Quarterly commentary

September 2026

Portfolio manager

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Qualifications

BBusSc, FFA, CFA

Benchmark

Median return of Alexander Forbes Global Large Manager Watch

Camissa Global Balanced Fund

Date of issue: 16 October 2026

The fund gained 0.9% in the third quarter, outperforming the benchmark (up 0.1%). Over the past year, it has returned 3.8%, below the benchmark, up 7.3%. Since inception in 2013, it has returned 10.8% pa, ahead of the benchmark (up 9.4% 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

Global markets were positive in the third quarter, gaining 2.0% in US dollars. Hong Kong (up 8.6%), the US (up 2.3%) and the UK (up 1.9%) were the largest contributors to developed market performance, while France detracted in the period, falling 5.5%. Emerging markets underperformed over the quarter, down 0.2%, led by losses in South Korea (down 9.8%), India (down 5.5%) and Turkey (down 4.4%). In contrast, Brazil (up 8.2%), China (up 3.7%) and South Africa (up 1.4%) contributed positively.

In rand terms, the local equity market fell slightly, down 0.3%. Resources shares outperformed for the quarter (up 16.3%), with Sasol (up 41.8%), South32 (up 31.6%) and Sibanye (up 27.6%) the largest positive contributors. Kumba (down 19.9%), Exxaro (down 12.3%) and African Rainbow Minerals (down 10.3%) detracted most over the period.

Financials pulled back 3.7%, with life insurers down 5.5% and banks down 4.3%. Non-life insurers gained 5.9%. Positive movers included Nedbank (up 11.4%), Investec (up 6.9%) and Santam (up 6.8%), while Sanlam (down 11.2%), Capitec (down 8.5%) and Momentum (down 7.6%) were among the weaker performers.

Industrials underperformed the other sectors, down 10.4%, with Woolworths (down 24.6%), MTN (down 22.0%) and Truworths (down 21.3%) the largest detractors. The top sector performers included Karoo (up 27%), Mondi (up 19.5%) and Shoprite (up 10.6%).

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.

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Camissa Global Balanced Fund

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

Foreign equities contributed positively to fund performance during the period. Locally, key positive contributors included Valterra Platinum, Bytes, Mondi and Omnia, while Prosus/ Naspers, The Foschini Group and We Buy Cars detracted from returns. Within global equities, Bodycote, TIS Inc. and Johnson Matthey contributed positively, while Aroundtown, Dexerials and Rentokil detracted.

We see a reasonably high expected return from our portfolio of local equities with greater upside potential in global equities. Within local equities, we have reduced our holdings in Bytes, Investec and Valterra Platinum and increased our holdings in We Buy Cars, Prosus/ Naspers and Brait (via the rights issue).

The fund has maintained its position in short-duration bonds, money market instruments and long-duration US treasuries. It also maintains a reasonably large equity hedge.

Stock snapshot

Local

Omnia is a diversified South African industrial group, with expanding offshore operations. Its mining business, BME, provides explosives, electronic blasting systems and related technology to mining customers, while its agriculture division supplies crop nutrition products and has an expanding bio-agriculture offering. Historically, we have viewed Omnia as an underappreciated growth business, with meaningful opportunities to expand BME internationally and grow its higher-margin bio-agriculture operations. The company has a well-invested asset base and a strong balance sheet, providing the scope to grow.

During the quarter, Omnia received a firm intention offer from an India-listed explosives company, Solar Industries, to acquire the company in an all-cash transaction.

The strategic rationale for the transaction is particularly compelling for Omnia's BME business, with its differentiated blasting technology. The combination will create a larger global mining solutions platform, with greater manufacturing scale, market access, technology and research and development capabilities.

The proposed cash offer crystallises a meaningful portion of the value we have seen in Omnia and has resulted in a strong share price response.

Global

Boston Scientific is a global leader in medical technology products, specialising in less-invasive solutions across cardiology, endoscopy, neuromodulation and urology. The business has a strong growth track record from developing innovative products. Alongside productive in-house research and development, Boston Scientific takes strategic stakes in promising early-stage medtech businesses through its venture portfolio and then fully acquiring those that demonstrate potential.

Its global sales force and established hospital relationships enable it to scale successful innovations rapidly.

The group benefits from favourable long-term demand drivers, including ageing populations, a rising disease burden and the shift towards less-invasive procedures. Many of its target markets also remain underpenetrated, providing a meaningful runway for growth.

More recently, growth has moderated in two notable franchises (less than 20% of group sales). The remainder continues to deliver robust growth, while a promising pipeline of new products offers further potential. The resulting share price de-rating has created a very low entry point for our clients.

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