Camissa Islamic Global Equity Fund
Quarterly commentary
June 2023

Camissa
Global Asset Management

The fund was up 2.2% in the second quarter, underperforming its benchmark of FTSE World Index (up 6.8%). The fund underperformed its benchmark over the past year, up 13.1% (versus the benchmark up 18.7%).

Economic backdrop

Global economic activity has decelerated from higher post-lockdown rebound growth levels but is proving reasonably resilient in the face of very rapid monetary tightening.

US economic growth has moderated from higher levels due to headwinds from sharply rising interest rates, less buoyant residential investment and notably higher consumer inflation. Despite subdued business sentiment, business fixed investment growth has been positive. US consumers remain strong, despite their low measured confidence levels, given a surprisingly resilient labour market.

Europe's economy remains weaker, with persistently higher energy prices and low consumer and business confidence. While there have been some positive effects from the alleviation of global supply chain issues and reduced semiconductor lead times, the manufacturing and export sectors have not experienced the anticipated level of rebound given the weaker than expected economic recovery in China.

Japanese economic activity has been solid, with improving private consumption, business investment and continued export growth - all against a backdrop of an extremely loose monetary policy, a very weak yen and weak exports to China. Recent wage settlements in Japan, which continue to be higher than expected, may be a harbinger of structurally stronger domestic consumption and the first healthy price inflation for many decades.

The Chinese economy's recovery has fallen well short of expectations after the lifting of prolonged pandemic lockdowns. Although contact-intensive service industries are experiencing a robust rebound, the property market, manufacturing sector and export industries remain very weak. Near term growth prospects are still strong and could be boosted by government stimulus measures.

Economic growth in South Africa is severely constrained by an inadequate and acutely unstable electricity supply (at least for the next few years), underperformance of transport infrastructure, poor service delivery from weak and revenue-hungry municipalities and chronically low business confidence. For these reasons, coupled with the very large government debt burden and a large and unskilled population with high unemployment, we remain pessimistic regarding the structural growth rate for the local economy. This is despite signs of some incremental government moves towards economic reforms. Additionally, the economic contribution from the mining sector benefiting from high commodity prices is now much weaker.

Markets review

Global markets were positive in the second quarter (up 7.0% in US dollars), with Japan (up 9.0%) and the US (up 8.7%) outperforming. Emerging markets were also positive in the period (up 1.0%), albeit weaker than developed markets, with outperformance from Brazil (up 22.2%) and India (up 12.4%). Turkey (down 10.6%), China (down 9.6%) and South Africa (down 4.7%) underperformed.

Fund performance and positioning

Key positive contributors were Hochtief, Bayer and SKF. Global equity detractors included Pfizer, Johnson Electric and Roche. We remain overweight European equities and substantially underweight US equities relative to our benchmark.

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