Quarterly commentary

June 2026

Portfolio manager
Gavin Wood

Qualifications
BBusSc, FFA, CFA

Benchmark
CPI + 2%

ASISA category
South African - Multi Asset - Low Equity

Camissa Stable Fund

Quarterly commentary | Q2 2026

Date of issue: 29 July 2026

The fund was up 2.8% in the second quarter, relative to its (CPI + 2% pa) benchmark increase of 2.9%. It is the top-performing fund in its category over three years (16.6% pa), five years (13.2% pa) and ten years (10.3% pa) and has won multiple industry awards over time. Since its inception in 2011, the fund has returned 9.9% pa - well ahead of its real return benchmark.

Economic backdrop

Global economic activity has proved surprisingly resilient in the face of the energy supply shock from the Iran conflict, supported by enormous AI capital expenditure, very strong US and Asian financial markets, and a reasonably buoyant US consumer environment.

The US labour market is healthy, with persistent tightness resulting in a sustained boost to wage growth. Consumption has been lacklustre recently, with a squeeze in real incomes from higher energy prices partially offset by tax cuts. The AI capital expenditure boom continues to make a significant contribution to economic growth, supporting elevated business investment and household consumption through rising equity wealth.

Europe’s manufacturing sector, already scarred by the energy shock following the Ukraine war, has seen its competitiveness erode further, particularly relative to China. On the positive side, the labour market remains resilient (especially in the South), and Europe is set to benefit from higher fiscal stimulus (particularly in Germany). In Japan, there are early signs that strong wage growth is finally translating into a more sustained recovery in real household consumption. This improving domestic backdrop is being supported by a significant increase in AI infrastructure exports.

China's nominal economic growth has been weak due to ongoing deflation and the consequences of a weak property market. Export activity remains very robust, with solid growth in high-tech products. Greater monetary and fiscal stimulus, together with targeted structural state interventions, has yet to materially improve consumer confidence.

In South Africa, consumer activity is already at weak levels and has been further impacted by increased energy prices and an increase in interest rates. 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.

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

Markets review

Global markets were positive in the second quarter, up 13.9% in US dollars. Japan (up 34.2%), the US (up 15.2%) and Germany (up 9%) were the largest positive contributors to developed market performance. Hong Kong contributed negatively in the period, losing 6.5%. Emerging markets outperformed over the quarter, up 24.1%, led by very strong gains in South Korea (up 80.3%) and India (up 10.2%). Brazil (down 7.5%), China (down 6.6%) and South Africa (down 1.7%) all contributed negatively.

In rand terms, the local equity market was down 2.4% in the period. Resources shares pulled back after their recent outperformance (down 19.7%). Pan African Resources (down 32.9%), Sibanye Stillwater (down 31.8%) and Northam Platinum (down 30.6%) were the largest negative contributors for the period, while the top performer in the sector was Anglo American (up 12.5%).

Financials outperformed for the period, up 8.2%, with non-life insurers up 11.7%, listed property up 10.2% and banks up 9.9%. Positive movers included PSG (up 22.3%), Hammerson (up 20%), and Capitec (up 16.5%). Weak performances were delivered by Reinet (down 18%), Ninety One (down 13.3%) and Absa (down 2.0%).

Industrials also delivered a positive return, up 4.2% for the quarter. Top sector performers included Richemont (up 28.1%), Aspen (up 19.4%) and MTN (up 19.1%). Mondi (down 22%), Clicks (down 21.4%) and TFG (down 13.1%) delivered weak performances.

South African bonds returned 7.9% during the quarter, outperforming cash (1.7%). Global bonds were weaker overall, although emerging market bonds outperformed those of developed markets.

At its May MPC meeting, the SARB raised the repo rate by 25 basis points to 7.0% in response to inflation risks arising from higher energy prices amid ongoing conflict in the Middle East. As tensions eased, energy prices declined and the rand strengthened, improving the near-term inflation outlook. However, the SARB reiterated that further policy tightening may be required to anchor inflation expectations at its 3% target.

Lower inflation expectations supported the domestic bond market, with yields declining across the curve. Longer-duration government bonds, particularly in the intermediate and long-end of the curve, outperformed as a result.

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Real yields remain moderately attractive and nominal yields have compressed over the past 18 months as markets have adjusted to a lower inflation target. Corporate credit spreads remain tight, limiting future returns in the credit market.

Fund positioning

Local bonds, foreign equity and local equity contributed positively to fund performance, while foreign bonds detracted. Within local equities, key positive contributors included Bytes, PPC, Datatec and Merafe Resources. Negative contributors included Valterra Platinum, Northam Platinum, Mondi and Prosus/ Naspers.

Positive contributors to global equity performance included Dexerials, Bayer, JD Sports, Siemens and Smurfit, while Zoetis, BYD, JD.Com and Boston Scientific detracted.

We continue to favour global equities. Within local equities, we have sold out of MTN and Investec and added to Merafe, We Buy Cars and Clicks. Locally, the fund has decreased its bond position with a shift towards money market instruments and has increased long-duration US treasuries. The fund maintains a hedged equity position.

Stock snapshot

Local

Bytes Technology Group is a leading UK-based distributor of software, cloud services and cybersecurity solutions to both private- and public-sector customers. The company is well positioned at the intersection of several positive long-term growth trends, including rising IT complexity and sustained demand for software-led technology spending. Its business model benefits from high revenue visibility, driven by the largely recurring nature of customer expenditure, while also generating strong returns on capital and robust cash flow.

Bytes' long-standing track record and established position servicing the UK public sector creates a meaningful avenue for future growth as UK government entities increasingly deploy software to boost productivity amid tight budgets.

Bytes’ share price has been very weak recently as earnings growth has temporarily stalled - primarily for two reasons. Firstly, management has accelerated investment in sales capacity and technical talent to position the company to capture market share in the UK's large and fragmented software market. Secondly, Microsoft has changed its distributor incentive model. This has provided our clients with the opportunity to invest in a high-quality business with a strong long-term growth outlook at a low price relative to its prospects.

Global

JD Sports Fashion is a global omnichannel retailer of sports footwear, apparel and outdoor brands, primarily targeting younger consumers. The group operates a diversified portfolio of store fascias led by its core JD brand, complemented by retail brands such as DTLR, Shoe Palace, Hibbett and Finish Line. JD Sports’ largest market by revenue is North America (38%), followed by Europe (33%), the UK (25%) and Asia Pacific (4%).

The company has strong strategic partnerships with global sportswear brand owners, particularly Nike and Adidas, providing security of supply and access to exclusive assortments. This enables it to achieve a high proportion of full-price sales, underpinning its consistently strong gross margins and return on capital signature.

Opportunities to improve store sales densities through conversions to its core JD brand, investment in a more efficient supply chain and the scaling of its online platforms should support stronger earnings and cash flow generation. Despite these attractive fundamentals, the shares continue to trade at a very low rating, presenting a compelling investment opportunity.

Dexerials is a Japanese manufacturer of specialist electronic materials, holding very high market shares across its core products, which are low in cost but critical to end-product functionality. The two principal products are anisotropic conductive films (ACFs) and anti-reflection films (ARFs). ACFs bond chips and modules to circuits across displays, cameras and sensors, while ARFs reduce glare on device screens.

ACFs and ARFs together comprise around two-thirds of sales. Their sustainable competitive advantage is the design-in (engineered into customers' products) of their products, often making Dexerials the sole supplier and causing high switching costs and durable pricing power. This is the foundation of the group's high margins and returns on capital.

Particularly strong growth is coming from the photonics business, where Dexerials supplies high-speed photodiodes for the optical transceivers that move data inside AI data centres. Demand is strong, and Dexerials holds a technological edge in the compound-semiconductor photodetection required by the highest-speed transceivers.

Its currently elevated capital expenditure levels reflect investments in high-return growth opportunities, which we believe should create significant long-term value.

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