Quarterly commentary

Camissa Global Equity Feeder Fund

September 2023

Camissa Asset Management

The fund was down 5.6% in the third quarter of 2023, underperforming its benchmark of FTSE World Index (down 2.9%). The fund outperformed its benchmark over the past year by 5.7% (up 33.9%). However, it underperformed over the past three year, up 11.0% (versus the benchmark up 15.7%).

Economic backdrop

Global economic activity has decelerated but is proving reasonably resilient in the face of very rapid monetary tightening. The US economy is demonstrating surprising strength, with a relatively resilient consumer underpinned by a strong labour market with very low unemployment.

Europe's economy, which has been slow given China's weak economic recovery, should benefit from improving consumer real disposable income due to firm wages and sharply falling inflation. Notwithstanding an extremely loose monetary policy, a very weak yen and weak exports to China, Japanese economic activity has been solid. Japan has improving private consumption and business investment, as well as continued export growth.

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 rebound, the property market, manufacturing sector and export industries remain very weak. Near term growth prospects are strong however and should be boosted by government stimulus measures.

Economic activity in South Africa is severely constrained by an inadequate and acutely unstable electricity supply, the 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 weaker. For these reasons, coupled with the sizable government debt burden and a large, unskilled population with high unemployment, we remain pessimistic regarding the structural growth rate for the local economy. Gradual steps taken by government toward economic reforms (now involving more productive private sector partnerships) are vital to stabilise the economy and prevent further decline.

Markets review

Global markets were negative in the third quarter (down 3.4% in US dollars), with Germany (down 7.7%) and Japan (down 6.6%) underperforming. Emerging markets were also weak in the period (down 2.8%), albeit stronger than developed markets, with outperformance from Turkey (up 32.8%) and India (up 2.9%). South Korea (down 6.2%), Brazil (down 5.0%) and South Africa (down 4.4%), however, underperformed.

Fund performance and positioning

Negative contributions from our Industrials, Health Care, Communication Services and Consumer Discretionary investments detracted on an absolute and relative basis over the third quarter. The main positive contributors to the fund's performance relative to the benchmark were our Real Estate holdings and our significant underweight the Information Technology sector, which had a weak quarter.

Notable positive contributors in the quarter were Aroundtown, Sumitomo Mitsui Financial and Mitsubishi UFJ Financial. Disappointing share price performances from Prudential, JD.com and Bayer were the main detractors in the quarter.

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

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