Camissa Islamic Equity Fund

December 2023

The fund was up 7.0% in the final quarter, outperforming the peer group average (up 6.1%), and up 5.1% over the past year (versus 7.4% for competitors). It is up 11.7% over the last three years (versus 12.0% for competitors). Since its inception in 2009, the fund has returned 10.7% pa.

Economic backdrop

Global economic activity should remain firm, benefiting from easing financial conditions and strong developed market real household income growth due to sharply falling inflation and higher wages. The US economy is demonstrating particular strength, with a relatively strong consumer underpinned by a very robust labour market and high aggregate household wealth.

Europe's economy, which has stagnated given its linkage to China's weak economic recovery, should benefit meaningfully from a rebound in global manufacturing activity (from low levels) and the ongoing normalisation lower of gas prices. In Japan, continued export growth, improving business investment and private consumption (due to re-emergent wage growth and aided by a large once off personal tax refund) is leading to sustained solid economic activity.

The Chinese economy's recovery has fallen well short of expectations following the lifting of prolonged pandemic lockdown restrictions. Although contact-intensive service industries have experienced a strong recovery, property market activity has been very weak for a sustained period and has depressed consumer confidence. A recovery in exports, manufacturing and infrastructure spending, along with more decisive government stimulus measures should result in stronger near-term growth.

Economic activity in South Africa is severely constrained by an inadequate electricity supply, acute underperformance of transport infrastructure, poor service delivery from weak and revenue-hungry municipalities and chronically low business confidence. Additionally, the economic contribution from the mining sector that has benefitted from high commodity prices, is now far lower. For these reasons, coupled with the sizable government debt burden and a large, unskilled population with high unemployment - we remain pessimistic regarding the structural growth rate for the local economy. Gradual steps by government toward economic reform (now involving more productive private sector partnerships) need to speed up in order to stabilise the economy and prevent further decline.

Markets review

Global markets were strongly positive in the final quarter (up 11.5% in US dollars), with Germany (up 13.9%) and the US (up 11.7%) outperforming. Emerging markets were also positive in the period (up 7.9%), with outperformance from Brazil (up 19.1%), South Korea (up 15.5%) and South Africa (up 12.7%), while China (down 4.2%) and Turkey (down 12.1%) underperformed. 2023 was a very positive year for global equity markets that were up 24.4% overall.

In rand terms, the local equity market was up 6.9% in the quarter. Financials outperformed (up 12.3%), with listed property up 16.4%, banks up 12.8% and life insurers up 9.8%. Quilter (up 22.3%), NEPI Rockcastle (up 21.4%) and Capitec (up 19%) outperformed, while Absa (down 6.4%), OUTsurance (up 0.7%) and Santam (up 1%) underperformed.

Industrials were also positive (up 5.9%) driven by robust performances from Tiger Brands (up 31.2%) and Dischem (up 30.4%). Other standout positive performers included Clicks (up 25.9%), Bytes (up 25.5%) and Aspen (up 18.4%). Weak performances were delivered by Pick n Pay (down 37.1%), Life Healthcare (down 8%), Bidvest (down 7.5%) and British American Tobacco (down 6.4%).

Resources underperformed the other sectors (flat in the period), with outperformance from Harmony (up 69.4%), Amplats (up 36.6%) and Gold Fields (up 35.3%). Sasol (down 29%), Sibanye (down 14.8%) and Thungela (down 11.4%) underperformed.

The local market was positive for the year (up 9.3%). Financials were up 21.8%, industrials were up 17.3% and resources were down 15.1%.

Fund performance and positioning

Positive contributors in the fourth quarter included Anglo Platinum, PPC, Northam Platinum and Pepkor. Key negative contributors included Sasol, Adcorp, Sea Harvest and Oceana.

Global equity contributed positively to performance, with positive contributions from Johnson Electric, Micron Technology, Persimmon, SKF and Koninklijke Philips. Bayer, Nutrien, Albermarle, VMWare and Pfizer all detracted.

The Mr Price Group (MRP) has emerged as one of South Africa's largest apparel and general merchandise retailing groups, achieving this status through a blend of historical organic growth and strategic acquisitions. With their recent purchase of Studio 88 (the largest independent retailer of branded leisurewear and sporting apparel in South Africa) they have gained meaningful exposure to the fast-growing market for "athleisure" goods.

Despite facing heightened competition, the core "Mr Price" chain remains the most shopped and valuable apparel retail brand in South Africa, offering trendy merchandise at accessible prices. The group's financial strength, evident in its robust balance sheet, strong cash flow generation and limited exposure to riskier credit sales - underscores its resilience. The unique variability in MRP's staff remuneration structure adds an additional layer of defensiveness to earnings during periods of lean sales growth. We view MRP as undervalued given the strength of their business model, industry-leading return metrics and prospects for growth**.**

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