

The fund was down 7.4% in the first quarter, relative to the FTSE World Index (down 2.7%). It underperformed its benchmark over the past year, up 15.7% (benchmark up 22.0%). Since its inception in 2018, the fund is up 3.7% pa, behind the benchmark, up 11.6%.

### **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.

### **Markets review**

Global markets were negative in the first quarter, down 3.5% in US dollars. Germany, the US and France were the biggest negative contributors to this performance. The UK and Japan were the strongest contributors, gaining 1.6% and 0.5% respectively. Developing markets performed better over the quarter, down 0.1%, led by strong gains in Brazil (up 22.7%), South Korea (up 17.3%) and Turkey (13.9%). India (down 18.1%), China (down 8.9%) and South Africa (down 3.2%) led the losses.

### **Fund performance and positioning**

The key detractors from performance, relative to a weak benchmark, were our consumer discretionary (JD Sports Fashion, Aumovio, Trip.com), healthcare (Siemens Healthineers), and real estate (Aroundtown) holdings. Our significant

underweight position in information technology, which had a weaker quarter, was the main positive contributor relative to the benchmark. Energy (Gaztransport) contributed positively to the fund performance on an absolute basis.

The fund is mainly positioned in companies listed in developed markets, with exposure to a broad range of diversified sectors. Examples of the global structural themes underpinning some of our holdings include: an ageing population (pharmaceuticals, financial services and medical devices), tomorrow's workforce (automation and robotics), future mobility (energy storage, components and consumables) and food security (crop protection, fertilisers and seeds).

The fund has maintained underweight positions in the information technology, communications, utilities, and energy sectors. It continues to have overweight exposure to the consumer discretionary (JD.com, JD Sports Fashion, Trip.com and Aumovio), healthcare (Bayer, Siemens Healthineers, Zoetis and Carl Zeiss Meditech), real estate (Aroundtown and Unibail-Rodamco-Westfield) and materials (Smurfit Westrock and Johnson Matthey) sectors.

### Stock snapshot

**Sundrug** is a Japanese retailer operating the country's fifth-largest drugstore chain, alongside a rapidly expanding network of larger-format discount stores. Its core drugstore segment (c.60% of sales) delivers steady, defensive growth, supported by resilient demand for everyday healthcare, beauty, and household essentials.

In an environment of persistent inflation and weak real wage growth in Japan, Sundrug's discount format (Direx) is particularly well positioned, as consumers increasingly trade down from traditional supermarkets to lower-price alternatives. This structural shift underpins a compelling medium-term growth opportunity, with management targeting a near doubling of the Direx store base over time.

The company's strong balance sheet, with approximately ¥30bn in net cash, provides flexibility to fund ongoing store rollouts and pursue selective consolidation opportunities in a fragmented market. These investments are expected to generate returns comfortably above the cost of capital, reinforcing Sundrug's track record of best-in-class profitability and returns on capital. Despite these attractive fundamentals, the shares continue to trade at a meaningful discount to listed peers, presenting a compelling opportunity within Japan's retail sector.

**Disclaimer:** The Camissa Global Equity Fund is a sub-fund of Camissa Global Asset Management ICAV. This Fund is managed by Sanlam Asset Management (Ireland) Limited. The Fund and the Manager are authorised in Ireland and regulated by the Central Bank of Ireland.

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**Additional information:** Please read the key investor information in conjunction with the supplement of the fund and the fund prospectus.