***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 9.5% for the quarter (Q3-24) compared to the benchmark return of 6.6%, bringing the rolling 12-month performance to 26.9% against the 31.8% returned by the global equity benchmark as measured by the MSCI All Country World Index (ACWI).

The third quarter ended with strong returns from the equity markets. Stocks were hit hard in August after weak economic data and an interest rate increase from the Bank of Japan caused a rapid unwinding of the carry trades reliant on cheap Japanese borrowing costs. This was short lived, however, and stocks recovered strongly in September after the US Federal Reserve Board (the Fed) started its long-anticipated rate-cutting cycle with a 0.5% cut and China introduced a new stimulus package to kickstart its flagging economy. In Europe, with inflation moderating and sluggish economic activity, the European Central Bank (ECB) added a second 0.25% reduction in interest rates, while the Bank of England also started their easing cycle with a 0.25% cut.

The Pacific ex-Japan was the best performing region in Q3, advancing 14.3% (in US dollar terms). The weakest return was from Japan, with 5.9% (in US dollar terms). Europe rose 6.6% and North America advanced 6.2% (both in US dollar terms). Emerging markets outperformed developed markets, advancing 7.8% compared to 6.5% (both in US dollar terms).

Amongst the global sectors, financials (+10.2%), industrials (+10.1%) and utilities (+16.9%) were the best performing sectors for the quarter. The worst performing sectors were energy (-3.2%), real estate (0.0%) and IT (+1.4%).

All the underlying funds contributed to the relative outperformance over the quarter, with the highest returns coming from Contrarius Global Equity, Coronation Global Equity Select and Eminence Long Fund.

Contrarius Global Equity rose 14.0% over the period, a welcome positive contribution after a long period of underperformance. Big gains were made from the rally in Chinese stocks, with JD.com (+54.8%), Alibaba (+47.4%), Baidu (+21.8%) and SEA Ltd (+32.0%) all examples of this. Other stocks such as Meta Platforms (+13.4%), Tesla (+32.2%), Fox Corp (+22.0%) and Just Eat (+17.3%) also weighed in with positive contributions to performance.

China exposure also contributed to Eminence's alpha of 6.0% for the quarter, with Alibaba and SEA Ltd contributing. However, their performance was broader based, with Zillow Group (+37.6%), CBRE (+37.6%), Entain plc (+23.0%) and Delivery Hero (+32.7%) all making significant contributions.

Coronation Global Equity Select had a big boost from consumer discretionary stocks. Auto1 Group (+66.8%), Flutter (+30.1%), Delivery Hero (+32.7%) and Entain plc (+23.0%) were amongst the biggest contributors in that sector. Tech stocks such as Meta Platforms (+13.4%), Spotify (+17.5%) and Prosus (+20.3%) also did well.

Egerton Capital returned 8.9% over the quarter. Egerton's top contributors included Progressive Corp (+22.3%), GE Healthcare Technology (+20.5%), GE Verona (+48.7%) and Fiserv Inc (+20.5%). Lone Pine's contributors were Vistra Corp (+38.2%), KKR (+24.3%), Meta Platforms (+13.4%) and Spotify (+17.5%).

SEG Crosby Street enjoyed strong returns from their financials, industrials and materials exposures in delivering 10.3% for the quarter. CRH plc (+16.1%), Obic Co (+22.4%), Brookfield Infrastructure (+29.3%), Quanta Services (+17.4%) and LSE Group (+9.2%) were amongst the top contributors.

**Outlook**

The next quarter will be an eventful one. At the time of writing, it appears that the US economy is still strong and that future rate cuts will be more gradual than the initial 0.5% cut had implied. There is the US Presidential election in November, the outcome of which is currently on a knife's edge, which may focus attention on the US fiscal deficit and debt. The rally in China has already abated with indications being that even more stimulus will be needed to fully reenergise the economy. Europe is still struggling, and the ECB is expected to continue its easing cycle. Finally, the two wars continue to dominate the headlines with escalating tensions in the Middle East being the more immediate concern as markets await Israel's expected retaliation against Iran and its impact on oil prices.

**Portfolio managers**
**Tony Gibson and Karl Leinberger**
as at 30 September 2024