

The fund was up 5.6% in the fourth quarter, outperforming the average of the competitor group, which was up 4.7%. Over the year it was up 19.4%, outperforming peers at 18.7%. It has delivered a return of 9.4% pa over the last 10 years, ahead of competitors, up 8.5% on average. Since its inception in 2011, the fund has delivered 8.4% pa, well ahead of inflation.

Economic backdrop

Global economic activity has slowed due to increased US tariffs and persistent uncertainty surrounding a US foreign-policy stance that has shifted from broadly chaotic and aggressive to persistently disruptive. Financial conditions, which tightened meaningfully in the immediate aftermath of the April US tariff announcements, have since loosened, driven by a sharp rise in asset prices and lower short-term interest rates.

In the US, erratic government policy continues to result in subdued consumer and business sentiment and reduced investment, although the decline in business investment has been less severe than expected due to robust AI-driven spending. The US labour market is softening despite sharply lower supply from immigration, as companies delay hiring amid tariff uncertainty and AI-driven change. This is depressing sentiment, exacerbating skills mismatches and leading to more cautious workforce planning. Consequently, looking through near-term moderate improvements in growth, driven by fading tariff impacts, the recovery from the government shutdown and front-loaded fiscal stimulus, underlying US economic growth appears to be softening from its previously robust pace.

China's nominal economic growth has been weak due to ongoing deflation, consumer scarring from the pandemic and the property market correction. This is reflected in low confidence, negative wealth effects and elevated precautionary savings. More aggressive monetary and fiscal stimulus and targeted structural state interventions have not yet succeeded in improving Chinese consumer confidence. Export activity has been unexpectedly resilient, with strong growth to emerging markets offsetting the adverse effects of US tariffs. It is expected to remain robust as China's cost competitiveness improves.

Europe's economy, which has been stagnating in part from its export link to a weak manufacturing sector in China, will start to benefit from higher domestic fiscal stimulus - particularly in Germany. Japan's economy is expected to continue to experience a steady, domestically driven expansion supported by ongoing labour market strengthening and gradually improving business investment.

South African activity has been supported by much higher precious-metal prices and a mild recovery in real consumption as falling inflation and interest rates ease household pressure. Although, a significant increase in online betting has diverted spending from other goods and services. A more enduring lift to economic growth is, however, structurally constrained by the acute underperformance of transport infrastructure (albeit improving), poor service delivery from weak and revenue-hungry municipalities, inadequate (albeit improved) electricity supply and low business confidence. Disappointingly, the recent moderate increase in investment from very low levels has not yet been accompanied by any notable job creation.

In recent years, there has been progress made in moving to reform the economy through Operation Vulindlela and the partnership between government and business leaders that is targeting key priority areas needing reform. Additionally, the Government of National Unity has brought about positive leadership changes in key ministries and a renewed commitment by government to accelerate initiatives that address the country's structural problems.

Markets review

Global markets were positive in the fourth quarter, up 3.2% in US dollars. The UK and Japan were the strongest contributors, gaining 6.8% and 6.0% respectively. Emerging markets performed slightly better over the quarter, up 4.8%, led by strong gains in South Korea (up 24.7%) and South Africa (up 14.2%). Overall, 2025 was a very positive year for global equity markets, which rose 21.6%, with emerging markets significantly outperforming, up 34.4%.

In rand terms, the local equity market was up 8.1% in the period. Resources continued to perform well (up 10.3%) boosted by robust performances from the precious metal miners. The top performers were Pan African Resources (up 34.4%), South32 (up 26.4%), Sibanye (up 22.7%) and Northam (up 20.0%).

Industrials were down 2.0% for the quarter. Top sector performers included Aspen (up 22.7%), Tiger Brands (up 18.6%) and MTN (up 16.9%). TFG (down 21.9%), Prosus (down 15.1%), Mondi (down 13.6%) and Mr Price (down 12.5%) all delivered weak performances.

Financials were up 18.9% - outperforming the other sectors in the period - with banks up 21.4%, life insurance up 17.2% and listed property up 16.3%. Strong movers included Absa (up 32.2%), Nedbank (up 24.7%) and Standard Bank (up 22.8%). Weak performances were delivered by Investec (down 1.5%) and OUTsurance (down 2.5%).

The local market was very positive for the year (up 42.4%) with resources as the star performer, gaining a phenomenal 144.3%. Financials and industrials were up 27.2% and 19.3% respectively.

Fund performance and positioning

Positive performances were delivered by all asset classes, particularly local equity.

Locally, key positive contributors included the fund's holdings in Datatec, RFG, MTN and the PGM miners. Mondi and Mr Price contributed negatively.

Global equity contributed positively, with key contributors being Albermarle, Micron, Bayer and Roche Holdings. JD.Com, JD Sports, PVH and Zoetis contributed negatively.

We remain substantially underweight in the US, relative to our benchmark within global equities, and overweight in European and Japanese equities that are currently very attractively priced.

We have reduced our exposure to PGM miners following the huge increase in these shares, and increased exposure to MTN together with a diverse range of other mispriced stocks, including an array of deeply discounted local mid-cap stocks. We also have a high exposure to longer duration government sukuks at present, which is offering very attractive inflation adjusted returns.

Stock snapshot

Local:

The **Rhodes Food Group (RFG)** is a leading South African diversified food manufacturer, producing both branded and private label grocery and convenience meal solutions. Several acquisitions have shaped the business over the years, and it listed on the JSE in 2014. RFG's local portfolio comprises long-life products (50% of revenue) focused on the jams, canned fruit and vegetable, long-life fruit juice, baby food and spice categories. This is mainly through the 'Rhodes' brand as well as private label brands for several South African retailers. Its higher margin Fresh division (31% of revenue) produces many of Woolworths' ready meals and its pie business manufactures private label pies, including for the Today, Magpie and Mama's Pies brands. RFG also exports high-quality canned fruit and pulps to several international markets, accounting for 19% of group revenues.

RFG has proven to be a strong disruptor in several of its categories and has gained significant market share over the years from its large incumbents. The group has been able to provide a consistent pipeline of product innovation to better meet consumer needs at a similar or lower price point to its major competitors. It has consistently invested in both capacity and efficiency at its manufacturing plants, supporting the strong volume demand for its products, while maintaining group operating profit margins of around 10%.

In October 2025, the Premier Group made an offer to acquire RFG in an all-share deal, implying a price of R22 per share - a 35% premium to the RFG share price at the time. RFG shareholders have subsequently voted to accept the deal, which should close in March 2026. RFG has thus contributed materially to positive portfolio performance over the past quarter.

Global:

Zoetis is the world's largest animal health company, with a dominant, high-margin portfolio of vaccines and medicines spanning companion animals and livestock. Originally part of Pfizer, the business has established itself as the clear market leader, consistently capturing a disproportionate share of industry growth.

Approximately 70% of revenue is generated from companion animals, a segment supported by strong long-term tailwinds, including rising pet ownership, the increasing "humanisation" of domestic pets, premiumisation of care and longer pet lifespans.

Zoetis is well positioned to benefit from these trends through leadership in important therapeutic categories such as parasiticides, dermatology, pain management and vaccines. These markets feature growing demand and strong pricing power, reinforced by close veterinarian relationships and a large direct sales force. Ongoing innovation remains a key differentiator, with a robust pipeline supporting organic growth and lifecycle extension of established franchises.

The animal pharmaceutical industry differs meaningfully from human pharmaceuticals, with much shorter development timelines, significantly lower R&D costs and a four-times higher success rate. Pricing is largely market-based, determined by vets and pet owners rather than government or insurance reimbursement systems, enabling Zoetis to commercialise products efficiently, while earning attractive returns with lower structural risk. Recent share price weakness has created an opportunity to add this high-quality, defensive growth business to our global funds.

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