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

Performance and fund positioning

The Fund returned 5.6% for the quarter (Q1-24) behind the benchmark return of 8.2%, bringing the rolling 12-month performance to 19.1% against the 23.2% returned by the MSCI All Country World Index (ACWI).

Good economic data made for strong equity market performance in Q1-24. The US economy grew more than expected in the final quarter of 2023, and leading indicators showed that it continued to grow steadily in Q1-24. Global economic data was generally encouraging and boosted prospects that a soft landing was still possible, boosting investor sentiment. The strong economy does bring into question the US Federal Reserve's willingness to cut rates quite as they were projecting in December, especially since inflation is proving stickier than anticipated and the bond market retreated, paring back on the number and depth of expected rate cuts for 2024. This didn't stop equities from powering ahead, led by developed markets and growth stocks.

Japan was the best-performing region in Q1-24, advancing 11.2% (in US dollar terms). The weakest return was from the Pacific ex-Japan, with -1.7% (in US dollar terms). Europe rose 5.4%, and North America advanced 10.1% (both in US dollar terms). Developed markets outperformed emerging markets, advancing 9.0% compared to 1.9% (both in US dollar terms).

Amongst the global sectors, IT (12.1%), industrials (9.2%) and telecommunications (12.7%) were the best-performing sectors for the quarter. The worst-performing sectors were utilities (0.6%), real estate (0.0%) and materials (2.6%).

The Fund was behind the index over the quarter during which very strong performance from Egerton Capital was negated by a poor return from Contrarius Global Equity and the remaining funds, which were marginally behind the index.

Egerton Capital returned 14.9%, driven by big contributions from its financial and industrial stocks. General Electric (+37.5%), Safran (+28.6%) and Rolls Royce (+41.0%) were some of the top industrial names contributing to performance, while Munich Re (+17.8%) and Fiserv Inc. (+20.3) were the big contributors within financials. Positions in Meta (+37.3%), Amazon (+18.7%), and Microsoft (+12.1%) also generated positive performance.

Eminence Capital was behind the index at 7.9%. Positions in Entain (-19.7%), Zillow Group (-15.7%), Smartsheet Inc. (-19.5%), and HDFC Bank (-15.4%) were the big detractors over the quarter. On the positive side, Verano Holdings (+33.0%), Green Thumb Industries (+29.9%), and Amazon (+18.7%) were among those positions that limited the losses.

Tremblant Capital returned 7.0%. Its concentrated portfolio had several laggards over the quarter, with Charter Communications (-25.2%), Smartsheet Inc. (-19.5%), Five9 Inc. (-21.1%), and Air Products & Chemical (-10.9%) being the key detractors. However, the portfolio did benefit from holdings in Spotify (+40.4%), Doordash (+39.3%), Meta (+37.3%), and Uber Technologies (+25.0%), which helped limit the losses.

Coronation Global Emerging Markets enjoyed a good quarter, outperforming the GEM index but lagging the performance of developed markets during the period. Taiwan Semiconductors (+26.2%), Nu Holdings (+43.2%), MakeMyTrip (+51.2%), and Airbus (+19.3%) were amongst the most significant contributors.

After a period of strong performance, Contrarius Global Equity had a poor quarter, returning -7.0%, well behind the index. Although the fund holds Meta (+37.3%), Coinbase (+52.4%), Amazon (+18.7%), and JD.com (+21.5%), which had a positive impact on performance, a number of its larger holdings had a more significant (negative) impact and dragged performance down. Tesla (-29.3%), WW International (-78.9%), Warner Brothers (-23.3%), Paramount (-20.1%), and Snap Inc. (-35.0%) were the main drivers of the negative return.

Outlook

2024 was expected to be a year of interest rate cuts after the bout of high inflation in 2022/3 had been brought under control. However, at the time of writing, US inflation prints came in higher than expected, meaning that a US rate cut in June is now highly unlikely and pushing out the timing and number of cuts for 2024. The ongoing wars in Ukraine and the Middle East only add to the uncertainty. Despite this, economic data continues to be resilient, and markets are expecting a good earnings season, which is about to start (at the time of writing). European equities are looking more attractively valued compared to US stocks. Artificial intelligence has driven US markets to new highs in recent months, and any setbacks, coupled with rates remaining at current levels, may lead to a pause in market euphoria.

Portfolio managers
Tony Gibson and Karl Leinberger
as at 31 March 2024