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

Performance and fund positioning

The fund advanced 7.6% for the quarter, against a benchmark return of 7.3%, bringing the rolling 12-month performance to -9.0% against the -7.4% returned by the MSCI All Country World Index (ACWI).

Markets were buoyant in Q1-23 and could have been even stronger were it not for a banking crisis in March which originated in the US with the country's 16th largest bank being forced into receivership and moving on to Europe where Credit Suisse, one of Switzerland's oldest banks, was purchased by UBS in a deal arranged by the Swiss authorities in the space of 48 hours. Prior to this, global growth had surprised on the upside and lower energy and oil prices were bringing down headline inflation. Core inflation is still a concern and central banks were forced to continue to raise interest rates while investors were forced to reassess their expectations of rate cuts in the short term. The banking crisis, however, changed all of this and bond yields fell again, causing a rally in growth stocks towards the end of March.

Europe was the best performing region in Q1-23, advancing 10.7% (in US dollar terms). The weakest return was from the Pacific ex-Japan, which rose 2.2% (in US dollar terms). Japan advanced 6.4% and North America rose 7.6% (both in US dollar terms). Developed markets outperformed emerging markets, rising 7.9% compared to 3.5% (both in US dollar terms).

Amongst the global sectors, IT (+20.9%), telecommunications (+17.7%) and consumer discretionary (+16.1%) were the best performing sectors for the quarter. The worst performing sectors were energy (-4.3%), healthcare (-2.1%) and financials (-2.2%).

Most of the underlying managers delivered strong returns over the quarter, with Tremblant and Eminence delivering the best performance.

Tremblant, which has struggled in recent quarters, benefited from the rebound in growth stocks and returned 13.5% for the period, well ahead of the ACWI. The returns were mainly produced in the communications, consumer discretionary and IT sectors. Spotify (+69.3%), Palo Alto Networks (+43.2%), Uber (+28.2%), Doordash (+30.2%) and Meta (+76.2%) were some of the top performing holdings.

Eminence continues to deliver excellent performance, having produced another 10.5% in Q1-23. As with Tremblant, IT and consumer discretionary stocks such as Salesforce (+50.7%), Meta (+76.2%), Amazon (+23.0%) and Uber (+28.2%) were big contributors to overall performance. Industrials such as Safran (+18.9%) and Informa (+14.9%) also contributed.

Coronation Select Equity also enjoyed a strong quarter. In addition to holding Spotify, Meta, Amazon and Uber, the fund benefited from MercadoLibre (+55.8%), Transocean (+39.5%) and Heineken (+19.5%).

Funds detracting from relative performance for the quarter were Coronation Global Emerging Markets Equity (despite finishing ahead of its benchmark), Egerton and SEG Crosby Street.

Although Egerton benefited from its exposure to many of the stocks noted above, they were held back by their banks (which declined during March's banking crisis) and energy holdings. HSBC (-9.0%), Schwab Corp (-36.9%), Schlumberger (-7.7%) and Cenovus Energy (-9.7%) all detracted from performance. This was a similar situation for Crosby Street but its holding in First Republic Bank (-88.5%) was by far the most significant detractor from overall performance.

Outlook

The March banking crisis has added complexity to the market's interest rate forecasts but either way it would seem the top of the cycle is near as a tightening in the lending market will mean that central banks have less to do to slow economic activity and bring down inflation. However, there remains uncertainty as to how recent events will affect activity and sentiment, and how fast inflation may fall. Markets over the next few months will be highly reactive to news flow and will undoubtedly be turbulent while the outlook becomes clearer.

Portfolio managers
Tony Gibson and Karl Leinberger
as at 31 March 2023