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OUR

February 2022

MONTHLY REPORT

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Market Insights

GLOBAL MARKET OVERVIEW – FEBRUARY 2022

Financial markets experienced a challenging February as it grappled with the repercussions of the Russian invasion of Ukraine. During the first half of the month, investors were concerned that global central banks may suppress economic growth in their efforts to get inflation under control by hiking interest rates at a faster pace than anticipated. By month-end, countries around the world were piling up sanctions against Russia and its leaders, with the conflict still raging and the outcome remaining highly uncertain. Russia is a significant exporter of commodities, accounting for 13% of global crude oil production, 17% of natural gas production and nearly a tenth of global wheat supplies.



Higher energy prices related to the conflict will exacerbate inflationary pressures. With high inflation and strong job gains in mind, the market currently expects the US Federal Reserve to deliver five 0.25% rate hikes by the end of the year. Despite US companies reporting strong earnings growth for the fourth quarter, concerns over the situation in Ukraine and tighter monetary policy hurt equity markets. The S&P 500 declined by -3.1% in February, the Dow Jones closed the month -3.5% lower and the Nasdaq lost -3.4%.

If Russian commodity exports are disrupted, it would have a significant impact on the European Union. Nearly a quarter of its crude oil imports and 40% of its natural gas imports come from Russia. Concerns over the reliability of Russian energy supplies will accelerate European governments' transition away from imported fossil fuels and towards renewables over the long-term. The DAX closed February -6.5% down, while France's CAC Index fell by -4.9% MoM.

Rising commodity prices have helped the UK equity market this year, given the significant weighting of energy and mining stocks. The FTSE 100 fell only -0.5% over the month.

Commodities continued to rally in February, with Brent oil soaring +10.4%. Depleted winter reserves, lower supplies from Russia and its invasion of Ukraine have caused natural gas prices in Europe to spike. Increased demand for safe haven assets caused the price of gold to increase by +6.2%.

The Russia-Ukraine war has led to devastation, but equity markets will be able to withstand the geopolitical struggle. Looking back at other major geopolitical events since 1950 reveals that equity markets usually treat them as relative non-events, declining by -4.6% on average.



South Africa

South African equities proved resilient during February, as the resource sector continues to support the local bourse due to lofty commodity prices. The FTSE JSE All Share Index closed the month +2.4% higher. Mining sector stocks soared; Anglo American Platinum (+29.4%), Impala Platinum (+25.5%) and Glencore (+13.8%). Prosus and Naspers plunged by -26% and -21.7% respectively as renewed concerns about tighter technology regulations in China resulted in a large market sell-off affecting their largest asset, Tencent.

On the local economic front inflation slowed to 5.7% year-on-year in January, compared to 5.9% the month before. Although this is a slight improvement, the figure is still testing the top of the South African Reserve Bank's 3 – 6% target. Consensus is for another 0.25% hike in the repo rate at the Reserve Bank's March meeting. The rand remained unchanged against the US dollar, despite having a volatile month due to the current geopolitical crisis, as investors sought the comfort of safer assets. Manufacturing production declined marginally in December, marking the third consecutive month of contractions. On a positive note, retail sales rose for the fourth consecutive month, advancing +3.1% year-on-year.

Message from Kevin

Drawdowns and volatility are part and parcel of equity investing. It is, however, encouraging that the average bull run is longer and much larger than the average bear market. Over the period 1949 to 2019, the average bull run returned +263% over a period of 71 months, while the average bear market declined by -33% and lasted 14 months. The key is to remain invested.

Kevin Caden, CA/SA

Director



OUR PORTFOLIOS

The Iza Portfolios

The Iza Global Equity Fund eased -5.1% MoM, (GBP returns), while the Iza Global Balanced Fund declined by -3.8% (GBP returns) and the Stable Model Portfolio closed -2.6% (GBP returns). Uncertainty is clearly elevated at present. For the global economy, the path that energy prices will follow over the coming weeks and months, and how central banks react to it, will be critical. The two primary events will be the continuing war in Ukraine and the Federal Open Market Committee (FOMC) interest rate decision, which will be announced on 16 March. The market is currently expecting a 0.25% rate hike from the committee, but that could change fairly rapidly depending on what happens in Ukraine.

During times of market decline and high uncertainty, investors may feel the urge to do something to avoid any further losses.

Remaining invested is effective in successfully navigating market declines and subsequent recoveries. Attempting to time the markets, in other words, selling to avoid further losses and buying once markets start gaining, tends to be unsuccessful due to transaction costs, possible capital gains tax liability on the sale and the general inability to accurately time the actual sales and purchases.

We continue to closely monitor market developments and assess its impact on our underlying investments. If anything, we will capitalise on the opportunity to purchase additional units of our underlying investments at depressed prices.

Funds' Performance Summary

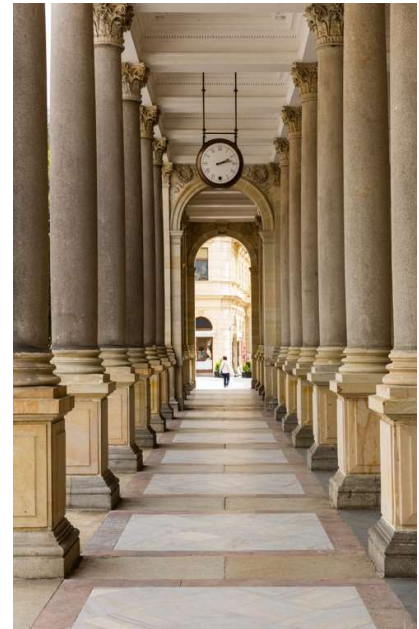
As at 28 February 2022 GBP	1 Month	3 Months	YTD	1 Year	3 Years*	5 Years*
Iza Global Stable Portfolio GBP	-2,58	-8,49	-8,14	-2,40	3,80	4,34
EAA Fund GBP Cautious Allocation	-1,72	-3,61	-3,95	-0,10	2,79	2,12
Iza Wealth Global Balanced A GBP	-3,83	-15,46	-14,74	-3,32	7,42	7,30
EAA Fund GBP Flexible Allocation	-1,48	-3,96	-5,31	2,61	4,73	3,26
Iza Global Equity Class A GBP	-5,06	-20,13	-18,62	-6,24	12,58	14,18
Benchmark (MSCI World NR)	-2,54	-5,09	-6,81	15,40	14,11	10,38

As at 28 February 2022 USD	1 Month	3 Months	YTD	1 Year	3 Years*	5 Years*
Iza Global Stable Portfolio	-2,80	-7,77	-8,86	-6,17	3,93	5,86
EAA Fund USD Cautious Allocation	-1,94	-2,89	-4,67	-3,87	2,92	3,64
Iza Wealth Global Balanced A	-4,05	-14,74	-15,46	-7,09	7,55	8,82
EAA Fund USD Flexible Allocation	-1,60	-3,59	-5,27	1,07	5,38	4,36
Iza Global Equity Class A	-5,27	-19,44	-19,29	-12,44	11,51	15,01
Benchmark (MSCI World NR)	-2,53	-3,74	-7,69	10,74	14,44	12,05

As at 28 February 2022 ZAR	1 Month	3 Months	YTD	1 Year	3 Years*	5 Years*
Iza Global Stable Portfolio	-3,56	-11,96	-11,47	-2,33	7,67	9,61
EAA Fund GBP Cautious Allocation	-2,71	-7,26	-7,43	-0,03	6,62	7,28
Iza Wealth Global Balanced A	-4,79	-18,66	-17,83	-3,25	11,42	12,72
EAA Fund GBP Flexible Allocation	-2,47	-7,60	-8,74	2,68	8,63	8,47
Iza Global Equity Class A	-6,01	-23,16	-21,57	-6,17	16,77	19,94
Benchmark (MSCI World NR)	-3,52	-8,69	-10,19	15,48	18,36	15,95

Asset Class Performance (Base Currency)

As at 28 February 2022	1 Month	3 Months	YTD	1 Year	3 Years *	5 Years *
SA						
STeFI Call Deposit ZAR	0,29	0,92	0,61	3,58	4,73	5,52
FTSE/JSE All Bond TR ZAR	0,54	4,12	1,40	9,02	8,75	8,91
FTSE/JSE All Share PR ZAR	2,40	7,97	3,23	15,05	10,76	8,27
Major Equity Indices						
MSCI ACWI All Cap NR USD	-2,28	-3,70	-7,37	6,75	13,11	11,16
S&P 500 NR USD	-3,04	-3,99	-8,08	15,90	17,64	14,55
Global REITS						
FTSE EPRA Nareit Global TR USD	-2,42	-1,72	-7,33	10,60	5,03	5,90
Fixed Income						
ICE LIBOR 1 Month GBP	0,04	0,08	0,07	0,12	0,32	0,39
NYSE US 10 Yr Treasury Futures PR USD	-0,35	-2,52	-2,26	-2,26	2,28	1,12
Bloomberg 20-30Y Treasury Strips TR USD	-2,53	-9,74	-7,75	-1,30	9,35	6,45
Commodity - General						
DJ Cmmnty Crude Oil TR USD	10,35	48,38	30,21	66,41	-3,44	-1,05
DJ Cmmnty Silver TR USD	8,63	6,64	4,18	-8,57	13,89	4,11
DJ Cmmnty Precious Metals TR USD	6,22	6,98	3,97	5,91	12,19	7,01



Get in touch

Feel free to say hello or ask any questions

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