Please note that the commentary is for the retail class of the Fund.

Performance and fund positioning

The Fund advanced 10.4% for the quarter (Q4-22) against a benchmark return of 9.8%, bringing the rolling 12-month performance to -21.2% against the -18.4% returned by the MSCI All Country World Index.

Q4-22 was a positive end to an otherwise very difficult year where the war in Ukraine and the battle against raging inflation were a constant source of volatility and negative returns. A welcome rally over the quarter was driven by value stocks at the expense of growth stocks, many of which continued to sell off on growth concerns and rising interest rates. The market continues to speculate on the US Federal Reserve's (the Fed) future interest rate moves, despite the Fed's insistence that it will continue to hike, and the implication of these actions on the economy. This has led to choppy markets and will continue to do so in the medium term. A welcome change was the relaxation of Covid restrictions in China after widespread protests around the country. Although the immediate impact was felt through a sharp increase in Covid infections, the move should be economically positive for China and the global economy.

Europe was the best performing region in Q4-22, advancing 19.4% (in US dollar terms). The weakest return was from North America, which rose 7.1% (in US dollar terms). Japan advanced 13.3% and the Pacific ex-Japan rose 15.8% (both in US dollar terms). Developed markets marginally outperformed emerging markets, rising 9.9% compared to 9.2% (both in US dollar terms).

Amongst the global sectors, energy (+18.6%), industrials (+17.6%) and materials (+17.0%) were the best performing sectors for the quarter. The worst performing sectors were consumer discretionary (-2.5%), telecommunications (0.2%) and IT (4.9%).

The underlying managers had very mixed returns for the quarter, with most of them enjoying solid outperformance of the index while one significantly underperformed.

Coronation Global Emerging Markets Fund had a very strong quarter, returning 15.4% and recovering some of its under-performance earlier in 2022. The Fund benefited from the lifting of Covid restrictions in China and the perceived relaxation of government control of the technology sector. Large contributors to performance included Tencent Music (+104%), Prosus (+30.0%), and Delivery Hero (+28.5%). JD.com (+11.5%) and Naspers (+32.2%) also made generous contributions to overall performance.

Contrarius Global Equity returned 12.4% for the period, allowing it to post a positive return of 5.7% for the 12 months, which is a very impressive return in a market that was down almost 20.0%. The Fund's energy exposure was key to quarterly performance with Transocean (+84.6%), Valaris (+38.2%), Noble Corp (+27.5%), and Diamond Offshore Drilling (+56.8%) all delivering substantial gains. Just Eat (+31.4%), Delivery Hero (+28.5%), and Doordash (+12.2%) also assisted despite the general malaise in the consumer discretionary sector.

Egerton Capital has had a tough year but enjoyed a good Q4-22 with strong returns from its financial and consumer discretionary exposure. Mastercard (+22.5%), Schwab Corp (+16.2%), and Visa (+17.2%) are examples of the former category, while LVMH Moët Hennessy Louis Vuitton (+22.1%) and Richemont (+35.2%) helped the latter. Travel industry exposure also contributed with Airbus (+36.0%), Safran (+35.4%), and Ryanair (+26.8%) all making excellent gains.

Similarly, Eminence Capital ended the year on a good note with 4.5% alpha. A big contribution came from discretionary consumer stocks such as Just Eat (+31.4%), Tempur Sealy (+42.6%), and Spectrum Brands (+57.4%). The materials and industrial stocks also made a significant contribution to performance.

On the downside, Tremblant endured another difficult quarter and underperformed by a large margin over the calendar year. Tremblant lagged by 9.4%, also caused by its technology stocks. Amazon (-25.7%), Farfetch (-36.5%), Palo Alto Networks (-14.8%), and Q2 Holdings (-16.6%) were some of the bigger detractors.

Outlook

While welcome, the year-end rally is unlikely to herald a new bull market in 2023. The days of "easy" money are over and the rapid rise in interest rates continues to ripple through the markets and companies face many headwinds in the medium term. Some are already announcing workforce cuts, most notably two of the lockdown era stars – Amazon and Meta. The first half of 2023 will likely see higher interest rates in the US and Europe and a further deterioration in the economies in these regions. Inflation is also expected to fall into mid-2023 and this may set the scene for a reduction in rates toward the end of the year. There is a long way to go before that happens and, in the short term, we can expect to see some more dips and rallies.

Portfolio managers
Tony Gibson and Karl Leinberger
as at 31 December 2022