Camissa Money Market Fund

December 2024

The fund achieved 2.2% in the quarter ahead of the STeFI Composite Index (2.0%). The fund returned 10.1% during 2024, outperforming the benchmark (up 8.5%). Over the last three years the fund achieved 8.9%, ahead of the benchmark, and 7.9% pa since inception, ahead of its benchmark (7.1%).

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 slightly negative in the fourth quarter (down 0.1% in US dollars), with France (down 10.1%), the UK (down 6.8%), Hong Kong (down 4.9%) and Japan (down 4.1%) underperforming. Emerging markets were also negative, down 7.8% for the period, with underperformance from Brazil (down 19.7%), South Korea (down 17.7%), India (down 10.6%) and China (down 7.7%). Overall, however, 2024 was a very positive year for global equity markets, that were up 19.2%.

In rand terms, the local equity market was down 2.1% for the fourth quarter. Resources were down 10.1%, underperforming the other sectors. Sasol (down 28.2%), Kumba (down 18.6%) and Sibanye (down 16.1%) all underperformed, while Thungela outperformed (up 21.8%).

Financials were down 1.8% in the quarter, with banks down 3%, listed property down 0.8% and life insurers up 2.8%. Outsurance (up 17.2%), Quilter (up 15.8%) and Discovery (up 14.3%) outperformed, while Ninety One (down 12.3%), Hammerson (down 9.2%) and Standard Bank (down 8.5%) underperformed in the sector.

Industrials were only slightly negative (down 0.5%), with particularly robust performances from Tiger Brands (up 24%), Pepkor (up 20.2%) and Mr Price (up 10.4%). Conversely, AB InBev (down 17.8%), Bytes (16.6%) and Aspen (down 15.5%) underperformed.

The local market was positive for the year (up 13.4%). Financials were up 21.6%, industrials were up 17.3% and Resources were down 7.2%.

South African bonds increased by 0.4% in the quarter, underperforming cash (up 2.0%). Globally, bonds weakened amid concerns over a higher inflation trajectory. South African bonds outperformed emerging markets with marginal underperformance in long-dated fixed-rate instruments.

At their last meeting in November, the SARB reduced the repo rate by 0.25% to 7.75%. Members of the monetary policy committee unanimously voted for this cut. The SARB is vigilant of upside risks to inflation but sees the current pace of rate cuts to be consistent with its view that inflation is comfortably within the lower part of its target range. 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 in the context of a declining interest rate outlook.

The fund remains positioned in high yielding, long-dated, fixed-rate money market instruments.