Quarterly commentary

Camissa Top 40 Tracker Fund

December 2022

US economic activity is growing moderately from healthy levels despite headwinds from sharply rising interest rates, waning fiscal stimulus, slowing residential investment, notably higher consumer inflation and concerning geopolitical tensions.

Europe's economy is weakening, with higher inflation (due to high energy prices exacerbated by a weaker currency) and very low consumer confidence. Japanese economic activity has seen solid recent recovery due to the complete lifting of COVID restrictions (improving business sentiment and private consumption) and continued strong export activity - all against a backdrop of an extremely loose monetary policy and very weak yen.

Chinese economic activity, particularly consumption, is finally recovering from the self-enforced slowdown from prolonged urban pandemic lockdowns, which are rapidly being unwound. Property market activity, while still very weak, is slowly benefitting from some policy easing. Chinese government policy has shifted more towards promoting growth after the economy, in 2022, posted the lowest annual growth rate since the 1970s.

The outlook for other developing economies differs widely, with varying exposures to high commodity prices (energy, metals and agricultural prices), persistently weak tourism activity and the closure of Chinese borders. After a very moderate rebound from the COVID lows last year, the outlook for the South African economy has weakened due to sharply worsening electricity and logistics constraints - despite continued strength in the primary sectors (mining and agriculture).

Global markets were positive in the final quarter (up 9.9% in US dollars), with Germany (up 25.7%) and France (up 23.2%) outperforming. Emerging markets were also positive in the period (up 9.8%), with outperformance from Turkey (up 62.9%), South Africa (up 18.5%) and South Korea (up 17.8%), while Brazil (up 3.3%) and India (up 2.1%) underperformed. 2022 was a very weak year for global equity markets (down 17.7% overall).

In rand terms, the local equity market was up 15.2% in the period. Resources outperformed (up 17.6%) with Harmony (up 38.2%), Anglogold (up 31.9%) and Kumba Iron Ore (up 26.9%) particularly positive.

Industrials were also positive (up 17.0%) driven by robust performances from Richemont (up 30.4%) and Naspers and Prosus (up 25.1% and 24.2% respectively). Within industrials, weak performances were delivered by Telkom (down 35.3%), Spar (down 19.3%) and Foschini (down 14.1%).
Financials underperformed the other sectors (up 13.9%), with listed property up 19.3%, banks up 15.0% and life insurers up 4.3%.

For the year, the local market was up 3.6%. Financials were up 10.2%, resources were up 7.1% and industrials were down 3.1%.

Higher trading costs and fees saw the fund underperform its benchmark, the FTSE/JSE Top 40 Index which closed the quarter up 17.1%