Camissa Islamic High Yield Fund
March 2024

The fund was up 0.8% in the first quarter, ahead of the competitor group average. It is up 6.7% over the last three years, outperforming its benchmark (up 6.1% pa). Since its inception in 2019, the fund has returned 6.9% pa.

Economic backdrop

Global economic activity remains 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, in particular, is demonstrating strength, with relatively strong consumption underpinned by a robust labour market, healthy immigration and high aggregate household wealth.

Europe's economy, which has stagnated given its link to China's weak economic recovery, should benefit meaningfully from a rebound in global manufacturing activity from low levels, lower gas prices and increased government investment (particularly in the South). Japan is sustaining solid economic activity, with increasing private consumption due partly to high wage growth and improving business investment. The very weak currency is also aiding exports and inbound tourism.

Following a very weak post-Covid reopening recovery, Chinese economic growth is very slowly accelerating, but is weak in nominal terms due to persistent deflation. Property market activity has been considerably weak for a sustained period and has depressed consumer confidence. Nonetheless, there is an improvement in exports, manufacturing and infrastructure spending.

Economic activity in South Africa is severely constrained by 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 levels - 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 hasten to stabilise the economy and prevent further decline.

Markets review

Global markets were strongly positive in the first quarter (up 9.0% in US dollars), with Japan (up 13.1%) and the US (up 10.6%) outperforming. Emerging markets were also positive in the period (up 2.4%), with outperformance from Turkey (up 14.6%), India (up 6.1%) and South Korea (up 0.7%). South Africa (down 6.7%) and Brazil (down 7.5%), however, underperformed.

In rand terms, the local equity market was down 2.3% in the period. Industrials outperformed (up 0.9%), driven by robust performances by Multichoice (up 40.2%) and Sappi (up 20.1%). Other standout positive performers included Richemont (up 12.5%), AVI (up 11.3%) and Mr Price (up 10.8%). Weak performances were delivered by Spar (down 25%), MTN (down 18.8%) and Woolworths (down 15.9%).

Resources were also positive (up 0.8%), with outperformance from Harmony (up 32.1%), Anglogold (up 20.6%) and Gold Fields (up 10.9%). Kumba (down 20.9%), Thungela (down 20.8%) and Sasol (down 19.9%) underperformed.

Financials underperformed the other sectors (down 7.1%), with listed property up 3.9%, banks down 7% and life insurers down 9%. NEPI Rockcastle (up 7.7%) and Santam (up 7.1%) outperformed, while Remgro (down 24.8%), Discovery (down 16%) and FirstRand (down 13.3%) underperformed.

Fund performance and positioning

A positive performance from local equities combined with a positive contribution from Sukuks, were the key factors underpinning performance in the fourth quarter. Positive contributors included the fund's exposure to materials companies and select industrial shares. Our portfolios currently have high exposure to sukuks, nominal exposure to materials and globally diversified South African industrial companies.

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