CORONATION
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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 advanced 0.5% for the quarter (Q4-24) compared to the benchmark return of -1.0%, bringing the rolling 12-month performance to 14.0% against the 17.5% returned by the MSCI All Country World Index (ACWI). Calendar year 2024 was another good year for global equities. Continued strength in the US helped developed market equities (as measured by the MSCI World Index) deliver total returns of 19%, and a late rally in Chinese equities allowed emerging market equities to deliver 8%. The performance of the bigger US technology stocks meant that global growth stocks dominated, but expectations for deregulation following the election of Donald Trump for a second term boosted financials, helping global value stocks to rise strongly in Q4. Central banks started normalising policy in 2024, but resilient growth and sticky inflation meant markets pared back expectations for rate cuts, particularly in the US. US economic growth remained strong, but this cannot be said for Europe. The European region weakened significantly over the year, facing several headwinds and political challenges in France and Germany. Economic weakness and limited exposure to AI hindered European equities, and in a year of strong equity returns, the region underperformed the US. In China, the property market and consumer confidence remained weak. Still, investors believe that the government will continue to provide the stimulus needed to kickstart the economy, giving rise to a strong rally in Chinese equities in the second half of 2024.

North America was the best-performing region in Q4, advancing 2.6% (in US dollar terms). The weakest return was from Europe, which declined 9% (in US dollar terms). The Pacific ex-Japan fell 10% and Japan declined 4% (both in US dollar terms). Emerging markets underperformed developed markets, falling 8% compared to -0.1% (both in US dollar terms).

Amongst the global sectors, IT (+6%), communication services (+7%) and consumer discretionary (+9%) were the best performers for the quarter. The worst performing sectors were utilities (-8%), materials (-15%) and consumer staples (-7%).

It was a good quarter for most of the underlying managers, with almost all outperforming the benchmark. Only Eminence and Coronation Global Emerging Markets experienced difficult quarters.

Tremblant Capital had gains in communication services and consumer discretionary, generating its strong quarterly return of 7.0%. Amongst communications, Spotify (+21.4%), Door Dash (+17.5%) and Grab Holdings (+24.2%) were the main contributors, while Victoria's Secret (+61.2%), Wyndham Hotels & Resorts (+29.5%), and Amazon (+17.7%) were key to the consumer discretionary returns.

Similarly, communications and consumer discretionary exposure helped Coronation Global Equity Select deliver 7.4%, but financials delivered the biggest gains. These included Interactive Brokers (+26.9%), LPL Financial Holdings (+40.5%) and Wise (+58.8%). In addition, Amazon, Grab Holdings, and Auto1 Group (+53.7%) were the consumer discretionary contributors.

Contrarius Global Equity had another good quarter, returning 5.1%. The fund also benefited from its positions in consumer discretionary and communications, as well as financials. Amongst consumer discretionary, Tesla (+54.4%) made an outsized contribution after the share price rose strongly following the US Presidential election, while Amazon (+17.7%) also made a good contribution to overall return. These returns were somewhat offset by the Chinese consumer discretionary stock Alibaba (-20.1%). Block (+26.6%) and Coinbase (+39.3%) were the key financials contributors, while Meta (2.4%) and Warner Bros. Discovery (+28.1%) were key contributors in communications.

Egerton Capital was marginally better than the benchmark, with a return of -0.6% for the quarter. It too benefited from consumer discretionary, communications and financials. However, these contributions were more muted than within the other funds and also offset by declines in its healthcare and industrials positions. Interactive Brokers (+26.9%), Amazon (+17.7%), Alphabet (+14.0%), Fiserv (+14.3%) and Booking Holdings (+18.2%) were examples of the positive contributors. Amongst the detractors, examples include Novo Nordisk (-26.3%), Canadian Pacific Kansas City (-15.2%), GE Healthcare Technology (-16.7%), and General Electric (-11.4%).

Eminence Capital had a difficult quarter, falling 4.8%. In contrast to the other funds, its consumer discretionary position was a major detractor together with its healthcare stocks. Delivery Hero (-33.4%), Entain (-18.7%), and Alibaba (-20.1%) were the key names that detracted in the consumer discretionary space, with Elevance Health (-28.8%) detracted the most amongst the healthcare positions.

Coronation Global Emerging Markets was marginally behind the MSCI Emerging Markets Index but as emerging markets also lagged behind developed markets, it had a sizeable negative effect. Delivery Hero, PDD Holdings (-28.5%), JD.com (-13.3%), and Melco Resorts (-25.7%) were some of the biggest detractors.

Outlook

Calendar year 2025 is looking to be a consequential year with re-elected Donald Trump assuming the US Presidential office, this time with a clearer idea of how Washington works and a highly motivated team looking to implement his policies, which include import tariffs, reducing illegal immigration, further tax cuts and the end of the wars in Ukraine and the Middle East. How these eventually shape up and affect both the US internally and the rest of the world remains to be seen. Any effects are likely to only have an impact later in the year and into 2026. In the short term, the US is expected to continue to see a soft landing, but the US Federal Reserve is facing a delicate balancing act when the new administration takes office. Tariffs will negatively impact Europe and China, both of which are already struggling with low growth, and both will need to respond with more support for their own economies.

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