to the mid-market. The rebates have also been structured to concentrate on Microsoft's

priority areas like Azure, security (Defender/Sentinel) and Copilot. As a portion of their customer base is impacted by this transition, the result has seen a dampening of Bytes' recent profitability. Despite the near-term headwinds, over the long term the shift aligns well with scaled, accredited resellers like Bytes, with a strong mid-market footprint.

Hidden value in the decline

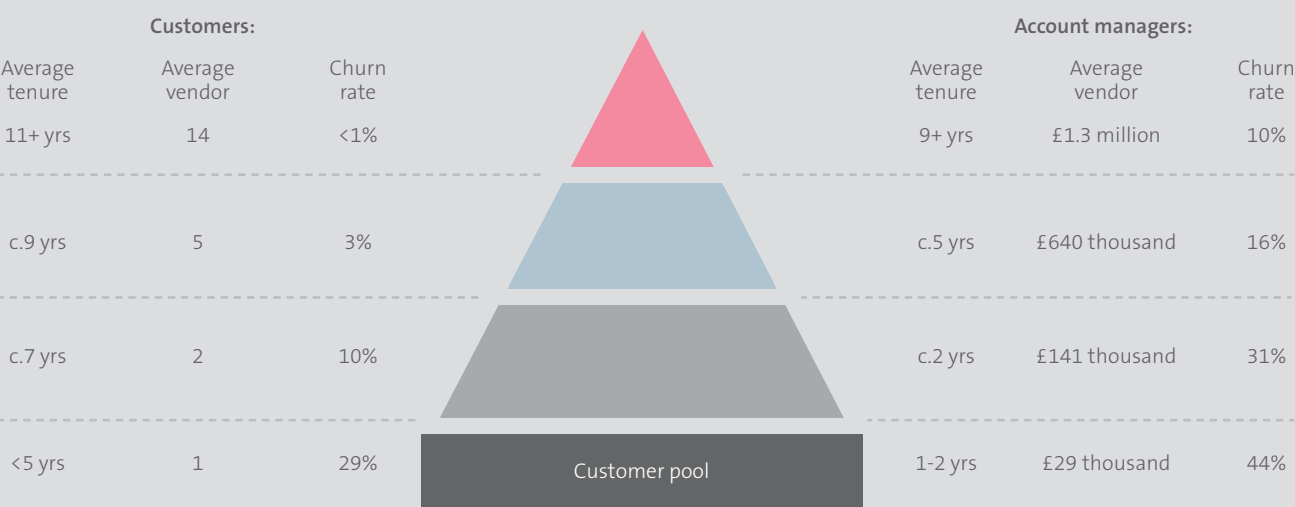
Bytes sits at the intersection of several favourable trends - rising IT complexity and a robust software-led technology spending outlook. The business model has high revenue predictability - given the largely recurring nature of customer spend - high returns and strong cash generation.

The company's software focus provides a more resilient base than hardware-led competitors, while its public-sector track record provides another growth opportunity. Significant staff investment ahead of competitors provides a clear path to steady market share gains in a large, fragmented market.

Recently, the Bytes share price has declined materially, coincident with the substantial incentive changes from Microsoft, which have negatively impacted profitability. This has provided our clients the opportunity to invest in a fundamentally strong company with a solid growth outlook, now available at a low price relative to its prospects. **UP**

² The company headcount has increased by 36% per year since 2022.

Evolution of customer and account manager journey





Daikin keeps it cool

Mpsatshweu Mehlahe - Trainee Analyst

Daikin Industries is a global heating, ventilation and air conditioning (HVAC) product manufacturer with operations across six continents. Founded in 1924 in Japan as a maker of aircraft radiator tubes, the company has evolved into one of the few globally integrated HVAC manufacturers. It produces refrigerants for its own products and for sale to competitors.

Daikin keeps it cool

More intense focus on curbing contributors to global warming is prompting stricter regulations prohibiting harmful refrigerants, and increased urbanisation in developing countries is fuelling global demand for HVAC solutions. We investigate these trends, unpacking Daikin's business model, its strength in innovation and its strategy for capturing growth into a hotter and more climate-conscious future.

Regulatory standards fuel a replacement cycle

Global warming is caused by the accumulation of greenhouse gases that trap heat in the earth's atmosphere, leading to extreme weather patterns and higher average temperatures experienced on earth. Refrigerant gases are made up of hydrofluorocarbons (HFCs), which are a type of greenhouse gas. These gases are grouped according to their Global Warming Potential (GWP) measure, with a lower GWP score indicating a less environmentally harmful refrigerant. Carbon dioxide (CO₂) is the least harmful benchmark refrigerant, with a far lower GWP than currently available HFCs.

169 nations have agreed to phase out HFC usage in an effort to reduce the effects of global warming, in accordance with The Montreal Protocol¹. Effective January 2025, the EU banned refrigerants with GWP scores greater than 750 in residential multi-split² air conditioners. This is expected to expand to

include other HVAC products such as heat pumps, by 2027. The US also followed suit, banning the use of refrigerants above 700 GWP.

Daikin's pioneering R-32 refrigerant technology, developed in 2010 and later released as open source, is one of the most widely used alternatives that is closest to the CO₂ benchmark, with a GWP of 675. Competitors who do not use Daikin's R-32 may adopt R-454B, an HFC with a GWP score of 466.

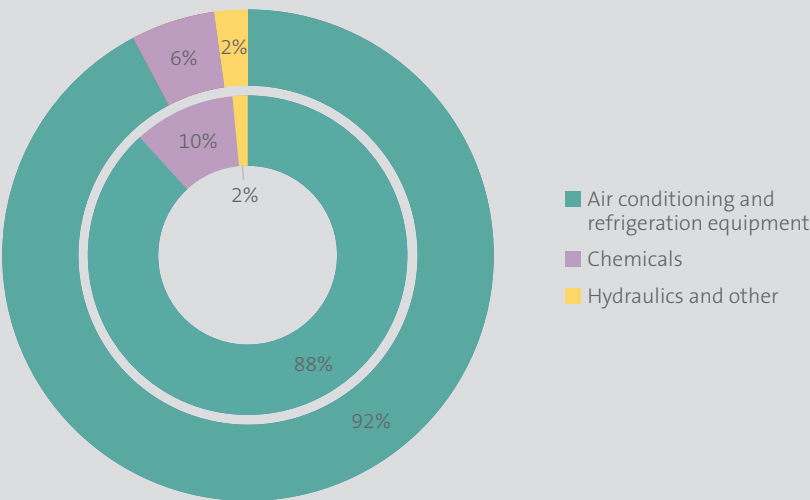
Rising global temperatures and stricter climate policies in proactive developed markets are driving households and businesses to adapt or replace non-compliant HVAC systems. This has resulted in a structural demand shift in favour of Daikin and other HVAC companies such as Carrier, Trane Technologies and Johnson Controls. Daikin recognises that no single refrigerant meets all performance and safety requirements. For instance, although R-32 is commonly used in residential and commercial systems, it is generally unsuitable for industrial use.

Daikin's businesses

Daikin Industries is mainly an air conditioning business with two minor business units: chemicals and hydraulics (respective contributions to group revenue *indicated below*). Production

¹ The landmark multilateral environmental agreement that regulates the production and consumption of nearly 100 man-made chemicals referred to as ozone depleting substances.
² Home cooling/heating systems where one outdoor unit is connected to multiple indoor units.

Daikin business unit share of revenue and profit



Note: 2024 group revenue (OUTER) and operating profit (INNER)
Source: Daikin financial report, Camissa Asset Management

sites are based in local markets targeting local demand and products are sold to third-party distribution partners. This model is serving Daikin well in the US in the higher tariff environment.

Daikin's **air conditioning** business, established in 1952, constitutes approximately 90% of sales and operating profit and is one of the largest global manufacturers of air conditioners, heat pumps and chillers - collectively known as HVAC products. Homeowners represent the largest customer segment, followed by commercial and industrial clients.

The **chemicals** business, founded in 1933, contributes 6% of revenue and 10% of operating profit. It produces high-performance chemicals used to minimise defects and enhance the heat resistance of semiconductor chips, and fluorocarbon gases (for example refrigerants used in HVAC products to heat and cool spaces).

The **hydraulics** business was founded just after Daikin's inception, today contributing 2% each of revenue and operating profit. It manufactures oil hydraulic power equipment components incorporating inverter technology. These components control hydraulic oil flow and pressure to drive machine tooling and construction equipment. The hydraulic oil lubricates internal systems, reducing heat generation, lowering energy consumption and improving operational accuracy.

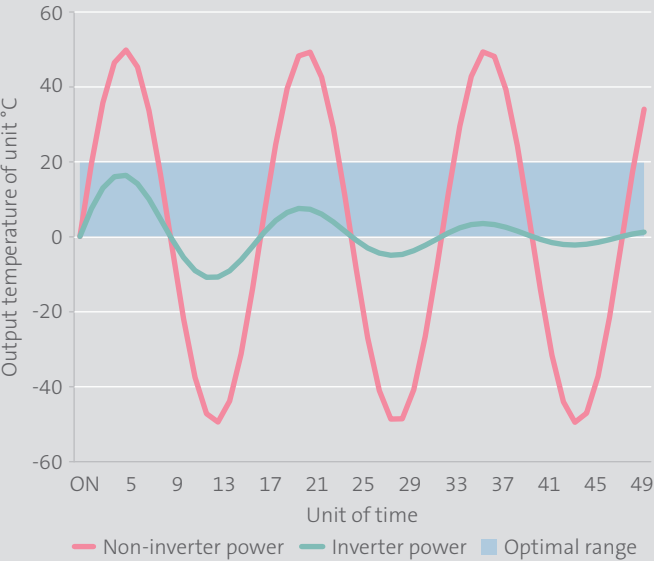
Daikin's US business

Daikin entered the US market in 2006 through acquisitions and the consolidation of two main local HVAC companies, OYL and Goodman Global. North America is currently Daikin's largest high-penetration market for air-conditioning, as customers tend to replace older, fixed-speed HVAC products with more energy-efficient, inverter-based models. As *charted below (left)*, fixed-speed products consume significantly more energy through the cycle due to wider temperature fluctuations. Unlike variable-speed systems, they cool or heat a space to the set point, then switch off, only to restart when the temperatures drift beyond the optimal range.

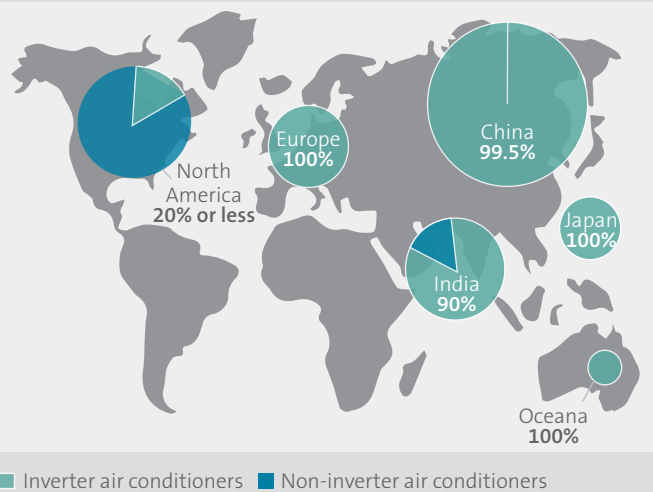
Inverter based products run continuously within the desired range, thereby using less electricity and providing more consistent levels of comfort. In addition, by incorporating smart thermostats, comfort and efficiency is further improved by conveniently enabling temperature control via smartphone. In North America, 20% of air-conditioners sold in 2024 use inverter technology (*below right*).

The Inflation Reduction Act offered US homeowners tax credits covering up to a third of the cost of energy-efficient HVAC systems, capped at US\$3 000 per household. This has effectively supported the demand for system upgrades, which has

Variable speed inverter technology



Inverter aircon sales as a % of all aircons worldwide



Source: Camissa Asset Management, 2025 Worldwide Air Conditioning Study, BSRIA

Daikin keeps it cool

benefited Daikin and competitors. However, new tax and spending laws in the US will see these benefits fall away at the end of 2025, following which the upgrade-led demand will depend on energy saving credentials, comfort and reliability for continued growth in sales.

Daikin's European business

Daikin has operated in Europe since 1972, expanding its footprint by introducing multi-split air conditioning and inverter heat pumps. It is currently their second-largest market, where air-conditioning penetration is still low but growing rapidly, supported by energy-efficient inverter heat pumps that outperform the gas- or oil-based boilers that currently dominate heating. With Europe facing persistently high energy costs post-Russian gas sanctions, and temperatures ranging from -5°C in winter to 35°C in summer, demand for reliable, energy-efficient and climate-friendly solutions is growing.

Turning up the heat on growth

In developing countries, growing urbanisation and higher incomes are fuelling a surge in HVAC demand. The global HVAC market - already worth around US\$223 billion in 2025 - is forecast to grow to nearly US\$403 billion by 2034, highlighting a significant long-term growth trajectory.

Major growth is forecast for densely populated, rapidly expanding, heat-prone cities in regions such as India, the Middle East and Africa that have historically been underserved - many households rely on basic electric fans for cooling (less than 10% of households in India have air conditioning). As electricity access improves and disposable incomes rise, modern-air conditioning is increasingly seen not as a luxury but as essential for comfort, health and productivity. Daikin is positioning itself to capitalise on transformation by rolling out


energy efficient inverter air-conditioners, which consume roughly half the power of traditional units, initiating local assembly in key Africa markets to reduce costs and lead times, and even piloting usage-based subscription models to lower entry barriers for consumers.

Industry-leading commitment to innovation

Research and development (R&D) is a key differentiator for HVAC manufacturers and Daikin strategically allocates a larger share of sales to R&D than its competitors. This enables it to lead in innovation. These investments have yielded products such as the award-winning Desica air conditioner and heat pump system. Unlike traditional systems, this system does not require piping or water, thereby offering customers efficient cooling and heating with lower energy use than prior technologies.

Commercially, Daikin pioneered the R-32-based VRV Five Star Zeas Air Conditioner for office buildings in 2013 - a product that also won a Japanese innovation award post launch. As the first system to use Daikin's in-house R-32 refrigerant, it has set a new benchmark for environmentally friendly, energy-efficient commercial HVAC products.

Positioned for a climate-conscious future

Daikin has exhibited dynamic growth in its journey from a Japan-based radiator manufacturer into a comprehensive global HVAC producer. Yet, despite proven leadership and innovation in technology in this area, and consistent development of century-old climate solutions brands, the scale of these achievements remains underappreciated in its market rating. This offers our clients the opportunity to benefit as Daikin keeps its customers cool and reduces the world's use of harmful greenhouse gases. 

Camissa Asset Management Funds

Performance to 30 September 2025	1 year	3 years ¹	5 years ¹	10 years ¹	15 years ¹	Since launch ¹	Launch	TER ² 1-year	TER ² 3-years	TC ³ 1-year	TC ³ 3-years	
Unit trust funds ⁴												
Equity Alpha Fund	36.7%	20.1%	19.9%	12.8%	12.0%	15.9%	Apr-04	1.78%	1.59%	0.24%	0.25%	
SA Equity General funds mean	18.6%	17.4%	16.0%	8.4%	9.7%	12.2%						
Outperformance	18.1%	2.8%	3.9%	4.4%	2.3%	3.7%						
SA Equity Fund	32.9%	18.2%	-	-	-	15.7%	Sep-22	1.84%	1.65%	0.53%	0.49%	
SA Equity SA General funds mean	21.9%	18.4%				16.4%						
Outperformance	10.9%	-0.2%				-0.7%						
Global Equity Feeder Fund	21.1%	22.3%	12.5%	-	-	9.9%	Nov-19	1.84%	1.84%	0.22%	0.22%	
FTSE World Index (ZAR)	18.6%	22.4%	15.6%			16.1%						
Outperformance	2.6%	-0.1%	-3.2%			-6.2%						
Balanced Fund	24.4%	19.4%	16.2%	11.2%	-	10.5%	May-11	1.51%	1.50%	0.21%	0.22%	
SA Multi Asset High Equity funds mean	15.1%	15.5%	12.8%	8.3%		9.2%						
Outperformance	9.3%	3.9%	3.4%	2.9%		1.3%						
SA Balanced Fund	26.6%	-	-	-	-	20.0%	Aug-23	1.56%	1.91%	0.95%	0.60%	
SA Multi Asset SA High Equity funds mean	20.7%					16.6%						
Outperformance	5.9%					3.4%						
Protector Fund	20.6%	17.0%	15.6%	10.5%	9.0%	10.4%	Dec-02	1.51%	1.51%	0.17%	0.17%	
CPI + 4% ⁵	7.3%	8.1%	9.0%	9.0%	9.5%	10.0%						
Outperformance	13.3%	8.9%	6.6%	1.5%	-0.5%	0.4%						
Stable Fund	20.9%	16.5%	17.1%	10.9%	-	9.9%	May-11	1.49%	1.47%	0.21%	0.20%	
CPI + 2% ⁵	5.4%	6.2%	7.0%	6.6%		6.2%						
Outperformance	15.5%	10.3%	10.1%	4.3%		3.7%						
Institutional funds ⁶												
Managed Equity Fund	36.1%	20.4%	21.0%	12.8%	12.2%	12.7%	Sep-06					
FTSE/JSE Capped SWIX Index	28.1%	21.6%	18.8%	10.2%	12.0%	12.0%						
Outperformance	7.9%	-1.2%	2.2%	2.6%	0.2%	0.7%						
Domestic Balanced Fund ⁷	30.7%	19.8%	19.5%	12.8%	11.1%	10.6%	May-07					
Peer median ⁸	20.9%	17.9%	16.6%	9.7%	10.6%	10.0%						
Outperformance	9.8%	1.9%	2.9%	3.1%	0.5%	0.6%						
Global Balanced Fund ⁹	25.7%	21.0%	17.9%	12.6%	-	11.9%	Jul-13					
Peer median ¹⁰	18.3%	17.5%	14.7%	9.9%		10.5%						
Outperformance	7.4%	3.5%	3.2%	2.8%		1.3%						
Bond Fund	16.8%	17.3%	14.1%	11.0%	9.8%	9.6%	May-07					
BESA All Bond Index	14.5%	15.7%	12.1%	9.8%	9.1%	9.0%						
Outperformance	2.3%	1.6%	2.0%	1.2%	0.7%	0.6%						
Money Market Fund	9.5%	9.7%	8.2%	8.2%	7.5%	7.9%	Jan-04					
Alexander Forbes STeFI Composite Index	7.8%	8.0%	6.4%	6.8%	6.4%	7.1%						
Outperformance	1.6%	1.8%	1.7%	1.5%	1.1%	0.8%						
Shariah unit trust funds ⁴												
Islamic Equity Fund	18.3%	11.2%	14.3%	10.6%	9.8%	11.0%	Jul-09	1.50%	1.50%	0.16%	0.16%	
SA Equity General funds mean	18.6%	17.4%	16.0%	8.4%	9.7%	10.9%						
Outperformance	-0.4%	-6.1%	-1.6%	2.2%	0.1%	0.1%						
Islamic Global Equity Feeder Fund	12.6%	15.4%	8.2%	-	-	9.3%	Jan-19	1.80%	1.81%	0.11%	0.11%	
Global Equity General funds mean	15.0%	18.9%	11.4%			14.6%						
Outperformance	-2.3%	-3.5%	-3.2%			-5.3%						
Islamic Balanced Fund	14.5%	10.1%	12.1%	9.1%	-	8.2%	May-11	1.49%	1.49%	0.11%	0.10%	
SA Multi Asset High Equity funds mean	15.1%	15.5%	12.8%	8.3%		9.2%						
Outperformance	-0.6%	-5.4%	-0.7%	0.8%		-1.0%						
Islamic High Yield Fund	12.7%	10.3%	9.6%	-	-	8.5%	Mar-19	0.58%	0.58%	0.02%	0.02%	
Short-term Fixed Interest Index (STeFI)	7.8%	8.3%	6.4%			6.5%						
Outperformance	4.9%	2.0%	3.2%			2.0%						
Highest and lowest monthly fund performance												
Equity Alpha Fund	High 7.5%	Low -3.0%	High 11.7%	Low -5.4%	High 12.6%	Low -5.4%	High 12.6%	Low -21.6%	High 12.6%	Low -21.6%	High 12.6%	Low -21.6%
SA Equity Fund	5.6%	-3.5%	11.5%	-5.9%	-	-	-	-	11.5%	-5.9%	-	-
Global Equity Feeder Fund	5.9%	-1.8%	14.5%	-7.5%	15.4%	-8.2%	-	-	18.1%	-15.6%	-	-
Balanced Fund	4.5%	-1.2%	9.5%	-4.5%	9.5%	-4.5%	9.5%	-15.7%	9.5%	-15.7%	-	-
SA Balanced Fund	6.1%	-2.7%	-	-	-	-	-	-	6.1%	-3.4%	-	-
Protector Fund	4.7%	-1.0%	7.6%	-3.7%	7.6%	-3.7%	7.6%	-13.9%	9.5%	-13.9%	-	-
Stable Fund	4.8%	-1.0%	7.1%	-4.4%	7.1%	-4.4%	7.1%	-11.4%	7.1%	-11.4%	-	-
Islamic Equity Fund	4.7%	-3.7%	7.4%	5.7%	9.6%	-8.9%	9.6%	-14.3%	9.6%	-14.3%	-	-
Islamic Global Equity Feeder Fund	4.3%	-3.2%	10.6%	-7.8%	10.6%	-7.8%	-	-	14.6%	-8.4%	-	-
Islamic Balanced Fund	3.3%	-1.8%	5.3%	-4.1%	8.0%	-6.2%	8.0%	-9.3%	8.2%	-9.3%	-	-
Islamic High Yield Fund	1.9%	-0.4%	1.9%	-1.2%	2.7%	-2.4%	-	-	2.7%	-2.4%	-	-

Footnotes and disclaimer follow overleaf.



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Footnote: ¹Annualised (ie the average annual return over the given time period); ²TER (total expense ratio) = % of average NAV of portfolio incurred as charges, levies and fees in the management of the portfolio for rolling one and three-year periods to 30 September 2025. ³Transaction costs (TC) are unavoidable costs incurred in administering the financial products offered by Camissa Collective Investments and impact financial product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of financial product, the investment decisions of the investment manager and the TER. This is also calculated on rolling one and three-year periods to 30 September 2025. ⁴Source: Morningstar; net of all costs incurred within the fund and measured using NAV prices with income distributions reinvested; ⁵CPI for August is an estimate; ⁶Source: Camissa Asset Management; gross of management fees; ⁷Domestic Balanced Fund benchmark returns are an estimate for August; ⁸Median return of Alexander Forbes SA Manager Watch; BIV Survey; ⁹Global Balanced Fund benchmark returns are an estimate for August; ¹⁰Median return of Alexander Forbes Global Large Manager Watch.

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Unit price: Prices are published daily on our website. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Exchange rate movements, where applicable, may affect the value of underlying investments. All funds are valued and priced at 15:00 each business day and at 17:00 on the last business day of the month. Forward pricing is used. The deadline for receiving instructions is 14:00 each business day to ensure same day value.

Performance: Unit trusts are generally medium to long-term investments. The value of units will fluctuate, and past performance should not be used as a guide for future performance. Camissa does not provide any guarantee either with respect to the capital or the return of the portfolio(s). Foreign securities may be included in the portfolio(s) and may result in potential constraints on liquidity and the repatriation of funds. In addition, macroeconomic, political, foreign exchange, tax and settlement risks may apply. However, our robust investment process takes these factors into account.

Performance is based on a lump sum investment into the relevant portfolio(s) and is measured using Net Asset Value (NAV) prices with income distributions reinvested. NAV refers to the value of the fund's assets less the value of its liabilities, divided by the number of units in issue. Figures are quoted after the deduction of all costs incurred within the fund. Individual investor performance may differ because of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Camissa may close a portfolio to new investors to manage it more effectively in accordance with its mandate.

Fees: Different classes of units may apply and are subject to different fees and charges. Commission and incentives may be paid, and if so, would be included in the overall costs. A feeder fund is a portfolio that invests in a single portfolio of a collective investment scheme, which levies its own charges, and which could result in a higher fee structure for the feeder fund. A schedule of the maximum fees is available upon request.