Please note that the commentary is for the US dollar retail class of the Fund. The feeder fund is 100% invested in the underlying US dollar fund. However, given small valuation, trading and translation differences for the two funds, investors should expect differences in returns in the short term. Over the long term, we aim to achieve the same outcome in US dollar terms for both funds.

The Fund advanced 23.0% against a benchmark advance of 19.2% for the second quarter of the year (Q2-20), bringing the rolling 12-month performance to -6.7 % against the 2.1% returned by the MSCI All Country World Index.

Global equity markets rebounded strongly during Q2-20, fuelled by unprecedented monetary and fiscal stimulus as governments and central banks acted to prevent lasting economic damage from the Covid-19 shutdown and early signs that a V-shaped recovery might be possible once quarantine restrictions are eased. Some might argue that, despite these encouraging early developments during the quarter, the stock market is detached from the reality of the economic damage being wrought by the shutdown. However, in the absence of attractive alternative options, the equity markets benefitted handsomely from any positive news flow. After the upheaval in April, the oil price returned to a more normal, albeit volatile level, providing a much-needed uplift to the industry during unprecedented times.

North America was the best-performing region in the second quarter, advancing 21.7% (in US dollar terms). The weakest return was from Japan, which advanced 11.6% (in US dollar terms). Europe rose 15.6% and the Pacific ex-Japan rose 20.2% (both in US dollar terms). Emerging markets advanced 17.3% compared to developed markets, which rose 19.5% both (in US dollar terms).

Among the global sectors, information technology (IT) (+30.8%), materials (+25.1%) and consumer discretionary (+29.7%) were the best-performing sectors for the quarter. The worst-performing sectors were utilities (+5.4%), consumer staples (+7.9%) and real estate (+10.9%).

Among the global sectors, healthcare (+13.4%) and IT (+13.7%) were the most significant drivers of the index return for the quarter. The worst-performing sectors were real estate (0.6%), utilities (1.5%) and consumer staples (2.1%).

The large majority of the underlying managers had very good performance during the quarter, strongly outperforming the index.

Contrarius Global Equity rebounded 38% during the second quarter, a much-needed recovery after a poor first quarter. The manager finally admitted defeat on its oil driller exposure and sold out of these stocks during April but retained its exposure to its consumer discretionary positions. The latter decision proved a good one, with strong returns from Bed Bath & Beyond (+152%), The Michaels Company (336%), Overstock (+470%) and Macys (+40%) during the period as the US eased its lockdown restrictions. The manager still believes they are attractively valued, even after such strong returns. Materials and energy exposure from stocks such as Teck Resources (+38%), Freeport McMoran (+71%), Range Resources (+147%) and Tullow Oil (+194%) also added to the strong recovery.

Tremblant Capital also returned 39% for the quarter, benefitting from positions in Amazon (+42%), Spotify (+112%), FarFetch (+119%) and Meituan (+84%), which in turn are major beneficiaries from the effects of the Covid-19 lockdown. Tremblant's rolling 12-month performance is an outstanding 20.5%.

Maverick Capital returned 27% after strong gains from its healthcare, consumer discretionary and tech names. Companies such as Atara Biotherapeutics (+71%), Facebook (+36%), B&M Europe Retail (+44%), Restaurant Brands (+38%) and Microsoft (+29%) are all doing well from the lockdown or recovering from the easing thereof.

Coronation Global Emerging Market Fund had a good quarter, finishing ahead of both the All Country World Index and its own Emerging Market Index. Egerton Capital was also slightly ahead of the index, while Coronation Global Equity Select marginally underperformed over the quarter.

Lansdowne Developed Markets had another disappointing quarter, with its exposure to airlines and UK banks being a source of volatility. Airlines are still struggling to work through the effects of the Covid-19 crisis and face a long recovery. However, many are taking advantage to reset their cost base (in the case of legacy businesses) and rightsize their fleets for the future. There is evidence of a strong demand for air travel even at this time and further easing of restrictions will allow for further recovery while current valuations would point to meaningful upside potential.

Outlook

At the time of writing, the MSCI World Index is around 8.5% off its mid-February high, despite uncertainty surrounding the path of the Covid-19 pandemic and the future recovery of the global economy. The early signs are encouraging, but there is much debate about whether the recovery will be V-shaped or take much longer. Governments have stepped in to protect jobs, but it remains to be seen at what level unemployment will settle as people move from been furloughed to simply unemployed as state support is withdrawn. Meanwhile, the pandemic is still ongoing and on the rise, especially in the United States and South America. There is little advance on therapeutics to treat the disease and a vaccine is still months away. There is a lot to be concerned about and there are bound to be pockets of volatility in the months ahead. This, however, lends itself to a bottom-up, stock picking strategy such as that followed by our underlying managers and we expect that this will be rewarded over the longer term.

Portfolio managers
Tony Gibson and Karl Leinberger
as at 30 June 2020