Quarterly commentary

Camissa Global Equity Feeder Fund

June 2024

The fund was down 6.7% in the second quarter, underperforming its benchmark of FTSE World Index (down 0.8%). The fund underperformed its benchmark over the past year up 2.6% (benchmark was up 16.7%). It was up 7.3% since inception in 2018, versus the benchmark up 16.4%.

Economic backdrop

Global economic activity remains firm, benefiting from gradually easing financial conditions and strong developed market real household income growth due to falling inflation and higher wages. The US economy is demonstrating resilience, 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 export link to China's weak economic recovery, should benefit meaningfully from an eventual rebound in global manufacturing activity from low levels, lower gas prices and increased government investment (particularly in the south). Japan is maintaining solid economic activity, with improving business investment and increasing private consumption amidst high wage growth. The very weak yen is aiding exports and inbound tourism.

Following a very slow post-COVID reopening recovery, Chinese economic growth is gradually 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 acute underperformance of transport infrastructure, poor service delivery from weak and revenue-hungry municipalities, inadequate (albeit stabilising) electricity supply and chronically 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 the constitution and to addressing the country's structural problems. Consequently, there is optimism that, after the dramatic economic decline of the last 15 years, the economy may stabilise and the country may potentially be setting on a more constructive path. Nevertheless, 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 any meaningful recovery will take an extended period of time and is beset with risks.

Markets review

Global markets were positive in the second quarter (up 2.8% in US dollars), with Hong Kong (up 9.2%) and the US (up 4.3%) outperforming. Emerging markets were also positive in the period (up 5.1%), with outperformance from Turkey (up 21.6%), South Africa (up 12.5%) and India (up 10.4%).

Fund performance and positioning

Notable positive contributors in the quarter were Koninklijke Philips, Sumitomo Mitsui Financial, Evonik and Shell. Walt Disney, Sonos, Panasonic and Continental were the main detractors in the quarter.

By sector, the main positive contributors to the fund's performance relative to the benchmark over the second quarter of 2024 were our Health Care (Koninklijke Philips) and Energy (Shell) 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 Consumer Discretionary (Sonos, Panasonic, Continental) and Communication Services (Walt Disney).

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.

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