Camissa Global Equity Feeder Fund

June 2023

The fund was up 10.6% in the second quarter of 2023, underperforming its benchmark of FTSE World Index (up 13.2%). The fund underperformed its benchmark over the past three year, up 11.0% (versus the benchmark up 15.7%).

Economic backdrop

Global economic activity has decelerated from higher post-lockdown rebound growth levels but is proving reasonably resilient in the face of very rapid monetary tightening.

US economic growth has moderated from higher levels due to headwinds from sharply rising interest rates, less buoyant residential investment and notably higher consumer inflation. Despite subdued business sentiment, business fixed investment growth has been positive. US consumers remain strong, despite their low measured confidence levels, given a surprisingly resilient labour market.

Europe's economy remains weaker, with persistently higher energy prices and low consumer and business confidence. While there have been some positive effects from the alleviation of global supply chain issues and reduced semiconductor lead times, the manufacturing and export sectors have not experienced the anticipated level of rebound given the weaker than expected economic recovery in China.

Japanese economic activity has been solid, with improving private consumption, business investment and continued export growth - all against a backdrop of an extremely loose monetary policy, a very weak yen and weak exports to China. Recent wage settlements in Japan, which continue to be higher than expected, may be a harbinger of structurally stronger domestic consumption and the first healthy price inflation for many decades.

The Chinese economy's recovery has fallen well short of expectations after the lifting of prolonged pandemic lockdowns. Although contact-intensive service industries are experiencing a robust rebound, the property market, manufacturing sector and export industries remain very weak. Near term growth prospects are still strong and could be boosted by government stimulus measures.

Economic growth in South Africa is severely constrained by an inadequate and acutely unstable electricity supply (at least for the next few years), underperformance of transport infrastructure, poor service delivery from weak and revenue-hungry municipalities and chronically low business confidence. For these reasons, coupled with the very large government debt burden and a large and unskilled population with high unemployment, we remain pessimistic regarding the structural growth rate for the local economy. This is despite signs of some incremental government moves towards economic reforms. Additionally, the economic contribution from the mining sector benefiting from high commodity prices is now much weaker.

Markets review

Global markets were positive in the second quarter (up 7.0% in US dollars), with Japan (up 9.0%) and the US (up 8.7%) outperforming. Emerging markets were also positive in the period (up 1.0%), albeit weaker than developed markets, with outperformance from Brazil (up 22.2%) and India (up 12.4%). Turkey (down 10.6%), China (down 9.6%) and South Africa (down 4.7%) underperformed.

Fund performance and positioning

The main positive contributors to the underlying fund's performance over the second quarter of 2023 were our Consumer Discretionary, IT, Financials and Health Care holdings. Negative contributions from our Real Estate (Aroundtown) and Materials (Evonik and Johnson Matthey) investments detracted on an absolute and relative basis. Despite contributing positively to absolute fund performance, our significant underweight positioning in the Information Technology sector (which had a strong quarter) contributed negatively to fund performance relative to the benchmark.

Notable positive contributors in the quarter were Panasonic, Philips and Netflix. Disappointing share price performances from JD.com, SKF and Walt Disney were the main detractors in the quarter.

The fund has maintained underweight positions in the Information Technology, Consumer Staples, Utilities, Energy, Financials and Real Estate sectors. The fund continues to have a significant overweight exposure to the Industrial (SKF, Bodycote, Siemens, Timken and Siemens Energy), Consumer Discretionary (Panasonic, Amazon, JD.com and Sonos), Materials (DuPont, Evonik and Johnson Matthey), Health Care (Bayer, Philips and Medtronic), and Communication Services (Netflix and Walt Disney) sectors.

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