Quarterly commentary

Camissa Protector Fund

December 2023

The fund was up 7.9% in the final quarter, outperforming its (CPI + 4%) benchmark of 1.8%, and up 9.5% in 2023. Over the last five years it has returned 9.5% pa and over the last ten years it has returned 7.8% pa (ranked fourth over this period). Since its inception in 2002, the fund has returned 9.9% pa.

Economic backdrop

Global economic activity should remain firm, benefiting from easing financial conditions and strong developed market real household income growth due to sharply falling inflation and higher wages. The US economy is demonstrating particular strength, with a relatively strong consumer underpinned by a very robust labour market and high aggregate household wealth.

Europe's economy, which has stagnated given its linkage to China's weak economic recovery, should benefit meaningfully from a rebound in global manufacturing activity (from low levels) and the ongoing normalisation lower of gas prices. In Japan, continued export growth, improving business investment and private consumption (due to re-emergent wage growth and aided by a large once off personal tax refund) is leading to sustained solid economic activity.

The Chinese economy's recovery has fallen well short of expectations following the lifting of prolonged pandemic lockdown restrictions. Although contact-intensive service industries have experienced a strong recovery, property market activity has been very weak for a sustained period and has depressed consumer confidence. A recovery in exports, manufacturing and infrastructure spending, along with more decisive government stimulus measures should result in stronger near-term growth.

Economic activity in South Africa is severely constrained by an inadequate electricity supply, acute underperformance of transport infrastructure, poor service delivery from weak and revenue-hungry municipalities and chronically low business confidence. Additionally, the economic contribution from the mining sector that has benefitted from high commodity prices, is now far lower. For these reasons, coupled with the sizable government debt burden and a large, unskilled population with high unemployment - we remain pessimistic regarding the structural growth rate for the local economy. Gradual steps by government toward economic reform (now involving more productive private sector partnerships) need to speed up in order to stabilise the economy and prevent further decline.

Markets review

Global markets were strongly positive in the final quarter (up 11.5% in US dollars), with Germany (up 13.9%) and the US (up 11.7%) outperforming. Emerging markets were also positive in the period (up 7.9%), with outperformance from Brazil (up 19.1%), South Korea (up 15.5%) and South Africa (up 12.7%), while China (down 4.2%) and Turkey (down 12.1%) underperformed. 2023 was a very positive year for global equity markets that were up 24.4% overall.

In rand terms, the local equity market was up 6.9% in the quarter. Financials outperformed (up 12.3%), with listed property up 16.4%, banks up 12.8% and life insurers up 9.8%. Quilter (up 22.3%), NEPI Rockcastle (up 21.4%) and Capitec (up 19%) outperformed, while Absa (down 6.4%), OUTsurance (up 0.7%) and Santam (up 1%) underperformed.

Industrials were also positive (up 5.9%) driven by robust performances from Tiger Brands (up 31.2%) and Dischem (up 30.4%). Other standout positive performers included Clicks (up 25.9%), Bytes (up 25.5%) and Aspen (up 18.4%). Weak performances were delivered by Pick n Pay (down 37.1%), Life Healthcare (down 8%), Bidvest (down 7.5%) and British American Tobacco (down 6.4%).

Resources underperformed the other sectors (flat in the period), with outperformance from Harmony (up 69.4%), Amplats (up 36.6%) and Gold Fields (up 35.3%). Sasol (down 29%), Sibanye (down 14.8%) and Thungela (down 11.4%) underperformed.

The local market was positive for the year (up 9.3%). Financials were up 21.8%, industrials were up 17.3% and resources were down 15.1%.

Fund performance and positioning

Strong positive performances were delivered from equities (local and global) and bonds in the fourth quarter. Within local equities, positive contributors included Northam Platinum, Anglo Platinum, Datatec, Omnia and Sanlam. The key negative contributors included Brait, Anglo American, Adcorp, British American Tobacco and Famous Brands.

Global equity contributed positively to performance, with notable performances from Siemens, Aroundtown, SKF, Sonos and Netflix. Bayer, Bodycote, Siemens Energy and Pansonic detracted.

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- We see a high level of upside in a diversified set of opportunities within local and global equities.
- We have high exposure to long-duration South African government bonds due to the very high real yields on offer.
- Our property exposure is concentrated in Dipula Income Fund, which is primarily a landlord for convenience retail properties.

Our portfolios currently have high exposure to PGM miners, Prosus, Datatec, Sanlam, MTN and a diverse range of mid-cap stocks including Quilter.

Quilter is multi-channel fund platform accommodating both tied and non-tied advisors, and funds of its own asset manager are additionally offered. Owning the full value chain from manufacturing to delivery to client, allows Quilter to internalise more margin and provide a compelling offering in an environment where sustained fee pressure persists. The company operates in the UK, the world's fifth largest wealth market, and is well positioned for the various regulatory changes that have recently confronted the industry. Although industry net client inflows have recently been slow, as consumers have grappled with the high inflationary environment, Quilter's platform upgrade positions the company to capitalise on the strong demand for investment solutions within the UK.

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