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.

Performance and fund positioning

The Fund declined 5.1% for the quarter against a benchmark return of -6.8%, bringing the rolling 12-month performance to -28.6% against the -20.7% returned by the MSCI All Country World Index (ACWI).

A July summer rally was short-lived as global equity markets declined sharply again in August and into September. Moderating interest rates expectations and the belief that a soft landing for the economy was possible drove markets in July, but this was sharply reversed after the Jackson Hole summit where the US Federal Reserve (the Fed) and other central banks restated that their inflation fighting intentions would be at the expense of economic growth, if necessary. This was backed up by the Fed increasing rates by 1.5%, the European Central Bank by 1.25%, and the Bank of England by 1% causing markets to price in further and steeper increases over the next year. Although inflationary pressures moderated over the quarter, core inflation remains a concern and is key to the interest rates forecasts.

North America was the best performing region in the quarter (Q3-22), declining 4.9% (in US dollar terms). The weakest return was from Europe which declined 10.1% (in US dollar terms). Japan fell 7.5% and the Pacific ex-Japan declined 8.8% (both in US dollar terms). Developed markets performed significantly better than emerging markets, declining 6.8% compared to -12.5% (both in US dollar terms).

Amongst the global sectors, consumer discretionary (0.0%), energy (-2.4%) and IT (-6.6%) were the best performing sectors for the quarter. The worst performing sectors were telecoms (-13.2%), real estate (-12.3%) and utilities (-9.0%). On a look-through basis, the Fund's largest exposures are to consumer discretionary, IT and communication services and has very little exposure to consumer staples, utilities and real estate.

The underlying funds enjoyed a much better quarter with all, bar two, comfortably outperforming the ACWI over the quarter.

The best performing fund for Q3-22 was Tremblant Global Growth, which was slightly positive for the period at +0.4%. This positive alpha was very welcome after a very weak period of performance. The fund still trails the ACWI by 10% for the year to date. Ping Identity Holding made a significant contribution to performance, gaining 55% while Wingstop Restaurants (+68%), Shift4 Payments (+35%) and Uber Technologies (+29.5%) also contributed meaningfully. Negative contributors to performance included Charter Communications (-35.3%), Doordash (-23%) and CarGurus (-34%).

Contrarius Global Equity declined 1.5% for the period and remains the best performing fund for the year with positive alpha of 20% ahead of the ACWI. Positive alpha was primarily delivered by stocks in the consumer discretionary and energy sectors, with examples being Just Eat (+10.1%), Valaris (+14.0%), Coinbase (+29.3%), Noble Corp (+18.3%) and Draftkings (+10.9%).

Eminence Capital enjoyed a better quarter, declining only 2%. The strategy also benefitted from holding Uber Technologies (+29.5%) along with holdings in Oak Street Health (+49.1%), Caremax (+95.3%) and Change Healthcare (+19.2%). Egerton Capital was also ahead of the ACWI with a big lift from its financial stocks such as Charles Schwab Corporation (+14.1%), First Citizens (+22.0%) and LPL Financial Holdings (+18.6%) helping to achieve this. Unfortunately, the fund's IT exposure was a drag, with Microsoft (-9.1%) and Alphabet (-12.1%)

Coronation Global Equity Select marginally outperformed the ACWI this quarter. Gains in Netflix (+34.6%), Uber Technologies (+29.5%), Wise (104.2%) and Coupang (+30.8%) were largely offset by declines in Charter Communications (-35.3%), JD.com (-21.7%), Prosus (-18.8%) and Alphabet (-12.2%).

Select Equity Group's Crosby Street was one of the detractors this quarter, but at -7.2% it only marginally underperformed the ACWI. It too lost out by holding Alphabet (-12.2%) and JD.com (-21.7%), but unlike many of the other funds, its exposure to financials also detracted with the likes of First Republic Bank (-9.3%), Brookfield Asset Management (-7.7%) and AIA Group (-22.7%) all reducing performance.

Outlook

The US economy is proving resilient as a strong jobs market has somewhat overshadowed the two quarters of negative growth. The economic news flow is far more negative in Europe and elsewhere though. The ongoing war in Ukraine and Russian sanctions continue to disrupt gas supplies in Europe and does not bode well for the upcoming winter. Efforts to increase stored supplies will need to include usage savings. This makes a recession look more likely.

China's economy also remains fragile due to its zero-Covid policy and other headwinds. As such, the global economy should continue to slow into the fourth quarter and a lot will depend on the impact of the energy crisis on businesses and households. However, the difficult year so far for stocks and bonds means that both are looking attractively priced going forward, with many indices having price to earnings ratios below their long-term averages. There may be some further falls in the short term, but these will only strengthen the longer-term opportunity for meaningful gains.

Portfolio managers
Tony Gibson and Karl Leinberger
as at 30 September 2022