Quarterly commentary

September 2026

Portfolio manager

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Qualifications

BBusSc, FFA, CFA

Benchmark

Median return of Alexander Forbes SA Manager Watch: BIV Survey

Camissa Domestic Balanced Fund

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The fund declined 0.5% in the third quarter, outperforming the benchmark, which fell 0.9%. Over the past year, it has returned 7.9% over the last year, slightly ahead of the benchmark (7.6%). Since inception in 2007, the fund has returned 16.5% pa, ahead of the benchmark (up 14.1% 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 Domestic 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

Equities were the main drag on fund performance during the quarter. Within equities, key positive contributors included Valterra Platinum, Bytes and Mondi, while Prosus/ Naspers, The Foschini Group and Exxaro were among the weaker performers. We see a reasonably high expected return from our portfolio of local equities. Within local equities, we have reduced our holdings in Bytes, Investec and Omnia and increased our exposure to We Buy Cars, Woolworths, Pepkor Holdings and Brait (via the rights issue).

Currently, the fund has a high exposure to companies with predominantly offshore earnings and a diverse range of mid-cap stocks. It has increased exposure to domestic industrials, which have derated materially of late. It has reduced its bond position, shifting towards money market instruments.

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.

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