The fund returned 4.6% for the quarter. Since inception, it has averaged an annualised return of 18% relative to its benchmark return of 15.1%. Over 10 years the fund has averaged a return of 18%, outperforming its benchmark by 1.3% per annum. It has moderately underperformed its benchmark over the past five-year period.

Stocks exposed to the domestic economy came under pressure as the exuberance which had been priced into some of these shares post the elective conference was not supported by near term results - shaking market confidence in the rally. This was confirmed in the weak first quarter GDP figure down - 0.8% year-on-year despite the weak base. The weak economy, together with rising US interest rates and capital flows out of South Africa, led to a sharp sell-off in the rand with the currency depreciating 14% against the US dollar for the quarter.

Performance attributions over the past three years have been boosted by our holdings in Naspers, Mondi, Spar, Pick 'n Pay and Cartrack while our underweight position in MTN also contributed meaningfully to performance. During the quarter, low weightings in domestic stocks like Vodacom, Mr Price, Truworths, Shoprite and Foschini contributed to outperformance.

The fund continues to hold large positions in several of the offshore stocks where valuation is attractive. The tail end of the post-elective conference domestic rally at the start of the quarter provided an opportunity to add further to these names including Naspers, British American Tobacco and AB Inbev. British American Tobacco is now the second largest position in the fund; a growing, globally diversified stock trading at the very attractive valuation of 12x forward PE. The share has derated in line with global staples but this has been amplified by regulatory fears and worries about future drivers. Premiumisation in emerging markets should support higher prices and earnings growth while investment in new generation products should deliver positive organic growth at a group level even while cigarette volumes decline. AB InBev is led by its impressive and adaptive CEO, Carlos Brito, who has presided over a wave of M&A as AB Inbev rose to become the world's largest brewer. Growth wobbles as AB Inbev swallowed its last big deal, SABMiller, led to a derating in the share as investors worried whether the superior scale economics of the global brewing model had petered out. The AB Inbev model is evolving to adopt leading SAB marketing processes (including the category expansion framework) as it focuses on delivering the next leg of top-line growth organically.

Other portfolio activity during the quarter worth mentioning was the exiting of our Mondi position on the back of share price strength and it reaching our assessment of fair value. We used the proceeds to add to our Naspers position during a pullback in its share price earlier in the quarter. We still think Tencent is a fantastic business that will grow earnings strongly in years to come and with Naspers trading at a record discount to its intrinsic net asset value, we think the stock remains very attractively priced. We are also very encouraged by Naspers' management actions around portfolio optimisation.

Markets have had a tumultuous start to the year as the first quarter domestic rally rapidly reversed in the second quarter with a dramatic currency move to boot. As always, valuation remains our beacon in these turbulent times and we have used the volatile price environment to build positions in attractively priced shares.

Portfolio managers
Sarah-Jane Alexander and Adrian Zetler
as at 30 June 2018