

The fund was down 0.9% in the first quarter, underperforming competitor funds (up 1.6% on average). It has returned 6.8% pa over the last three years (competitors were up 8.3% pa on average). Since its inception in 2011, the fund has delivered 8.9% pa (competitors were up 8.4% pa on average).

### **Economic backdrop**

Global economic activity remains firm, benefiting from easing financial conditions and strong developed market real household income growth due to sharply falling inflation and higher wages. The US economy, in particular, is demonstrating strength, with relatively strong consumption underpinned by a robust labour market, healthy immigration and high aggregate household wealth.

Europe's economy, which has stagnated given its link to China's weak economic recovery, should benefit meaningfully from a rebound in global manufacturing activity from low levels, lower gas prices and increased government investment (particularly in the South). Japan is sustaining solid economic activity, with increasing private consumption due partly to high wage growth and improving business investment. The very weak currency is also aiding exports and inbound tourism.

Following a very weak post-Covid reopening recovery, Chinese economic growth is very slowly accelerating, but is weak in nominal terms due to persistent deflation. Property market activity has been considerably weak for a sustained period and has depressed consumer confidence. Nonetheless, there is an improvement in exports, manufacturing and infrastructure spending.

Economic activity in South Africa is severely constrained by inadequate electricity supply, acute underperformance of transport infrastructure, poor service delivery from weak and revenue-hungry municipalities and chronically low business confidence. Additionally, the economic contribution from the mining sector that has benefitted from high commodity prices, is now far lower. For these reasons, coupled with the sizable government debt burden and a large, unskilled population with high unemployment levels - we remain pessimistic regarding the structural growth rate for the local economy. Gradual steps by government toward economic reform (now involving more productive private sector partnerships) need to hasten to stabilise the economy and prevent further decline.

### **Markets review**

Global markets were strongly positive in the first quarter (up 9.0% in US dollars), with Japan (up 13.1%) and the US (up 10.6%) outperforming. Emerging markets were also positive in the period (up 2.4%), with outperformance from Turkey (up 14.6%), India (up 6.1%) and South Korea (up 0.7%). South Africa (down 6.7%) and Brazil (down 7.5%), however, underperformed.

In rand terms, the local equity market was down 2.3% in the period. Industrials outperformed (up 0.9%), driven by robust performances by Multichoice (up 40.2%) and Sappi (up 20.1%). Other standout positive performers included Richemont (up 12.5%), AVI (up 11.3%) and Mr Price (up 10.8%). Weak performances were delivered by Spar (down 25%), MTN (down 18.8%) and Woolworths (down 15.9%).

Resources were also positive (up 0.8%), with outperformance from Harmony (up 32.1%), AngloGold (up 20.6%) and Gold Fields (up 10.9%). Kumba (down 20.9%), Thungela (down 20.8%) and Sasol (down 19.9%) underperformed.

Financials underperformed the other sectors (down 7.1%), with listed property up 3.9%, banks down 7% and life insurers down 9%. NEPI Rockcastle (up 7.7%) and Santam (up 7.1%) outperformed, while Remgro (down 24.8%), Discovery (down 16%) and FirstRand (down 13.3%) underperformed.

South African bonds decreased by 1.8% in the quarter, underperforming cash (up 2%). Globally, bonds weakened amid unexpectedly high inflation data in the US. South African bonds underperformed comparative emerging market bonds in the period.

Members of the SARB monetary policy committee unanimously voted to keep the repo rate unchanged at 8.25%. They remain wary of upside inflation risks that could materialise from a weak currency and potentially higher food and oil prices. South African government long bond yields are very high in the context of well-contained inflation.

### **Fund performance and positioning**

Strong performances were delivered by global equities in the first quarter, while local equities and bonds detracted. Within local equities, key negative contributors included MTN, our PGM holdings (Northam Platinum and Anglo Platinum) and Omnia. Positive contributors included Prosus, Quilter and Altron. Global equity contributed positively, with key performances from Walt Disney, Siemens Energy and Citigroup. Aroundtown, Bayer and Prudential particularly detracted.

Currently, our portfolios have high exposure to PGM miners, Prosus, Datatec, Sanlam, MTN and a diverse range of mid-cap stocks including Quilter and Omnia.

- We have high return expectations for a diversified set of opportunities within our portfolio of local and global equities.
- We have high exposure to long duration South African government bonds due to the very high real yields on offer.

We also hold a position in Sea Harvest.

Sea Harvest was established in 1964 and has a portfolio of South African and Australian fishing businesses. Within its South African fishing operation (nearly 50% of revenue and over 80% of group profit), Sea Harvest catches, processes and sells Cape Hake to the local and export markets. Demand for wild-caught seafood remains strong while global supply has stagnated, resulting in good long-term pricing power. Sea Harvest has access to a sought-after source of wild-caught protein and has invested significantly in its fishing fleet and processing facilities to improve efficiency and profitability.

The past few years have seen a perfect storm of much higher costs (freight, fuel, packaging and load shedding), poor weather conditions and decade-low catch rates. This has meant a significant cyclical reduction in SA fishing earnings, despite strong demand and pricing. With more normal fishing conditions and continued good price increases, we expect a strong recovery in the coming years. The current share price is very low relative to near-term cash flow expectations from Sea Harvest, with a very low rating being applied to cyclically low earnings.

### **Disclaimer**

The Camissa unit trust fund range is offered by Camissa Collective Investments (RF) Limited (Camissa), registration number 2010/009289/06. Camissa is a subsidiary of Camissa Asset Management (Pty) Limited [a licensed financial services provider (FSP No. 784)], the investment manager of the unit trust funds. Camissa is a member of the Association for Savings and Investment SA (ASISA) and is a registered management company in terms of the Collective Investment Schemes Control Act, No 45 of 2002.

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. 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. Different classes of units may apply and are subject to different fees and charges. A schedule of the maximum fees, charges and commissions is available upon request. Commission and incentives may be paid, and if so, would be included in the overall costs. Camissa has the right to close the portfolio to new investors in order to manage it more effectively in accordance with its mandate. Additional information is available free of charge on our website or from Client Service.