Camissa Islamic Global Equity Feeder Fund

March 2025

The Camissa Islamic Global Equity Feeder fund was up 3.6% this quarter, outperforming its benchmark, FTSE World Index, which declined by 2.5% over the same period. The fund was flat over the last year and yielded an 8.6% per annum annualised return over the last five years.

Economic backdrop

Global economic activity is slowing due to increased US tariffs, elevated levels of uncertainty about suspended tariffs reinstatement, uncertainty about the generally chaotic US interventions and tightening financial conditions. The negative impacts of erratic US government policy on consumer sentiment, consumption, business confidence and investment are causing US economic growth to weaken abruptly from a previously robust rate.

China's nominal economic growth has been weak due to ongoing deflation and the consequences of a severely weakened property market. It is now being further undermined by the escalating trade war with the US, which will negatively impact Chinese exports and manufacturing. On the positive side, however, Chinese consumer confidence and spending may be improving from historically low levels, buoyed by more aggressive monetary and fiscal stimulus and structural state interventions that are now specifically targeted at improving local consumption.

The Japanese and European economies have been particularly negatively affected by the 25% US automotive import tariff on their large automotive export sectors. Europe’s economy, which has been stagnating due in part to its export link to a weak manufacturing economy in China, will start to benefit from higher fiscal stimulus. Germany has started to see a boost in business confidence following the decision to lift the debt ceiling and meaningfully increase fiscal spending in infrastructure and defence.

South African economic activity has been boosted by a mild cyclical recovery in real consumption as consumers have benefited from declining inflation and interest rates, together with once-off cash withdrawals from the two-pot retirement dispensation. A more enduring lift to the growth of economic activity is, however, structurally constrained by the acute underperformance of transport infrastructure, poor service delivery from weak and revenue-hungry municipalities, inadequate (albeit improved) electricity supply and low business confidence. These weaknesses are now further exacerbated by slowing global economic activity.

In recent years, there has been material progress made in moving to reform the economy through Operation Vulindlela (acting within the Ministry of the President) and the partnership between government and business leaders - targeting three priority areas: energy, transport and crime, and corruption. The Government of National Unity has additionally brought about positive leadership changes in key ministries and a government 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 that the country may now follow a more constructive path. Yet, given the deep structural issues in the economy – most notably the sizable government debt burden and large, unskilled population with high unemployment levels – we believe that a modestly higher growth trajectory will take an extended period to engineer and that this path is beset with risks.

Markets review

Global markets were slightly negative in the first quarter (down 1.7% in US dollars), mainly due to the underperformance of the US (down 8.1%) and Japan (down 5.6%), while Hong Kong (up 15.9%) and Germany (up 15.8%) outperformed. Emerging markets were also positive overall, up 3.0% for the quarter, with outperformance from Brazil (up 16.8%), China (up 15.1%) and South Africa (up 13.9%).

Fund performance and positioning

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

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.

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