Camissa Money Market Fund
Quarterly commentary
June 2024

The fund achieved 2.5% in the quarter ahead of the STeFI Composite Index (2.1%). The fund has returned8.3% pa over the last three years, ahead of the benchmark, and 7.8% pa since inception, ahead of its benchmark (7.0%).

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%).

In rand terms, the local equity market was up 8.2% in the period. Financials outperformed the other sectors (up 17.1%), with banks up 20.0%, life insurers up 17.6% and listed property up 5.5%. Capitec (up 27.0%), FirstRand (up 24.6%) and Sanlam (up 22.4%) all outperformed, while Hammerson (down 6.2%), Ninety One (down 5.9%) and Sirius (down 4.5%) underperformed.

Industrials were also positive (up 4.8%), with particularly robust performances from Spar (up 33.8%) and Foschini (up 28.1%). BidCorp (down 8.0%), AB InBev (down 6.6%) and Multichoice (down 6.2%) underperformed.

Resources underperformed the other sectors (up 3.4%). African Rainbow Minerals (up 41.7%) and Anglo American (up 23.9%) outperformed, while Amplats (down 21.7%), Gold Fields (down 10.0%) and Sibanye (down 9.1%) underperformed.

South African bonds increased by 7.5% in the quarter, outperforming cash (up 2.1%). Foreigners were buyers of South African government bonds in the period. Globally, bonds weakened amid expectations that inflation is declining more gradually. South African bonds outperformed most markets with significant gains occurring post the local election results.

At their last meeting in May, members of the monetary policy committee unanimously voted to keep the repo rate unchanged at 8.25%. The SARB changed its rhetoric on the inflation outlook and now views inflation risks as broadly balanced, having previously been more cautious. Despite outperformance in the quarter, South African government long bond yields are still high in the context of well-contained and declining local inflation.