Camissa Money Market Fund

September 2024

The fund achieved 2.7% during the quarter ahead of the STeFI Composite Index (2.1%). The fund has returned 8.7% pa over the last three years, ahead of the benchmark, and 7.9% pa since inception, ahead of its benchmark (7.1%).

Economic backdrop

Global economic activity remains firm, but somewhat uneven. Financial conditions are gradually easing and developed market real household income is growing due to falling inflation and firm wages. The US economy in particular is growing solidly, with strong consumption underpinned by a robust labour market, healthy immigration and high aggregate household wealth.

Following a sluggish post-pandemic reopening recovery, China's economic growth (especially exports and infrastructure spending) has been weak in nominal terms given ongoing deflation. The prolonged weakness in the property market has dampened consumer confidence, contributing to disappointing consumption growth. Policymakers have now responded with more aggressive monetary and fiscal stimulus plans that are likely to boost sentiment and may improve near-term economic activity.

Europe’s economy has been stagnating given its export link to China’s weak economic recovery, scarring from the energy crisis and the eroding competitiveness of its automotive sector. It should benefit from any rebound in global manufacturing activity from low levels. Japan is maintaining solid economic activity, with improving business investment and increasing private consumption, amid high wage growth.

Near-term South African economic activity should be somewhat boosted by a mild cyclical recovery in real consumption as consumers benefit from declining inflation and interest rates, along with 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 positive in the third quarter (up 6.5% in US dollars), with Hong Kong (up 22.3%) and Germany (up 10.2%) outperforming. Emerging markets were also positive in the period (up 8.9%), with outperformance from China (up 23.6%), South Africa (up 16.3%) and Brazil (up 8.5%).

In rand terms, the local equity market was up 9.6% in the period. Financials (up 13.9%) outperformed the other sectors, with listed property up 18.7%, life insurers up 15.6% and banks up 13.4%. Momentum (up 28.7%), Discovery (up 27.6%) and Outsurance (up 25.0%) all outperformed, while Investec (up 2.4%) underperformed.

Industrials were also positive (up 11.5%), with particularly robust performances from Mr Price (up 33.8%) and Pepkor (up 28.6%). Aspen (down 14.9%), Mondi (down 5.8%) and Bytes (down 3.3%) underperformed.

Resources (down 1.1%) underperformed the other sectors. Implats (up 6.6%) and Harmony (up 6.0%) outperformed, while African Rainbow Minerals (down 16.6%), Sasol (down 16.0%) and Northam Platinum (down 13.8%) underperformed.

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South African bond benchmark (ALBI) increased by 10.5% in the quarter, outperforming cash (up 2.1%). Globally, bonds also strengthened amid easing concerns about expected inflation. South African bonds outperformed most other markets, with significant gains in long-dated fixed-rate instruments.

At their last meeting in September, the SARB reduced the repo rate by 0.25% to 8% pa. The SARB sees risks for the inflation outlook as balanced and revised its inflation forecasts lower. Despite outperformance in the quarter, South African government long bond yields are still high in the context of well-contained inflation.

Fund performance and positioning

The fund benefited from its high exposure to long-dated, fixed-rate money market instruments and the fund remains positioned in high yielding, long-dated, fixed-rate money market instruments.