Quarterly commentary

June 2026

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Qualifications

BSc (Hons), CFA

Benchmark

BESA All Bond Index

Camissa Bond Fund

Quarterly commentary | Q2 2026

Date of issue: 04 August 2026

The fund was up 7.2% in the second quarter, slightly underperforming the All Bond Index (up 8.0%). It has returned 19.3% pa over the last three years, outperforming the benchmark (up 18.3% pa), and 11.2% pa since inception in 2015 - ahead of its benchmark (19.7% pa).

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

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.

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

The fund modestly increased duration relative to the ALBI during the quarter, maintaining its short duration vs the benchmark. Real yields on offer in nominal RSA long bonds are moderately high. The fund has low corporate credit exposure with spreads being too low.

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