Camissa Islamic Global Equity Feeder Fund

September 2024

The fund was up 2.7% in the third quarter, outperforming its benchmark of the FTSE World Index (down -0.2%). The fund was up 6.0% return over the last year and up 7.6% pa annualised return over the last five years.

Economic backdrop

Global economic activity remains firm, but somewhat uneven. Financial conditions are gradually easing and developed market real household income is growing due to falling inflation and firm wages. The US economy in particular is growing solidly, with strong consumption underpinned by a robust labour market, healthy immigration and high aggregate household wealth.

Following a sluggish post-pandemic reopening recovery, China's economic growth (especially exports and infrastructure spending) has been weak in nominal terms given ongoing deflation. The prolonged weakness in the property market has dampened consumer confidence, contributing to disappointing consumption growth. Policymakers have now responded with more aggressive monetary and fiscal stimulus plans that are likely to boost sentiment and may improve near-term economic activity.

Europe's economy has been stagnating given its export link to China's weak economic recovery, scarring from the energy crisis and the eroding competitiveness of its automotive sector. It should benefit from any rebound in global manufacturing activity from low levels. Japan is maintaining solid economic activity, with improving business investment and increasing private consumption amid high wage growth.

Near-term South African economic activity should be somewhat boosted by a mild cyclical recovery in real consumption as consumers benefit from declining inflation and interest rates, along with cash withdrawals from the two-pot retirement dispensation. Nevertheless, economic activity is constrained by acute underperformance of transport infrastructure, poor service delivery from weak and revenue-hungry municipalities, inadequate (albeit improved) electricity supply and low business confidence.

Following the election and the formation of the Government of National Unity, there have been positive leadership changes in key ministries and a commitment to attempting to address the country's structural problems. Consequently, following the dramatic economic decline of the last 15 years, there is room for optimism that the economy may stabilise, and the country may potentially be setting on a more constructive path. Yet, given the deep structural issues in the economy - most notably the sizable government debt burden and a large, unskilled population with high unemployment levels - we believe that a modestly higher growth trajectory will take an extended period of time to engineer and that this path is beset with risks.

Markets review

Global markets were positive in the third quarter (up 6.5% in US dollars), with Hong Kong (up 22.3%) and Germany (up 10.2%) outperforming. Emerging markets were also positive in the period (up 8.9%), with outperformance from China (up 23.6%), South Africa (up 16.3%) and Brazil (up 8.5%).

Fund performance and positioning

Notable positive contributors in the quarter were Siemens Energy, Koninklijke Philips and Evonik. Albemarle, Continental and Panasonic were the main detractors in the period.

By sector, industrials, healthcare and energy contributed positively to the fund's performance relative to the benchmark over the second quarter of 2024. Our significant underweight positions in information technology and communication services were the main detractors on a relative basis. Our consumer discretionary and materials holdings detracted on an absolute and relative basis.

We remain overweight in European equities and substantially underweight in US equities relative to our benchmark. We have maintained our positioning in high quality cyclical companies as we believe that share price levels are still low relative to their long-term prospects, and they should provide very attractive forward-looking returns.