

# Camissa Bond Fund

March 2026

Invest **different**

The fund was down 3.2% in the first quarter, slightly outperforming the All Bond Index (down 3.3%). It has returned 15.6% pa over the last three years, outperforming the benchmark (up 14.8%), and 10.7% pa since inception in 2015 - ahead of its benchmark (10.2%).

## Economic backdrop

Global economic activity, already weakened by aggressive, hostile US foreign policy and persistent policy uncertainty, is now slowing further due to the severe energy supply shock triggered by the Iran conflict. Damage to energy infrastructure and the depletion of strategic reserves will have a prolonged impact on energy supply. The extent of any permanent scarring remains uncertain and will depend on the duration of the shock. Higher energy prices are raising a wide range of agricultural, manufacturing and transport costs, leading to an immediate squeeze in real incomes and a plunge in consumer sentiment. Financial conditions deteriorated materially in response to the crisis, driven by higher bond yields and weaker asset prices, but have eased recently with the sharp recovery in equity markets.

Although the US is more energy independent than many other regions, the negative impact on real incomes and depressed sentiment will weigh on activity. The US labour market is softening despite sharply lower supply from immigration, as companies delay hiring amid tariff uncertainty and AI-driven change, exacerbating skills mismatches and leading to more cautious workforce planning. Consequently, underlying US economic growth is now likely to run below potential, from a previously expected healthy pace.

China's long-term energy strategy is focused on building strategic reserves, investing in renewables, diversifying import sources and maintaining significant reliance on domestically produced coal. This means that the negative impact of the energy supply shock on China may be relatively lower and may further support external competitiveness. Export activity remains very strong, with robust growth in developing economies offsetting the adverse effects of US tariffs. This is expected to remain supported by improving cost competitiveness. The drag on GDP from the property market weakness is now less significant, as the large cumulative fall to date means activity exposure is much lower. Greater monetary and fiscal stimulus, and targeted structural state interventions have not yet succeeded in materially improving consumer confidence, although fixed investment is beginning to rebound from low levels. Government actions to curb overcapacity and excessive price competition, together with higher energy costs, may be contributing to the end of a prolonged period of deflation and weak nominal economic growth.

Both Japan and Europe remain highly sensitive to the duration of the Iran conflict, given their dependence on imported energy. Europe's manufacturing sector, already scarred by the energy shock following the Ukraine war, remains vulnerable to further competitiveness erosion, particularly from China. The Japanese economy is expected to maintain positive growth, supported by sustained labour market strengthening and gradually improving business investment. However, a more severe negative energy shock scenario could necessitate additional fiscal loosening and thus fiscal slippage from an already expansionary budget.

South Africa's terms of trade have deteriorated from very strong levels, given declines in precious metal prices and increases in imported energy prices. Consumer activity, which had begun a mild recovery as falling inflation boosted real incomes and enabled interest rates to ease, is now at risk of an early reversal. A significant increase in online betting continues to divert spending from other goods and services. A long-term, sustained lift to economic growth remains structurally constrained by the acute underperformance of transport infrastructure (albeit improving), poor service delivery from weak and revenue-hungry municipalities, entrenched government corruption, organised crime and resultant low business confidence. Disappointingly, the recent moderate increase in fixed investment from very low levels has not yet been accompanied by any meaningful job creation.

## Markets review

South African bonds decreased by 3.4% in the quarter, underperforming cash (up 1.7%). Global bonds were weaker over the same period with emerging market bonds underperforming developed market bonds.

At both MPC meetings in the first quarter, the SARB kept the repo rate unchanged at 6.75%. At the March meeting, the SARB emphasised heightened inflation risks due to the ongoing war in the Middle East. The MPC stressed that while it looks through the initial inflation impact from higher energy prices and a weaker currency, the committee will assess second round effects and act accordingly to achieve its 3% inflation target.

## Fund performance and positioning

- The fund outperformed the benchmark during the quarter. Its short duration position positively contributed as long-dated, fixed-rate Government issued bonds underperformed.
- The fund is short duration vs the benchmark. Real yields on offer in nominal RSA long bonds are still high.
- The yield curve is moderately high in our view, with the fund positioned to take advantage of carry yields and potential capital gains on offer.