Camissa Global Equity Fund
Quarterly commentary
March 2024

Camissa Global Asset Management

The fund was up 5.1% in the first quarter, underperforming its benchmark of FTSE World Index (up 21.2%). The fund underperformed its benchmark over the past year up 14.6% (benchmark was up 25.1%). It was up 1.1% since inception in 2018, versus the benchmark up 10.8%.

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.

Fund performance and positioning

Notable positive contributors in the quarter were Walt Disney, Siemens Energy, Citigroup and Sumitomo Mitsui Financial. Aroundtown, Prudential, Bayer and Koninklijke Philips were the main detractors in the quarter.
By sector, the main positive contributors to the fund's performance relative to the benchmark over the first quarter of 2024 were our Industrials (Siemens Energy, Bodycote, Siemens) and Communication Services (Walt Disney) holdings. Our significant underweight position in Information Technology, which had a very strong quarter, was a key detractor relative to the benchmark. Other sectors that contributed negatively on a relative basis were Health Care (Bayer and Philips), Real Estate (Aroundtown), Energy (Shell) and Consumer Discretionary (Panasonic, JD.com, Piaggio).

Our fund is mainly positioned in companies listed in developed markets, with exposure to a broad range of diversified sectors. Some examples of the global structural themes underpinning some of our holdings include an ageing population (pharmaceuticals, financial services, medical devices), tomorrow's workforce (automation and robotics), future mobility (energy storage, components and consumables), food security (crop protection, fertilisers, seeds and aquaculture) and green energy transition (wind and hydrogen power).

We have maintained our overweight positioning in Consumer Discretionary, Financials and high-quality cyclical companies as we believe that share price levels are low relative to their long-term prospects, and they should provide very attractive forward-looking returns.