

Actuarial Society of South Africa Investment Seminar

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7 August 2024



Hunting for Alpha

Navigating uncertainty in
capital markets



118.920

380.330

187.170

154.360



Agenda

- Why active investing matters
- Skill is rare
- The investable universe
- Global market's experience
- Fundamental law of active management
- Focusing on the breadth term
 - SA equity market
 - Thematic screening



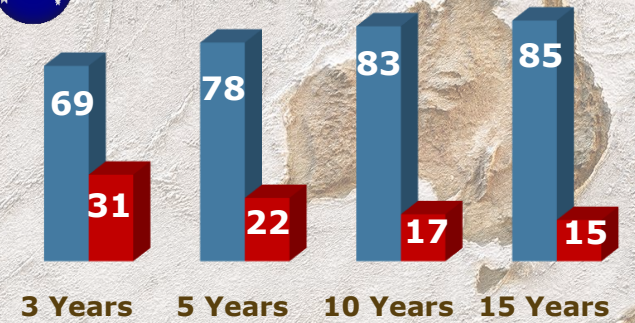
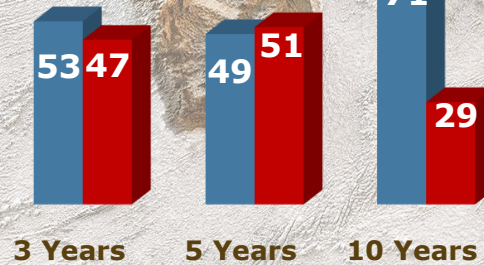
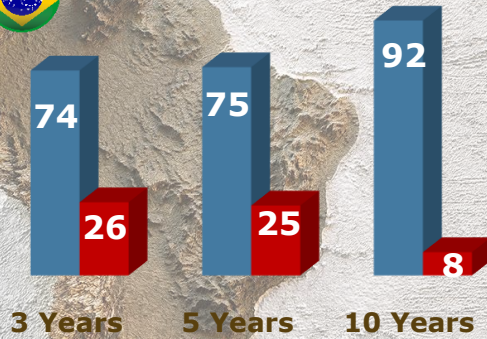
A close-up photograph of a man with a beard and mustache, wearing a dark blue suit jacket over a white shirt. He is looking through a wooden lattice structure, which is out of focus in the foreground. The background is a light, neutral color.

Why active investing matters

Efficient price discovery and
market efficiency

Liquidity provision and
reduced volatility

Capital allocation and supporting
growth and innovation



Skill is rare



% active managers that outperformed the index

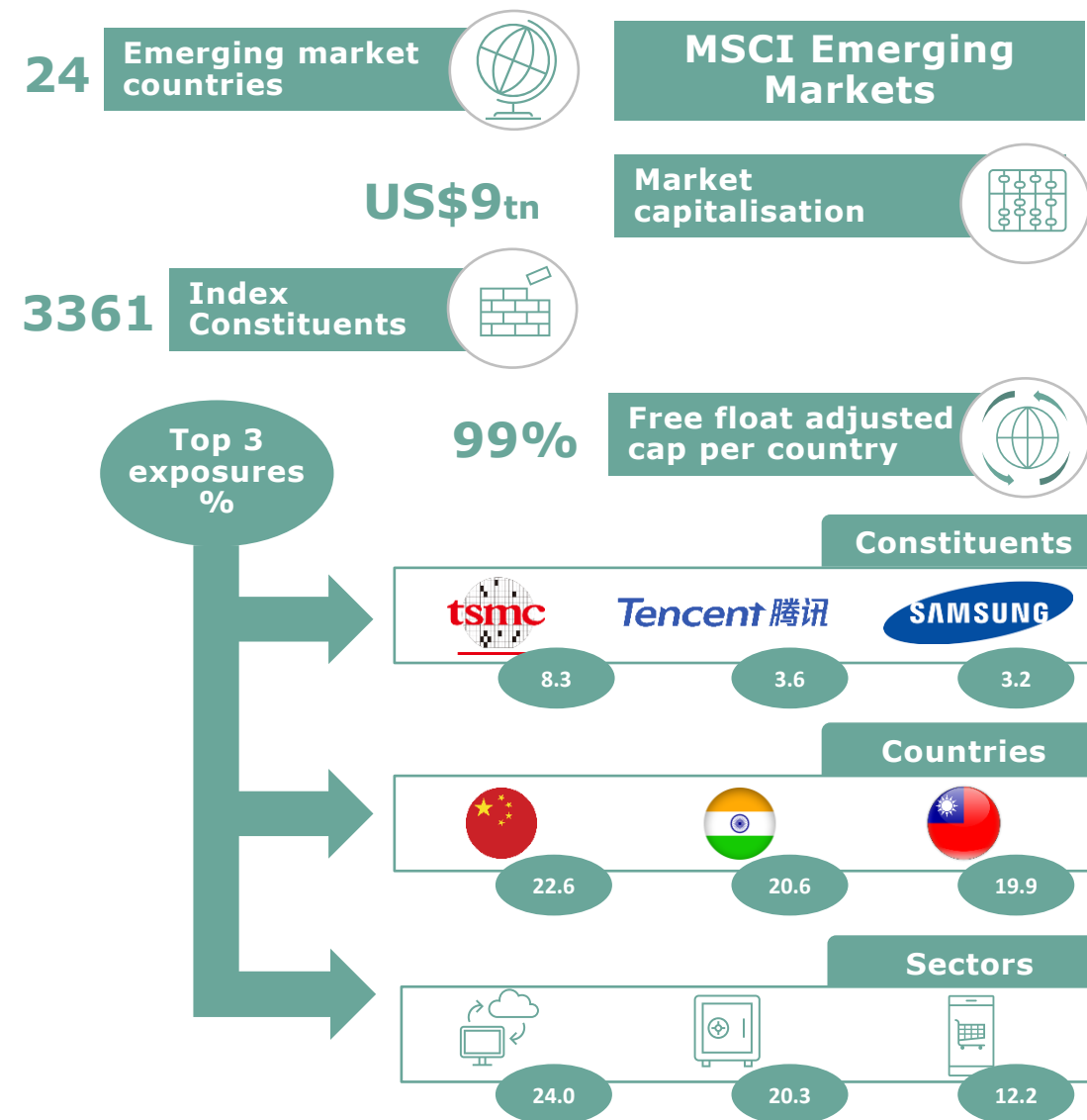
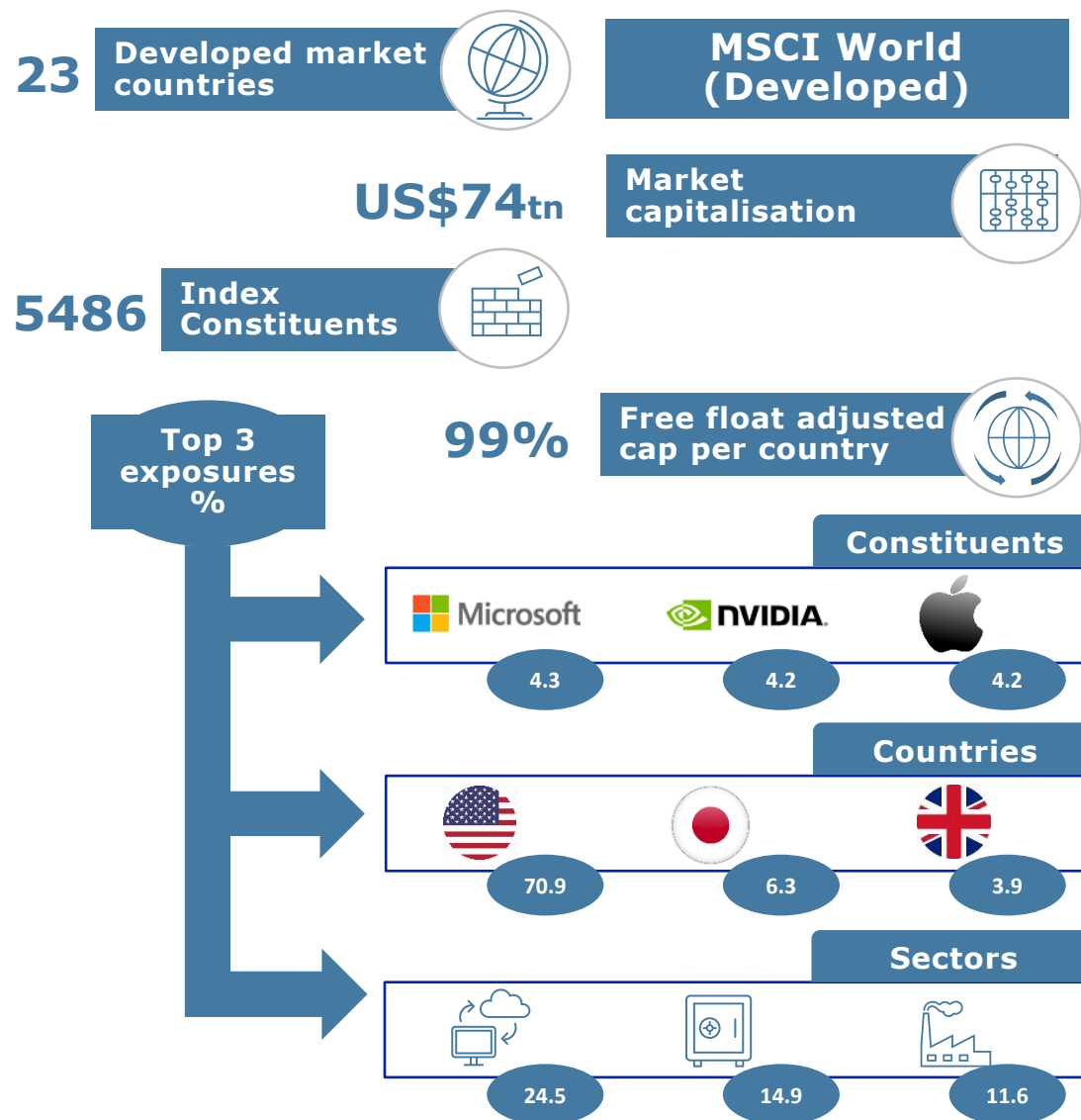


% active managers that underperformed the index



Camissa
Asset Management

Key features of the global universe



Global market's experience

1

**Market
concentration**

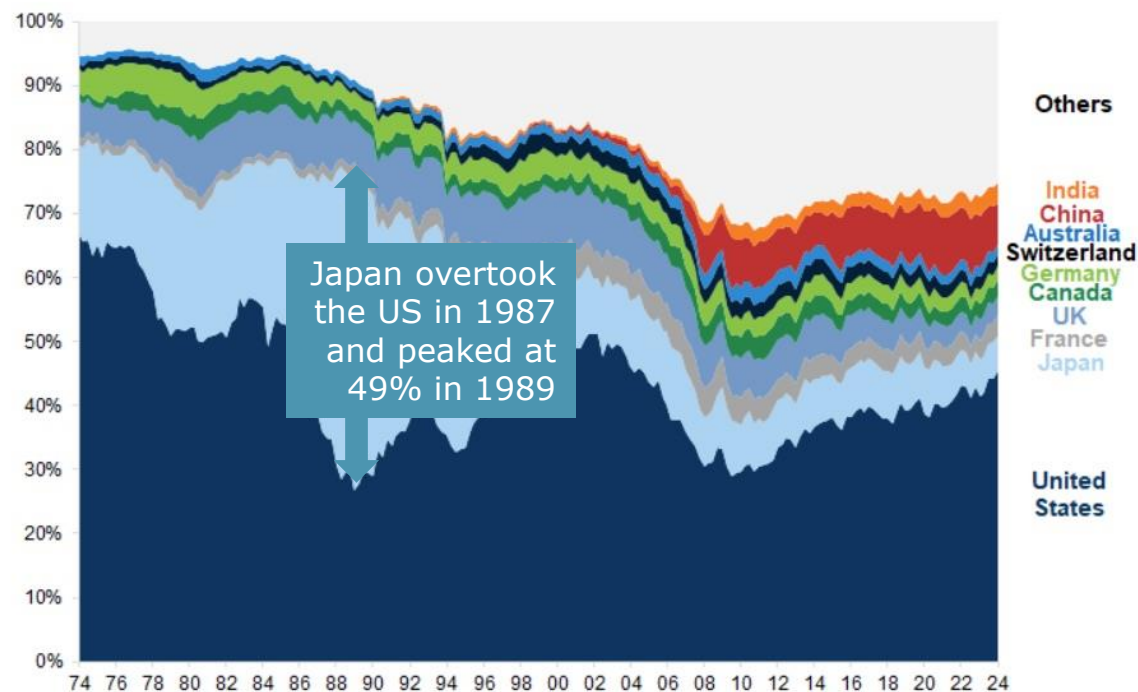
2

**The concentrated
return experience**

Global market's experience

Exhibit 1: US equity market hegemony

Share of Global Market Cap



Source: Datastream, Worldscope, Goldman Sachs Global Investment Research

1

Market concentration

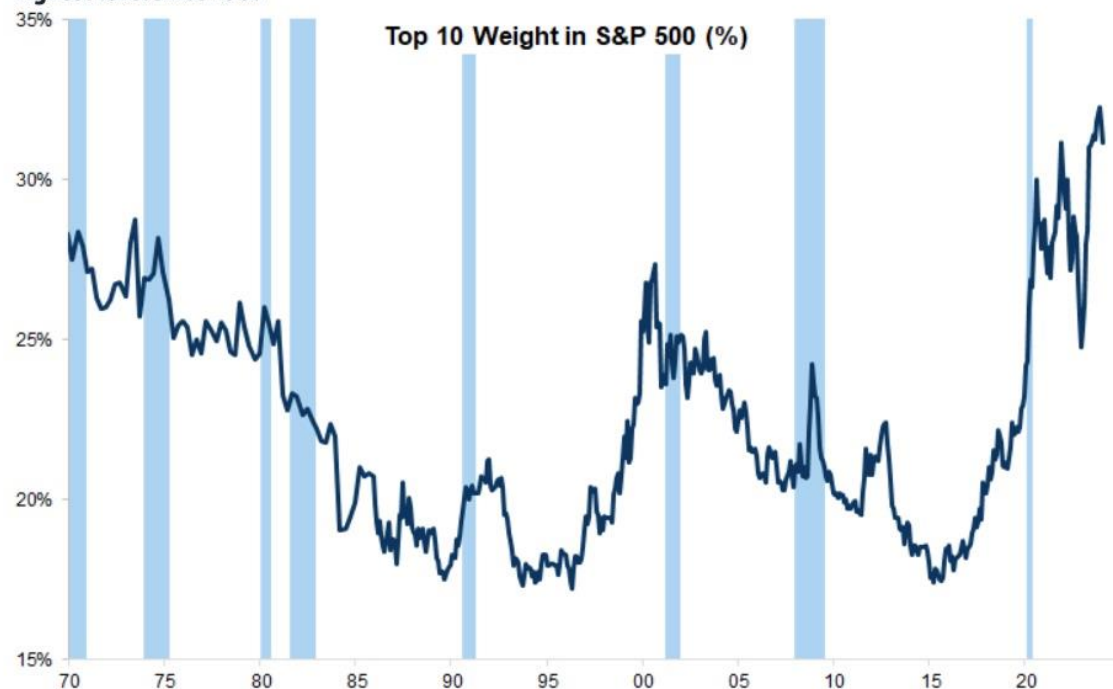
US equity market hasn't been this large a portion of global equity markets since 2004.

2

The concentrated return experience

Global market's experience

Exhibit 23: The 10 largest companies have reached over 30% of the market value of the S&P500, the highest level since 1980



Shadow = NBER US Recession Period

Source: Goldman Sachs Global Investment Research

1

Market concentration

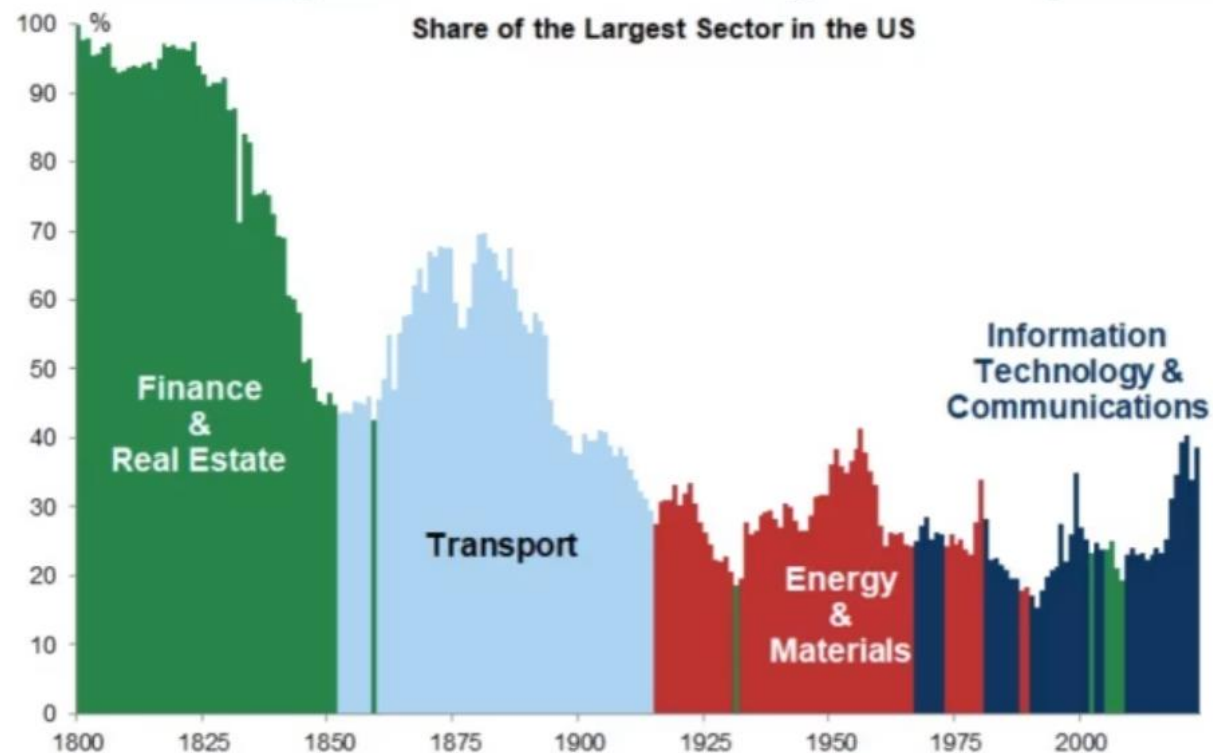
the top 10 stocks have not made up such a large portion of the S&P 500 since at least 1970

2

The concentrated return experience

Global market's experience

Exhibit 14: The technology sector is about the same size as the energy sector was at its height in the 1950s



Source: Datastream, Goldman Sachs Global Investment Research

1

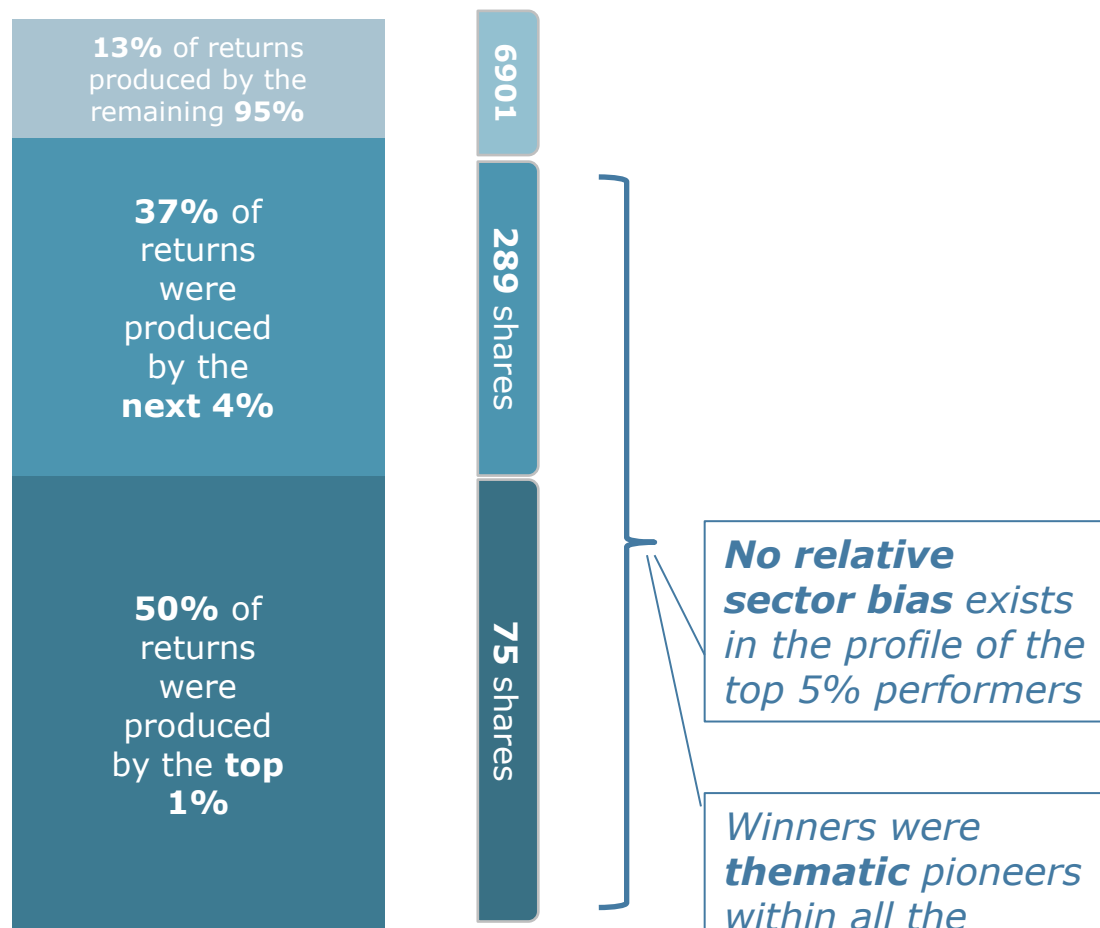
Market concentration

sector concentration within the US hasn't been this high since the 1950s

2

The concentrated return experience

Global market's experience



Source: MSCI, Bloomberg, Sarasin & Partners
MSCI ACWI Constituents (Jan 2000 – Dec 2023)



The fundamental law of active management

$$[\text{Value add}] \propto [\text{skill}] \quad \& \quad [\text{breadth}]$$

information coefficient
(IC) = correlation of
decisions or forecasts
with actual outcomes

number of
independent decisions
or forecasts per year

skill = function (people,
philosophy and process,
organisation and culture)

breadth = function
(investable universe,
time horizon)

Source: Grinold & Kahn, Active
Portfolio Management, 1999

The fundamental law of active management

[Value add] $\propto$

[skill]

&

[breadth]

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Source: Grinold & Kahn, Active
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(1a) Breadth in the local market (ability)

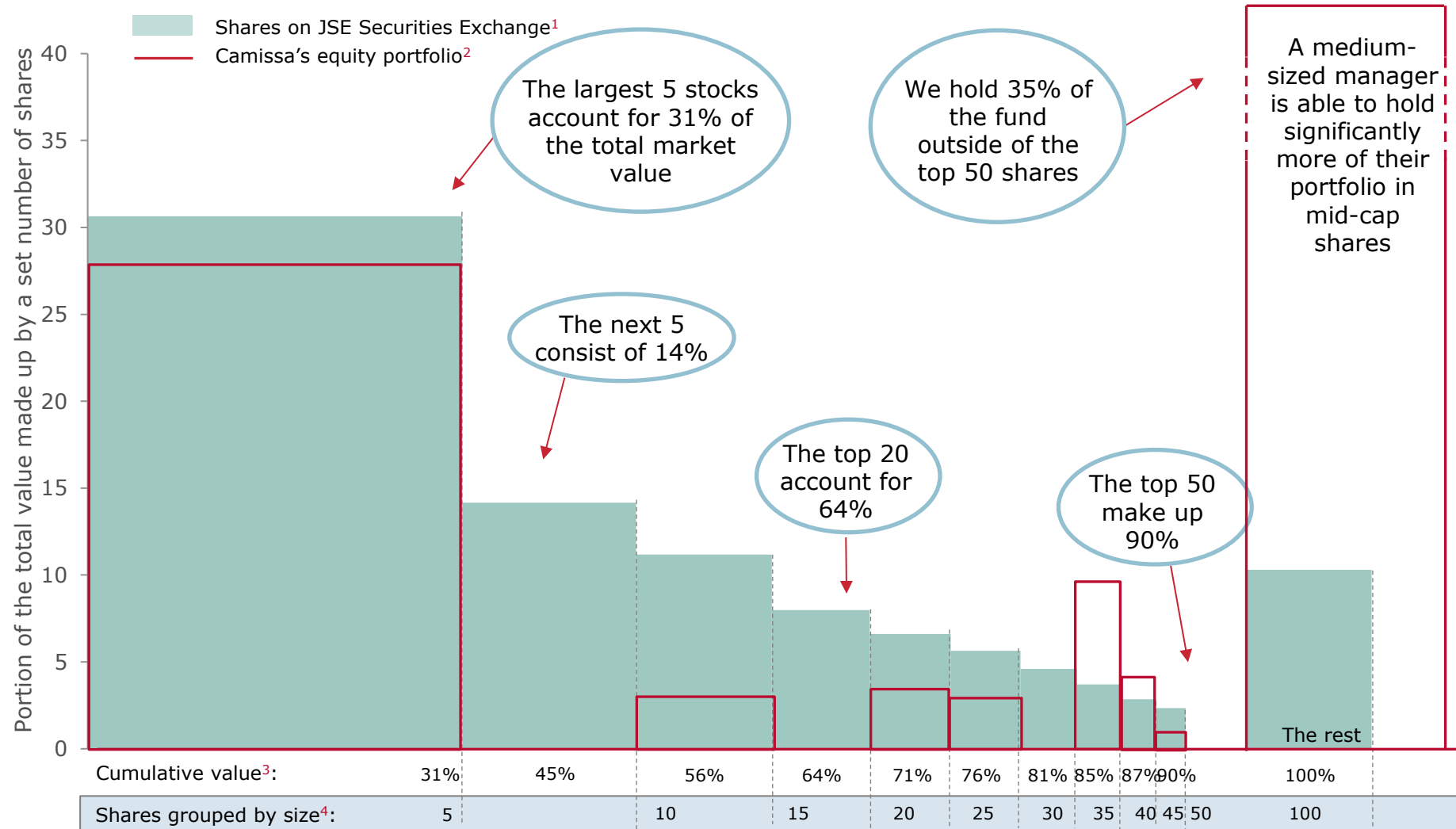
Ability to be contrarian: significant breadth advantage due to total equity fund size

Maximum number of eligible counters

Max % of free float	Fund %	R billion of AUM				
		10	45	80	130	200
10%	1%	123	107	87	70	58
	5%	105	58	44	33	20
25%	1%	124	122	116	104	87
	5%	119	81	64	54	44

Prosus/Naspers
FirstRand
Standard Bank
Gold Fields
Anglo American
Capitec
Richemont
Anglogold Ashanti
MTN
British American Tobacco
Sanlam
Bidcorp
Shoprite
Absa
Nedbank
BHP
Harmony Gold
Bidvest
Aspen
Sasol

(1b) Breadth in the local market (the 'will')



¹ Using FTSE/JSE Capped SWIX Index weights

² Camissa SA Equity Fund (at 30 June 2024)

³ Cumulative portion of the total value made up by a set number of shares (accumulating with decreasing share size)

⁴ Shares in groups of 5 by descending size and a group of shares 51 to 100 in size

(2) Breadth and thematic screening - global



Aging population

- Health care
- Pharmaceuticals
- Financial services



Food security

- Crop protection
- Fertilisers, seeds
- Aquaculture



Tomorrow's workforce

- Automation
- Robotics
- AI, cloud computing



Content is king

- Streaming
- Digital services
- Advertising



Future mobility

- Energy storage
- Components
- Consumables



Green energy transition

- Renewables
- Water
- Hydrogen

A dramatic seascape with a sailor on a boat deck under a stormy sky. The sailor is seen from behind, standing on the deck of a boat, looking out at a turbulent sea with white-capped waves. The sky is filled with dark, heavy clouds, and the overall atmosphere is one of intensity and challenge. The boat's deck, with its wooden planking and metal railings, is visible in the foreground.

A smooth sea never made a skilled sailor

Theodore Roosevelt

- A **skilful active management** approach can dynamically address issues of market concentration and skewed return profile presented by the capital market universe.
- The **bottom-up active** approach can also address the structural 'breadth' issues in narrow local and large international markets through:
 - (a) meaningful mid, small cap exposure
 - (b) thematic qualitative screening and
 - (c) high conviction portfolio construction

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Performance is based on a lump sum investment into the relevant portfolio(s) and is measured using Net Asset Value (NAV) prices with income distributions reinvested. NAV refers to the value of the fund's assets less the value of its liabilities, divided by the number of units in issue. Figures are quoted after the deduction of all costs incurred within the fund. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Camissa may close a portfolio to new investors in order to manage it more effectively in accordance with its mandate. Please refer to the relevant fund fact sheets for more information on the funds by visiting www.camissa-am.com.

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Unconventional thinking

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