Camissa Global Equity Fund

December 2024

The fund was down 5.2% in the fourth quarter, underperforming the FTSE World Index, (down 0.6%). The fund underperformed its benchmark over the past year up 6.8% (benchmark was up 17.9%). Since inception in 2018, the fund was up 1.2%, behind the benchmark up 10.9%.

Economic backdrop

Global economic activity remains firm, but somewhat uneven. Financial conditions have gradually eased and developed market real household income continues to grow due to falling inflation, resilient employment and firm wages, whilst manufacturing activity has been weak and faces the risk of increased protectionism. The US economy is outperforming, with strong labour market, meaningful increases in aggregate household wealth and increasing business confidence and investment.

China's economic growth has been weak in nominal terms given ongoing deflation. The very weak property market has meaningfully dampened consumer confidence, contributing to disappointing consumption growth. Policymakers are responding with more aggressive monetary and fiscal stimulus and structural interventions that may improve near-term economic activity.

Europe’s economy has been stagnating given its export link to China’s weak economy, scarring from the energy crisis and the eroding competitiveness of its automotive and chemical sectors. It should benefit from any rebound in global manufacturing activity from low levels. Japan is maintaining solid economic activity, driven by rising private consumption, strong wage growth and enhanced business profitability and investment. Additionally, a healthy increase in long-term inflation expectations is supporting the normalisation of monetary policy.

Current South African economic activity is being somewhat boosted by a mild cyclical recovery in real consumption as consumers benefit from declining inflation and interest rates, together with recent once-off cash withdrawals from the two-pot retirement dispensation. Nevertheless, economic activity is constrained by acute underperformance of transport infrastructure, poor service delivery from weak and revenue-hungry municipalities, inadequate (albeit improved) electricity supply and low business confidence.

Following the election and the formation of the Government of National Unity, there have been positive leadership changes in key ministries and a commitment to attempting to address the country’s structural problems. Consequently, following the dramatic economic decline of the last 15 years, there is room for optimism that the economy may stabilise and the country may potentially be setting on a more constructive path. Yet, given the deep structural issues in the economy - most notably the sizable government debt burden and a large, unskilled population with high unemployment levels - we believe that a modestly higher growth trajectory will take an extended period of time to engineer and this path is beset with risks.

Markets review

Global markets were slightly negative in the fourth quarter (down 0.1% in US dollars), with France (down 10.1%), the UK (down 6.8%), Hong Kong (down 4.9%) and Japan (down 4.1%) underperforming. Emerging markets were also negative, down 7.8% for the period, with underperformance from Brazil (down 19.7%), South Korea (down 17.7%), India (down 10.6%) and China (down 7.7%). Overall, however, 2024 was a very positive year for global equity markets, that were up 19.2%.

Fund performance and positioning

Notable positive contributors in the quarter were Panasonic, Corpay, Walt Disney and Sonos. JD Sports Fashion, Bayer and Koninklijke Philips were the main detractors in the quarter.

The main positive contributors to the fund’s performance relative to the benchmark over the fourth quarter of 2024 were our Financials (Mitsubishi UFJ Financial and Sumitomo Mitsui Financial) and Consumer Staples (Dollar General and Ontex) holdings, despite the latter sector contributing negatively on an absolute basis. Our significant underweight position in Information Technology, which had a strong quarter, was a detractor relative to the benchmark. Other sectors that contributed negatively on a relative and absolute basis were Consumer Discretionary (JD Sports Fashion, Piaggio, JD.com), Health Care (Bayer, Koninklijke Philips, Medtronic), Industrials (Timken, SKF, Siemens) and Materials (Johnson Matthey and Nutrien).

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) and food security (crop protection, fertilisers and seeds).

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.

Additional information: Please read the Key investor information in conjunction with the Supplemental Deed of the fund and the Fund prospectus.