Quarterly commentary

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BESA All Bond Index

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Camissa Bond Fund

Quarterly commentary | Q3 2026

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The fund gained 6.7% in the third quarter, slightly below the All Bond Index (up 7.4%). It has returned 19.5% pa over the last three years, ahead of the benchmark (up 18.2% pa). Since inception in 2015, it has returned 10.8%, ahead of its benchmark (10.4% pa).

Economic backdrop

Global economic activity has proved surprisingly resilient in the face of the energy supply shock resulting from the Iran conflict and higher borrowing costs, bolstered 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 providing a sustained boost to wage growth. Consumption has been subdued, with the squeeze in real incomes from higher energy prices partially offset by tax cuts, while higher interest rates are exerting a modest incremental drag. The AI capital expenditure boom continues to make a significant contribution to economic growth, helping sustain elevated business investment. Household consumption has been boosted by significantly higher 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. Positively, the labour market remains resilient, especially in the South, and Europe is set to benefit from greater fiscal stimulus, particularly in Germany. In Japan, temporary fiscal stimulus may help translate strong wage growth into a more sustained recovery in household consumption. Both regions are benefiting from increased AI-related investment and exports, more significantly in Japan.

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

In South Africa, consumer activity is very weak and has been further crimped by higher energy prices and 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 resulting low business confidence. Disappointingly, the recent moderate increase in fixed investment from very low levels has not yet been accompanied by 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. The Government of National Unity has brought about positive leadership changes in key ministries and a renewed commitment by the government to accelerate initiatives addressing the country's structural problems, although progress remains slow.

Markets review

South African bonds returned -0.7% during the quarter, underperforming cash at 1.7%. Global bonds were broadly weaker, although emerging market bonds outperformed those in developed markets.

At its September MPC meeting, the SARB raised the repo rate by 25 basis points to 7.25%. The MPC highlighted that the fuel price shock has re-intensified, resulting in a deterioration in the inflation outlook. The SARB is concerned that fuel price shocks could lead to second-round inflation effects that spread through the broader economy.

The increased upside risks to inflation weighed on the domestic bond market, with yields rising across the curve. Longer-duration government bonds underperformed.

Real yields are moderately attractive for nominal bonds, having compressed over the past 18 months with the lower inflation target. Corporate credit spreads remain tight, limiting potential returns in the credit market.

Fund positioning

The fund modestly reduced it duration relative to the ALBI during the quarter, maintaining its short-duration position against the benchmark. Real yields available on nominal RSA long bonds remain moderately high. The fund maintains low corporate credit exposure, given credit spreads being too low.

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