Improved Sentiment

GLOBAL MARKET OVERVIEW –July 2023

Market sentiment remained positive in July, buoyed by a drop in developed market inflation and resilient GDP data. This raised hopes for a soft landing and supported a broad rally across most asset classes and regions.

Iza Wealth

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GLOBAL MARKET OVERVIEW – July 2023

Market sentiment remained positive in July, buoyed by a drop in developed market inflation and resilient GDP data. This raised hopes for a soft landing and supported a broad rally across most asset classes and regions. The market continued up in July, as earnings met their slightly lowered expectations and were nowhere near a recession—let's say it was a "noticeable slowdown," which is the term U.S. Fed Chair Jerome Powell used when he said the U.S. Federal Reserve no longer expected a recession. The economic outlook improved, as consumers remained strong (but more selective), and earnings came in better, with forward estimates showing growth. The three most widely followed indexes closed out July with significant gains. The S&P 500 jumped 3.1% (USD) to register five straight gaining months for the first time since its seven-month winning streak, which ended in August 2021. The Dow added 3.4% (USD), which includes a 13-day winning streak ending last week. The tech-heavy Nasdaq Composite gained about 4.1% (USD) and posted its fifth straight winning month for the first time since April 2021. To kick off the third quarter of 2023, the market saw continued economic surprise momentum, reinforcing the soft-landing narrative but leaving the door open for further Fed rate hikes. The disinflationary narrative also continued to grow louder, with June core PCE inflation printing 0.2% MoM and 4.1% YoY which was the softest reading since September '21. Q2 GDP came in at 2.4% (SAAR), well above the 1.5% consensus expected, reflecting robust consumer spending.

Global Overview

A key trading takeaway for the month was the broadening of returns, as breadth declined but remained strong. For June and July, the S&P 500 TR was up 10.03% (6.61% in June and 3.21% in July). The top 10 issues contributed 34.4%. Gone are the days when 8 issues (7 companies) accounted for all the gains (excluding them, the market would have been negative), as it now takes 331 issues to negate the index for the period after May 31, 2023. Not that size doesn't count (Apple, NVIDIA and Tesla still headed the June-July list, accounting for 19% of the gains, as Information Technology accounted for 24.5%), but the broad gains helped feed the hope for a full recovery.

Of course, the catch-up from the new smaller grunts doing the work and some profit-taking from the big guys has taken a little away from the recovery view. If the trend continues, and if the top is already saturated and fully priced, their contribution will slowly decline in the YTD stats, but for full-year 2023, absent a top belt down, the year should still show a top-heavy contribution list, due to the opening five-month performance. Second-quarter earnings numbers posted by mega-cap tech and other companies have also been encouraging, or, at least, better than expected. Even as the Fed raised interest rates by a much anticipated 25 bps in July and did not promise an end to rate hikes anytime soon.

The big question facing the market is whether the board has reached its peak rate or if we are in store for one or more hikes to close out the year. During the press conference following the meeting, Chairman Powell noted the Fed's 2% inflation target "has a long way to go" but did leave room to potentially hold rates steady at the next meeting in September. 51% of S&P 500 companies reporting Q2 earnings, 80% have reported a positive EPS surprise and 64% have reported a positive revenue surprise. The average EPS beat was just under 5.7%, with an average revenue beat of under 1.7%.

August will see the remainder of the Q2 '23 earnings season, as well as a slew of key economic data, including CPI prints and Jobless claims on 8/10. While the Federal Reserve will not meet again until late September, the August data will be key drivers of their potential policy changes. Trading tends to slow down in August as many leave for summer vacation. Over the last 50 years, the month of August has seen an average return of -0.27%, with 26 years in the green and 24 in the red. Only September saw worse returns during that time frame, with an average return of -1.08%.

South Africa

The domestic market rallied alongside global peers in July. The FTSE/JSE Capped SWIX Index gained 4.1% for the month. Inflation continued to show signs of moderating in June, with CPI easing to 5.4% (vs 6.3%) back to within the South African Reserve Bank's (SARB's) 3-6% target range. Core inflation, which has historically been more 'sticky', also continued its downward momentum, easing marginally to 5.0% in June (vs 5.2%). Softer inflation prints supported the SARB's decision to pause its monetary policy tightening, leaving its key repo rate at a 14-year high of 8.25%. The local currency continued to recover from its plunge towards R20/US$1 in May in the wake of US allegations that SA supplied weapons to Russia. The rand ended July at R17.85/US$1, leaving it 5.6% stronger against the US dollar. data released for May showed mining production falling 0.8%, reflecting the impact of lower commodity prices and increased loadshedding. While manufacturing PMI contracted for the fifth consecutive month, highlighting a deterioration in business conditions. For the first half of the year, South Africa's trade surplus narrowed sharply to R5.6bn from R130bn in the first six months of 2022.

All performance figures in ZAR unless otherwise stated.

Alpine Macro

"The key point is that real bond yields are abnormally high today and have already surpassed the levels that have usually choked off economic activities in the past. Our bet is that real bond yields should fall over time as ongoing disinflation sets the stage for a new monetary easing cycle. Bottom line? We are doubling down on our bullishness on bonds as prices have weakened since last week."

Alpine Macro

OUR PORTFOLIOS

The Iza Portfolios

The Iza Global Equity Fund rose by 3,20% (GBP) & 4,29% (USD) in July. While the Iza Global Balanced Fund gained 2,37% (GBP) & 3,44% (USD) for the month. The Stable Model Portfolio gained 1,80% (GBP) for the month.

In the last month, we have persisted in refining the Iza portfolios. Notably, we have bought new positions into the iShares Core MSCI World ETF , Nomura Global High Conviction Fund, and T.Rowe Global Focused Growth Equity Fund. Our intention is to progressively enhance these holdings until we attain our designated allocation for each one. Shifting focus to our bond holdings, there was a recent decline in Treasuries following Fitch's modest downgrade of the AAA U.S. credit rating. Despite this occurrence, we hold the view that the repercussions on the bond market will likely be transient and not leave a lasting impact. U.S. government bonds are all dollar-denominated, meaning the risk of a sovereign default is zero. It is worth noting that the S&P downgrade of U.S. Treasurys on August 5, 2011 caused a short-term spike in yields, but the bull market in bonds resumed quickly and yields made new lows a month later in the wake of the European sovereign debt crisis.

Looking at the underlying holdings we find that Scottish Mortgage was the fund's largest contributor in July gaining 10.40%. Dodge & Cox gained 4,7% for the month while Berkshire Hathaway gained 3,2% (USD). Our largest holding the Fundsmith Equity Fund gained 0.90 % for the month. Fundsmith's top 5 contributors in the month were Meta Platforms, Automatic Data Processing, IDEXX, Alphabet and Waters. The top 5 detractors were Stryker, Estée Lauder, Amadeus, Microsoft, and Church & Dwight. Looking ahead, August will see the remainder of the Q2 '23 earnings season, as well as a slew of key economic data.

Funds' Performance Summary

As at 31 July 2023 GBP	1 Month	3 Months	YTD	1 Year	3 Years*	5 Years*
Iza Global Stable Portfolio GBP	**1,80**	**1,34**	**3,28**	**-0,78**	**-0,17**	**1,76**
EAA Fund GBP Cautious Allocation	*1,50*	*1,34*	*3,61*	*0,27*	*2,42*	*1,70*
Iza Wealth Global Balanced A GBP	**2,37**	**2,87**	**4,57**	**-1,46**	**-0,33**	**2,41**
EAA Fund GBP Flexible Allocation	*1,45*	*0,73*	*2,60*	*-1,17*	*2,19*	*1,25*
Iza Global Equity Class A GBP	3,20	**4,60**	**6,20**	**-0,91**	**-0,91**	**5,56**
Benchmark (MSCI World NR)	*2,13*	*6,01*	*11,21*	*7,33*	*12,41*	*9,54*

As at 31 July 2023 USD	1 Month	3 Months	YTD	1 Year	3 Years*	5 Years*
Iza Global Stable Portfolio	**2,87**	**3,32**	**9,56**	**4,39**	**-1,14**	**1,17**
EAA Fund USD Cautious Allocation	*2,57*	*3,32*	*9,89*	*5,44*	*1,45*	*1,11*
Iza Wealth Global Balanced A	**3,44**	**4,85**	**10,85**	**3,71**	**-1,30**	**1,82**
EAA Fund USD Flexible Allocation	*2,05*	*3,16*	*7,42*	*4,19*	*2,92*	*2,42*
Iza Global Equity Class A	**4,29**	**6,83**	**12,82**	**4,51**	**-2,91**	**4,32**
Benchmark (MSCI World NR)	*3,36*	*8,52*	*18,95*	*13,48*	*11,67*	*9,12*

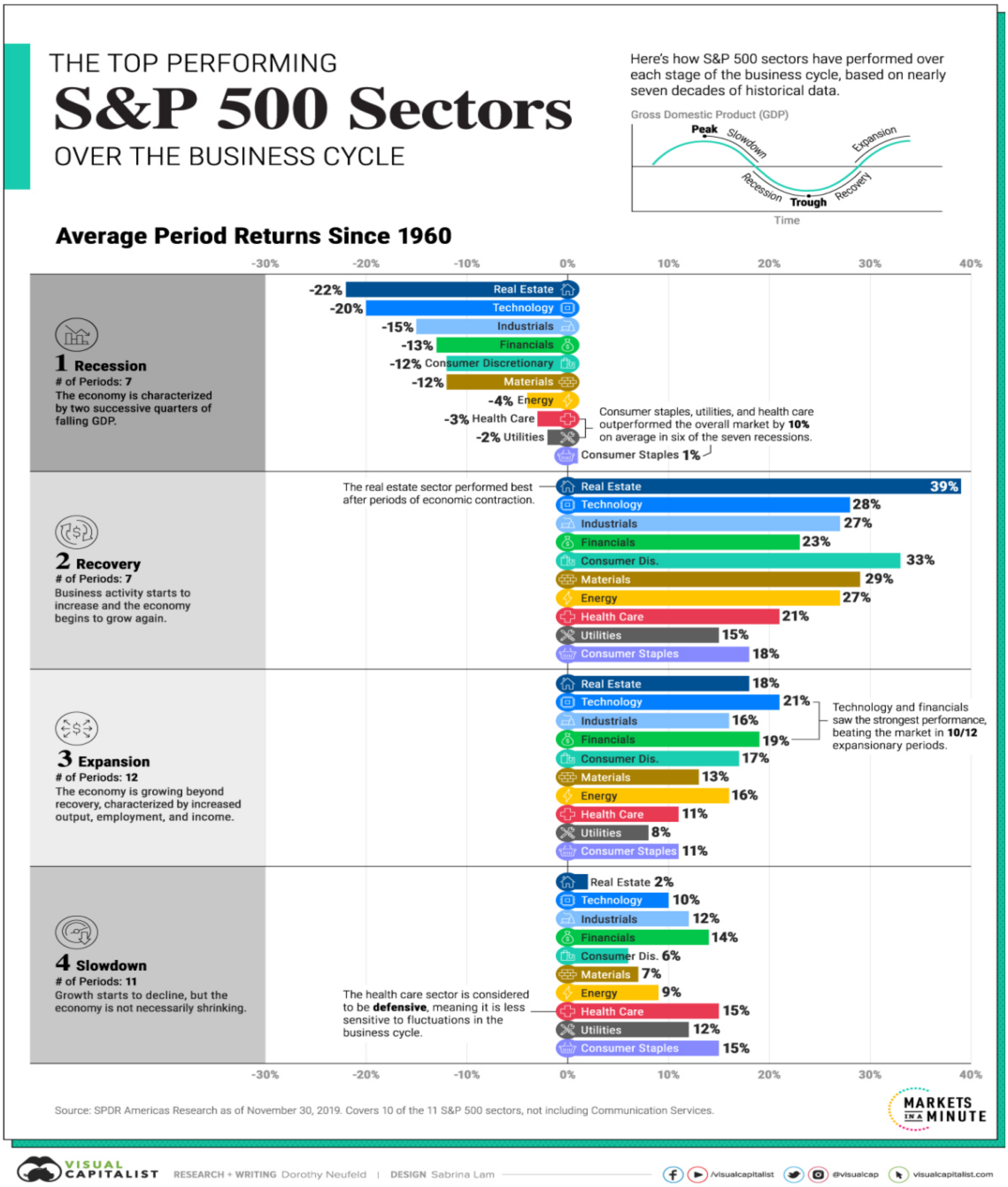
As at 31 July 2023 ZAR	1 Month	3 Months	YTD	1 Year	3 Years*	5 Years*
Iza Global Stable Portfolio	**-2,10**	**1,45**	**15,92**	**13,52**	**1,07**	**7,68**
EAA Fund GBP Cautious Allocation	*-2,39*	*1,45*	*16,29*	*14,72*	*3,70*	*7,62*
Iza Wealth Global Balanced A	**-1,55**	**2,98**	**17,37**	**12,75**	**0,91**	**8,37**
EAA Fund GBP Flexible Allocation	*-2,44*	*0,83*	*15,16*	*13,08*	*3,46*	*7,14*
Iza Global Equity Class A	**-0,75**	**4,71**	**19,20**	**13,37**	**0,33**	**11,70**
Benchmark (MSCI World NR)	*-1,78*	*6,12*	*24,82*	*22,80*	*13,81*	*15,92*

** ZAR returns are for illustrative purposes and based on GBPZAR exchange rates only, which may differ from actual feeder fund return figures. The Iza Global Equity Fund launched 2 Oct 2020, the Iza Global Balanced Fund launched 25 Apr 2018; historic performance figures are back-tested.*

Market Insights

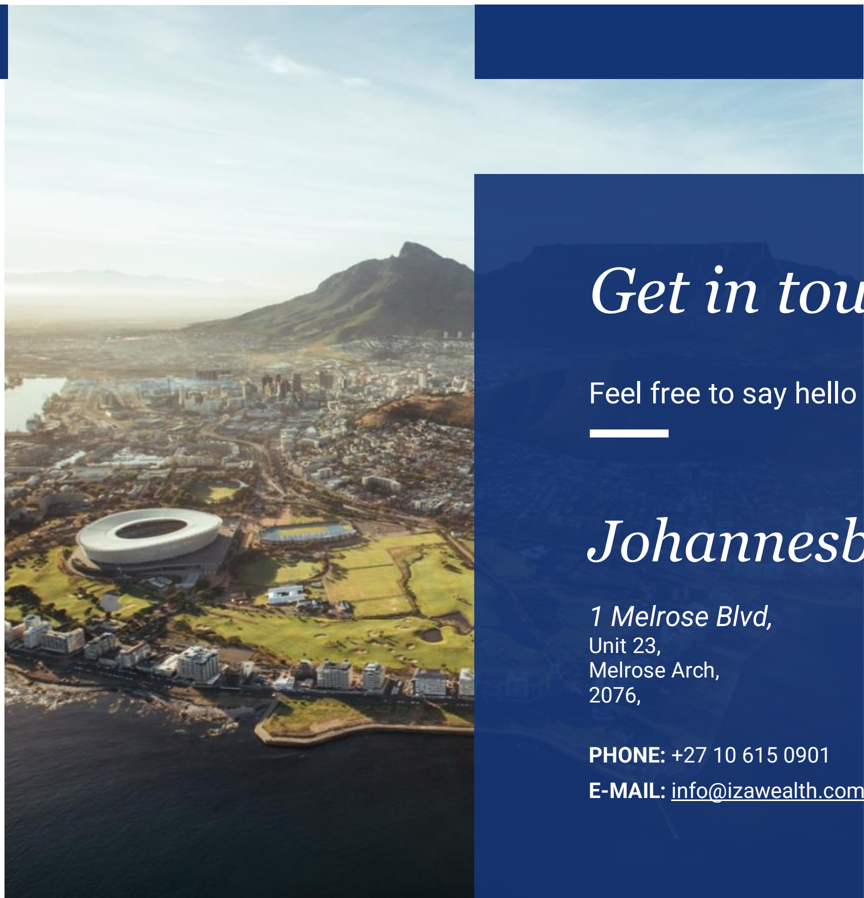
The business cycle fluctuates over time, from the highs of an expansion to the lows of a recession, and each phase impacts the performance of S&P 500 sectors differently. And though affected sectors have different levels of average performance, any given period may see the outperformance of certain sectors due to external factors, such as technological advancements or high-impact global events (i.e. global pandemics, international conflicts, etc.). The below graphic uses data from SPDR Americas Research to show the top performing sectors through the business cycle over almost 70 years.

Source: SPDR Amercas Research



Asset Class Performance *(Base Currency)*

As at 31 July 2023	1 Month	3 Months	YTD	1 Year	3 Years	5 Years
SA						
STeFI Call Deposit ZAR	0,67	1,95	4,30	6,84	4,76	5,33
FTSE/JSE All Bond TR ZAR	2,29	1,86	4,14	8,07	8,20	7,37
FTSE/JSE All Share PR ZAR	3,88	0,97	8,12	14,57	12,34	6,58
Major Equity Indices						
MSCI ACWI All Cap NR USD	3,83	8,52	17,48	12,45	10,47	7,82
S&P 500 NR USD	3,18	10,38	20,31	12,44	13,19	11,61
Global REITS						
FTSE EPRA Nareit Global TR USD	4,07	2,46	5,19	-6,53	3,43	0,79
Fixed Income						
NYSE US 10 Yr Treasury Futures PR USD	-0,77	-4,02	-1,95	-9,39	-6,80	-1,15
Bloomberg 20-30Y Treasury Strips TR USD	-3,75	-6,79	1,02	-15,64	-19,29	-2,59
Commodity - General						
DJ Cmmdty Crude Oil TR USD	16,51	8,02	4,26	-10,68	35,96	-5,05
DJ Cmmdty Silver TR USD	8,97	-0,55	4,17	24,08	0,30	8,61
DJ Cmmdty Precious Metals TR USD	3,62	-1,13	7,26	13,74	-0,18	9,10



Get in touch

Feel free to say hello or ask any questions

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