The Fund advanced 6.1% against a benchmark return of 7.4%, bringing the rolling 12-month performance to 56.5% against the 39.3% returned by the MSCI All Country World Index.

Equity markets rose strongly during the quarter as vaccinations accelerated in the US, UK and Europe and despite concern over the Delta variant, which is causing an increase in infections around the world. Economic growth is surging in developed markets as governments continue to ease restrictions and activity levels pick up. The US grew at an annualised rate of 6.4% in the first quarter of the year (Q1-21). Although Europe contracted slightly in the same period, leading indicators are flagging that a very strong recovery is well underway in Q2-21. However, inflation numbers are ticking upwards, creating real concern that the economic rebound and fiscal stimulus will entrench this in the coming months. The US Federal Reserve views the recent increases as temporary but has become a little more hawkish in actively discussing tapering and updating its "dot plot" for the potential of rate hikes in late 2022 rather than 2023.

North America was the best performing region in Q2-21, advancing 9.0% (in US dollar terms). The weakest return was from Japan, which declined 0.25% (in US dollar terms). Europe rose 7.7% and Asia ex-Japan advanced 4.8% (both in US dollar terms). Emerging markets returned 5.1% compared to developed markets, which rose 7.7% both (in US dollar terms).

Amongst the global sectors, IT (+11.3%), real estate (+9.4%) and healthcare (+8.8%) were the best performing sectors for the quarter. The worst performing sectors were industrials (+3.7%), utilities (-1.5%) and materials (+4.7%). On a look-through basis, the Fund's largest exposures are to consumer discretionary, IT and communication services.

The underperformance for the quarter was due to most of the managers lagging the index over the period. Contrarius Global Equity was an exception and generated a strong return of 15.0%. SEG Crosby Street also beat the index but only marginally.

Contrarius benefited from its exposure to consumer discretionary and communication services stocks, which made the largest contribution to outperformance for the quarter. AMC Networks (+25.7%), Bed Bath & Beyond (+14.2%), Chicos (+98.8%) and Express (+61.4%) are examples of strong individual contributors. It wasn't all upside though, as Endo International (-36.8%) and Sabre (-15.7%) detracted from performance.

After a poor first quarter, SEG Crosby Street delivered some alpha, with strong contributions from their IT, healthcare and industrials stocks.

Egerton Capital was marginally behind the index for the quarter at 7.2%. The fund benefited from its holdings in Alphabet (+21.2%), Charter Communications (+16.9%), L Brands (+16.8%), Microsoft (+15.2%) and Facebook but was held back by its financials and industrials exposure, where names such Ryanair (-2.7%), Prudential (-10.7%), Charles Schwab (-1.4%) and CME Group (-3.4%) dragged down the overall performance to less than benchmark.

Tremblant and Eminence returned 6.2% and 6.4% respectively. Tremblant's stock selection within the better performing sectors let it down. Within communication services, it benefited from Charter Communications (+16.9%) but Disney (-4.7%) and Spotify (+2.9%) detracted. Similarly in consumer discretionary were contributions from Amazon (+11.2%) and Doordash (36.0%) but these were cancelled out by Carlotz (-23.4%) and Brinker International (-13.0%).

Coronation Global Equity Select underperformed for the quarter due to poor returns from certain consumer discretionary stocks, namely Auto1 (-22.7%), Melco Resorts (-16.8%), Naspers (-12.3%) and New Oriental Education (-46.3%). Momo.com (+29.5%) and Kering (+27.3%) did limit the damage within the same sector. Elsewhere, Airbus (+13.3%), Philip Morris (+13.0%), Salesforce (+15.3%) and Microsoft (+15.2%) also contributed to overall performance.

Coronation Global Emerging Markets Fund detracted from performance for the quarter, underperforming the GEM indices, which, in turn, underperformed developed markets. Naspers (-12.3%), New Oriental (-41.5%) and Trip.com (-10.5%) were the key drivers within consumer discretionary, while Anglo American (-11.2%) and AngloGold (-15.4%) within the materials sector also added to the underperformance.

Outlook

The ongoing inflation debate will continue to cause bouts of volatility in the markets, but the central banks are unlikely to change course in the short term. The monetary tightening will only happen gradually, and this should not meaningfully hamper the economic recovery. Strong growth and modest inflation should be supportive of company earnings and while this is already reflected in valuations in parts of the market, it isn't in all parts, and some value remains. One should not forget the ongoing pandemic as some countries go through a third wave and many do not yet have sufficient access to vaccines. The UK will remove all Covid-19 restrictions from 19 July despite rising infections within a highly vaccinated population. Vaccinations have significantly weakened the link between infection and hospitalisation/death, allowing for the restrictions to be removed but it remains to be seen if this will persist and the obvious consequences should it not.

Portfolio managers
Tony Gibson and Karl Leinberger
as at 30 June 2021