

The fund was up 3.8% the second quarter, outperforming its benchmark, FTSE World Index, which was up by 1.9% over the same period. Over the last year the fund was up 13.6% and yielded 9.2% pa annualised return over the last five years.

### **Economic backdrop**

Global economic activity is slowing due to increased US tariffs and uncertainty surrounding generally chaotic and aggressive U.S. foreign policy. Financial conditions, which tightened meaningfully in the immediate aftermath of the April U.S. tariff announcements, have moderated due to a sharp rise in asset prices. Erratic U.S. government policy has negatively impacted consumer sentiment, consumption, business confidence and investment (though the decline in business investment has been less severe than expected due to resilient AI-driven spending). Consequently, U.S. economic growth is beginning to weaken from a previously robust rate.

China's nominal economic growth has been weak due to ongoing deflation and the consequences of a weak property market. The economy is now being further undermined by the escalating trade war with the US, which is expected to negatively impact Chinese exports and manufacturing. Positively, however, Chinese consumer confidence and spending may be improving from historically low levels, buoyed by more aggressive monetary and fiscal stimulus and targeted structural state interventions that have had some success in improving local consumption.

The Japanese and European economies are being negatively affected by elevated uncertainty regarding US tariff threats. Europe's economy, which has been stagnating due in part to its export link to a weak manufacturing sector in China, will start to benefit from higher fiscal stimulus. Business confidence in Germany has started to improve following the decision to lift the debt ceiling and meaningfully increase fiscal spending on infrastructure and defence.

South African economic activity has been supported by higher export receipts (due to higher precious metal prices) and a mild cyclical recovery in real consumption as consumers benefit from falling inflation and interest rates. A more enduring lift to the growth of economic activity is, however, structurally constrained by the acute underperformance of transport infrastructure, poor service delivery from weak and revenue-hungry municipalities, inadequate (albeit improved) electricity supply and low business confidence. Disappointingly, the recent moderate increase in investment off very low levels has not yet been accompanied by any notable job creation. In recent years, there has been material progress made in moving to reform the economy through Operation Vulindlela (acting within the Ministry of the President) and the partnership between government and business leaders (targeting key priority areas needing reform). Additionally, the Government of National Unity has brought about positive leadership changes in key ministries and a renewed commitment by government to accelerate initiatives that 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 that the country may now follow a more constructive path. Yet, given the deep structural issues in the economy – most notably the sizable government debt burden and 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 that this path is beset with risks.

### **Markets review**

Global markets were strongly positive in the second quarter (up 11.6% in US dollars), mainly due to the outperformance of Japan (up 18.3%), the US (up 17.9%) and Germany (up 17.4%). Emerging markets were also strongly positive, up 12.2% for the quarter, with outperformance from South Korea (up 36.1%), South Africa (up 13.9%) and Brazil (up 12.2%).

### **Fund performance and positioning**

Notable positive contributors in the quarter included Siemens Energy, Philips and Evonik. Albemarle, Continental and Panasonic were the main detractors.

We remain overweight in European equities and substantially underweight in US equities relative to our benchmark. We have maintained our positioning in high-quality cyclical companies as we believe that share price levels are still low relative to their long-term prospects, and they should provide very attractive forward-looking returns.

**Disclaimer** The Camissa unit trust fund range is offered by Camissa Collective Investments (RF) Limited (Camissa), registration number 2010/009289/06. Camissa is a subsidiary of Camissa Asset Management (Pty) Ltd [a licensed financial services provider (FSP No. 784)], the investment manager of the unit trust funds. Camissa is a member of the Association for Savings and Investment SA (ASISA) and is a registered management company in terms of the Collective Investment Schemes Control Act, No 45 of 2002.

**Fees and performance** Unit trusts are generally medium- to long-term investments. The value of units will fluctuate, and past performance should not be used as a guide for future performance. Camissa does not provide any guarantee either with respect to the capital or the return of the portfolio(s). Foreign securities may be included in the portfolio(s) and may result in potential constraints on liquidity and the repatriation of funds. In addition, macroeconomic, political, foreign exchange, tax and settlement risks may apply. However, our robust investment process takes these factors into account. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Exchange rate movements, where applicable, may affect the value of underlying investments. Different classes of units may apply and are subject to different fees and charges. A schedule of the maximum fees, charges and commissions is available upon request. Commission and incentives may be paid, and if so, would be included in the overall costs. Camissa has the right to close the portfolio to new investors to manage it more effectively in accordance with its mandate. Additional information is available free of charge on our website or from Client Service.