Camissa Protector Fund

March 2025

Camissa Asset Management

The fund was up 1.3% in the first quarter, relative to its (CPI + 4%) benchmark of 1.9%. Over the last 10 years it has returned 8.6% pa, ranking it number one. Since its inception in 2002, it has returned 9.9% pa.

Economic backdrop

Global economic activity is slowing due to increased US tariffs, elevated levels of uncertainty about suspended tariffs reinstatement, uncertainty about the generally chaotic US interventions and tightening financial conditions. The negative impacts of erratic US government policy on consumer sentiment, consumption, business confidence and investment are causing US economic growth to weaken abruptly from a previously robust rate.

China's nominal economic growth has been weak due to ongoing deflation and the consequences of a severely weakened property market. It is now being further undermined by the escalating trade war with the US, which will negatively impact Chinese exports and manufacturing. On the positive side, however, Chinese consumer confidence and spending may be improving from historically low levels, buoyed by more aggressive monetary and fiscal stimulus and structural state interventions that are now specifically targeted at improving local consumption.

The Japanese and European economies have been particularly negatively affected by the 25% US automotive import tariff on their large automotive export sectors. Europe’s economy, which has been stagnating due in part to its export link to a weak manufacturing economy in China, will start to benefit from higher fiscal stimulus. Germany has started to see a boost in business confidence following the decision to lift the debt ceiling and meaningfully increase fiscal spending in infrastructure and defence.

South African economic activity has been boosted by a mild cyclical recovery in real consumption as consumers have benefited from declining inflation and interest rates, together with once-off cash withdrawals from the two-pot retirement dispensation. 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. These weaknesses are now further exacerbated by slowing global economic activity.

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 three priority areas: energy, transport and crime, and corruption. The Government of National Unity has additionally brought about positive leadership changes in key ministries and a government 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 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 slightly negative in the first quarter (down 1.7% in US dollars), mainly due to the underperformance of the US (down 8.1%) and Japan (down 5.6%), while Hong Kong (up 15.9%) and Germany (up 15.8%) outperformed. Emerging markets were also positive overall, up 3.0% for the quarter, with outperformance from Brazil (up 16.8%), China (up 15.1%) and South Africa (up 13.9%).

In rand terms, the local equity market was up 5.9% in the quarter. Resources outperformed (up 33.8%), motivated by robust performances by Harmony (up 76.9%), Gold Fields (up 66.9%) and Anglogold (up 66.1%). Other standout positive performers included Implats (up 43.5%), Sibanye (up 39.1%) and Northam Platinum (up 34.6%). Weak performances were delivered by Glencore (down 19.5%), Sasol (down 8.1%) and Anglo American (down 6.1%).

Industrials were also positive (up 4.3%), with outperformance from MTN (up 34%), Vodacom (up 23.8%) and AB InBev (up 20.5%). Truworths (down 27.5%), Foschini (down 26%) and Mr Price (down 24.9%) all underperformed.

Financials underperformed the other sectors (down 1.7%), with non-life insurance up 3.2%, life insurance down 1.6%, banks down 2.2% and listed property down 3.5%. Standard Bank (up 8%), Outsurance (up 4.8%) and Momentum (up 3.1%) all outperformed, while Hammerson (down 12.2%), Investec (down 10.1%) and Nedbank (down 8.7%) underperformed.

South African bonds increased by 0.7% in the quarter, underperforming cash (up 1.9%). Globally, bonds weakened amid concerns over a potentially higher inflation trajectory and weaker fiscal positions from a slowing economy. South African bonds underperformed those in other emerging markets, with yields on long-bonds moving higher.

At their last meeting in March, the SARB kept the repo rate unchanged at 7.5%. The SARB has taken a cautious stance in its policy approach due to high levels of uncertainty in both local and global markets. It continues to forecast inflation to remain within its target band over the foreseeable future. South African government long bond yields remain high in the context of well-contained inflation.

Fund performance and positioning

Equities contributed positively to fund performance, with a particularly strong contribution from foreign stock picking. Within local equities, key positive contributors included MTN, Prosus, Northam Platinum, Anglo American Platinum and Datatec. Negative contributions were made by Curro, Omnia, Glencore, Famous Brands and Libstar.

Global equities contributed strongly to alpha on the back of positive selection effects, in particular Prudential, Unicredit, JD.Com, Siemens and Dollar General. JD Sports, Sonos, Walt Disney, Applied Materials and Aroundtown all detracted from performance.

- We see a high level of upside in a diversified set of opportunities within local and global equities.
- The fund has a high equity hedge.
- The fund holds long-duration South African government bonds due to the high real yields on offer.
- The fund also has high-yielding, long-dated money market instruments.
- Our property exposure is concentrated in Dipula Income Fund, which is primarily a landlord for convenience retail properties.

Stock snapshot

Omnia is a diversified chemicals group that supplies chemicals and specialised services to the chemical, mining and agricultural sectors in Africa. Omnia's mining division's differentiators include advanced technology in explosive emulsions and electronic blasting. The outlook for this division is particularly positive, with the company gaining market share in South Africa and expanding rapidly into new regions through a low-risk, asset-light partnership model.

Omnia's bio-agrichemicals business offers particular growth potential. It is centred on the production of humates - an environmentally safe plant stimulant that supports root development and boosts crop yields. Omnia is uniquely positioned given its access to one of the largest and highest quality global humate deposits in Australia, which ensures a significant cost and quality advantage. Omnia has recently doubled capacity in its bio-agrichemical business and is making good progress on growing its global distribution capacity for the product. Factoring in impressive growth expectations at high margins, we foresee that this business will contribute meaningfully to earnings over the longer term.

Further, Omnia has a cash positive balance sheet and trades at a low multiple of normalised cash flow, offering compelling value and the prospect of outsized future returns.

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