Quarterly commentary

Camissa Top 40 Tracker Fund

June 2023

Global economic activity has decelerated from higher post-lockdown rebound growth levels but is proving reasonably resilient in the face of very rapid monetary tightening. US economic growth has moderated from higher levels earlier in the year due to headwinds from sharply rising interest rates, less buoyant residential investment and notably higher consumer inflation. Europe's economy remains weak, with persistently higher energy prices and low consumer and business confidence.

Economic growth in South Africa is severely constrained by an inadequate and acutely unstable electricity supply (at least for the next few years), underperformance of transport infrastructure, poor service delivery from weak and revenue-hungry municipalities and chronically low business confidence. For these reasons, coupled with the very large government debt burden and a large and unskilled population with high unemployment, we remain pessimistic regarding the structural growth rate for the local economy.

From a performance point of view, global markets were positive in the second quarter (up 7.0% in US dollars), with Japan (up 9.0%) and the US (up 8.7%) outperforming. Emerging markets were also positive in the period (up 1.0%), albeit weaker than developed markets, with outperformance from Brazil (up 22.2%) and India (up 12.4%). Turkey (down 10.6%), China (down 9.6%) and South Africa (down 4.7%) underperformed.

In rand terms, the local equity market was up 0.7% in the period. Financials outperformed (up 5.9%) with life insurers up 7.2%, banks up 5.8% and listed property up 0.7%. Reinet (up 14.2%), FirstRand (up 13.4%) and Remgro (up 10.0%) were particularly positive. Transaction Capital (down 54.3%), Growthpoint (down 5.8%) and Capitec (down 5.4%) underperformed.

Financials were marginally positive (up 0.4%), with life insurers up 13.3%, banks down 2.3% and listed property down 5.1%. Sanlam (up 15.7%), Hammerson (up 15.6%) and Santam (up 14.4%) outperformed, while Transaction Capital (down 61.5%), Redefine (down 13.9%) and Resilient (down 13.3%) underperformed.

Industrials were positive (up 3.7%), with Bytes (up 56.5%), Textainer (up 34.6%) and Richemont (up 13.1%) outperforming, while Spar (down 25.4%), MultiChoice (down 22.6%) and Tiger Brands (down 16.6%) underperformed.

Resources underperformed the other sectors (down 6.4%) driven by weak performances delivered by Implats (down 23.5%), Sibanye (down 20.8%), African Rainbow Minerals (down 13.7%) and Northam (down 13.3%). Gold Fields (up 10.4%), Glencore (up 8.7%) and Harmony (up 8.3%) outperformed.

Trading costs incurred because of large index changes over the quarter and fees resulted in the fund underperforming its benchmark, the FTSE/JSE Top 40 Index which closed the quarter up 0.9%.