Quarterly commentary

Camissa Top 40 Tracker Fund

March 2022

The Russian invasion of the Ukraine and the resultant united and coordinated response by Western governments to impose substantial economic sanctions on Russia has caused an acute global supply shockwave. Some of the important long-term impacts of the war include structural changes to the European energy ecosystem (which is overly reliant on Russia), an acceleration of de-globalisation trends (shifts towards less efficient but more stable regionalised supply chains) and changes to China-USA economic and political relations.

Developed economies were growing at above pre-crisis trend rates until recently, despite waning fiscal stimulus, due to very healthy consumer spending stemming from robust labour markets, accumulated savings from lockdown periods and surging wealth levels. This initial strength together with some additional fiscal stimulus targeting consumer energy cost relief, means that positive growth should be maintained.

The outlook for emerging economies differs widely, with varied exposures to global supply chain bottlenecks, high energy and agricultural prices, strong mining commodity prices, a moribund tourism industry and differing impacts from the stewardship of the pandemic crisis and efficacy of vaccine rollouts. In particular, some poorer economies are facing extremely high current food and energy inflation, which is leading to increased socio-economic instability risks.

Although South African economic growth has rebounded as expected, the local economy will continue to produce only moderate expansion from here, despite continued strength in the primary sectors (mining and agriculture). Scarring from years of state mismanagement and the recent pandemic lockdowns is highly evident in consumer spending, manufacturing capacity and fixed investment. In addition, there is a risk that future less buoyant commodity prices (particularly platinum group metals, iron ore and coal) will result in an even weaker outlook.

Global markets were weak in the first quarter (down 5.0% in US dollars), with the UK (down 0.1%) outperforming, and Germany (down 11.1%) and France (down 9.2%) underperforming. Emerging markets were also weak in the quarter (down 1.2%) with highly varied performances: Russia (extreme weakness), China (down 14.2%) and South Korea (down 9%) were poor, whereas Brazil (up 34.8%) and South Africa (up 20.5%) performed relatively well.

In rand terms, the local equity market was up in the quarter (up 3.8%). Financials outperformed (up 20.2%), with banks up 25.2%, life insurers up 16.7% and listed property down 1.3%. Nedbank (up 33.2%), Standard Bank (up 30.1%) and First Rand (up 30.0%) outperformed, while Ninety One Plc (down 14.5%), Quilter (down 12.9%) and Coronation (down 11.8%) underperformed.

Resources stocks were very strong again (up 19.0%), with Kumba (up 49.1%), Exxaro (up 44.9%) and Sasol (up 37.1%) outperforming. Despite being up, Impala Platinum (up 2.3%) and Northam Platinum (up 4.1%) underwhelmed.

Industrials underperformed (down 13.9%), with standout positive performers: The Foschini Group (up 20.3%), Bidvest (up 20.1%), Vodacom (up 18.9%) and Truworths (up 17.4%)). Very weak performances were delivered by Prosus (down 39.2%), Naspers (down 32.7%) and Richemont (down 21.6%).
The fund delivered a return below its benchmark, the FTSE/JSE Top 40 Index, which closed the quarter up 3.6%. Performance for the quarter was negatively impacted by high trading costs and fees.