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OUR

MONTHLY REPORT

August 2022 Market Commentary

August 2022

Market Insights

GLOBAL MARKET OVERVIEW – August 2022

The Month of August started on a good foot led by positive sentiment coming through from July. Unfortunately, the Fed meeting in the third week of August caused markets to fall drastically as Fed chief Jerome Powell stated that consumer and business will be negatively impacted because of the interest rate hike cycle. The market viewed this as a Hawkish stance from the Fed and this led markets to decline. For the month of August, the S&P 500 fell 4.24% and the Nasdaq Composite fell -4.50% (USD). The best-performing sector was energy, up 3.13% (USD). The two worst-performing sectors were real estate, down 5.96% (USD), and technology, off by 5.77% (USD). The market tried to balance interest rates and Fed expectations against costs and profits, but found no balance in August, as it traded most of the month up with the S&P 500 reaching 4.72% on August 16, supporting the 4,100 level and then 4,200 (and at one point breaking above 4,300). The realization that the Fed is committed to beating inflation and acknowledged that it would inflict some pain caused the S&P 500 to end the month down 4.24% (USD). Markets were expecting limited interest rate increases and faster rate cuts, but Powell's speech made it clear that future hikes would be bigger, and any rate cuts would be delayed – a message global equity markets did not like at all. The Fed's hawkish stance continued to support the US dollar throughout the month, while weighing on equity and bond market returns. 10-year treasury yields rose sharply over the month to 3.2%.



Global Overview

Employment data came in slightly mixed, with 315,000 jobs being added to nonfarm payroll employment in August, above forecasted estimates of 300,000. The unemployment rate rose to 3.7%, ahead of expectations that it would remain at 3.5%. The labor force participation rate jumped 0.3% in August, to 62.4%, just shy of its prepandemic level. This is a very positive development for the economy if it continues, as it's a signal of increased labor supply. In a sign of good news on the inflation front, upward pressure on wages eased in August. Wage growth fell to 3.8% annualized, compared with 5.8% in July. Wage growth of around 3% to 4% is consistent with the Fed's 2% inflation target.

According to the most recent Global Fund Manager Survey from Bank of America, canvassing opinion from 250 investment managers with combined assets of \$752bn, for the first time since August 2020 more fund managers now expect growth stocks to outperform value stocks in the next 12 months. Almost all the investors polled expect US inflation to decline over the next twelve months as fears of a recession grow. This recession may be an environment in which investors are more willing to pay up for companies that can deliver strong revenue growth, while it may also lead to the US Federal Reserve slashing interest rates, potentially boosting their valuations.

The value of the U.S. dollar has been on a tear this year and has appreciated considerably compared with other currencies. For the year to date, the dollar's value compared with an index of currencies has risen 13%, including an appreciation of 14% versus the euro and 19% against the yen. The Euro recently dropped below parity to the dollar for the first time in two decades. The difference in real yields between the US and eurozone appears to drive the dollar's gains. The pound has weakened nearly 15% this year against the dollar and fell to its lowest level against the dollar since 1985. The expected hit to economic growth combined with a widening trade deficit are weighing on the pound. Surging inflation which is currently at the highest level among all G-7 nations and the prospects of a looming recession are causing the pound weakness.

whilst recent months have been challenging and central banks' commitment to bring inflation under control, despite the inherent risks to the growth outlook, that shook both equity and bond markets in August. Volatility is part and parcel of long-term investing. The growth prospects of the portfolio are strong, and we remain mindful of the importance of structural growth drivers, despite near-term cyclical headwinds

South Africa



The South African stock market ended the month of August down -1.3% following global peers lower this week after a selloff across all sectors. MTN and Old Mutual ended the month of August down -10.70% and -10.30% respectively. Massmart was August's top performer 57% off the back of an announcement that Walmart is looking to buy up the remaining shares it does not already own. South African headline inflation increased to a 13-year high of 7.8% in July 2022 - remaining well above the upper limit of the SARB's 3-6% target range. South Africa's unemployment rate remains at elevated levels at 33.9% (2Q22) marginally down from the previous quarter. The rand weakened over the week to end at R17.28/\$. The rand is likely to remain highly volatile, affected significantly by economic data and policy decisions in the US in particular, with the US possibly seeing the quickest economic recovery in 2023, although uncertainty levels are high currently. South Africa recorded a trade surplus of R24.8 billion in July, up from a surplus of R24.2 billion in June. Absa's Purchasing Managers Index (PMI) rebounded in August after a dip in July. The index rose to 52.1 from 47.6 last month, beating estimates of 48.2. South Africa is pushing ahead with its plan to create a new state-owned power company. The proposed new company, called Generation 2, will be formed by converting three coal-fired plants, that were set for decommissioning, into gas-burning generators.

All performance figures in ZAR unless otherwise stated.

OUR PORTFOLIOS

Message from John

Always remember that we invest in companies and not countries or currencies. For example, Microsoft operates in 190 countries and has exposure to multiple currencies. Most of the world's greatest companies are listed on the New York stock exchange but as you will see some of the companies, we invest into are also listed in other parts of the world namely Asia and Europe. From a revenue perspective the companies garner their revenue from Rupee's to rand's to dollar's. Short term fluctuations in currencies are ironed out over the medium to long term.

John Rose CA/SA
Director

The Iza Portfolios

The Iza Global Equity Fund declined by 2.82%, while the Iza Global Balanced Fund by 2.14% and the Stable Model Portfolio by 1.97% (all GBP returns) for August.

Looking at the underlying fund managers we find that Scottish Mortgage Investment Trust and Smithson were the portfolio's biggest detractors as they fell 6.5% and 7.4% respectively. The moves came as the 2-year U.S. Treasury yield topped 3.5%, the highest level since November 2007. That weighed on rate-sensitive growth stocks. Nvidia (NVDA) fell on news that the U.S. government imposed a new license requirement for the sale of graphics cards to China. The largest portfolio equity holding, the Fundsmith Equity fund held steady only losing 0.70% for the month of August. The top 5 contributors in the month were Paypal, Automatic Data Processing, Philip Morris, Pepsico and Brown-Forman.

The top 5 detractors were Waters, IDEXX, Novo Nordisk, L'Oréal and Church & Dwight. Fundsmith have also exited their position in Kone this month. For the month the portfolio's holding in gold declined by 3.53%. The credit elements of the portfolio retreated in August. The Invesco Sterling Bond Fund fell 4.01% for the month. In a sign of good news on the inflation front, upward pressure on wages eased in August. Wage growth fell to 3.8% annualized, compared with 5.8% in July. Wage growth of around 3% to 4% is consistent with the Fed's 2% inflation target. Looking ahead we continue to proceed with caution in the near term and continuously evaluate our portfolio holdings.

Funds' Performance Summary

As at 31 August 2022 GBP	1 Month	3 Months	YTD	1 Year	3 Years*	5 Years*
Iza Global Stable Portfolio GBP	-1,97	-1,26	-13,28	-13,26	-0,45	1,86
<i>EAA Fund GBP Cautious Allocation</i>	<i>-1,79</i>	<i>-2,58</i>	<i>-8,56</i>	<i>-8,71</i>	<i>-0,62</i>	<i>0,63</i>
Iza Wealth Global Balanced A GBP	-2,14	0,72	-20,22	-19,56	2,16	3,99
<i>EAA Fund GBP Flexible Allocation</i>	<i>-1,04</i>	<i>-2,33</i>	<i>-9,10</i>	<i>-8,47</i>	<i>1,87</i>	<i>1,68</i>
Iza Global Equity Class A GBP	-2,82	1,60	-25,68	-25,26	4,32	8,83
<i>Benchmark (MSCI World NR)</i>	<i>0,21</i>	<i>2,32</i>	<i>-4,30</i>	<i>0,45</i>	<i>10,44</i>	<i>10,08</i>

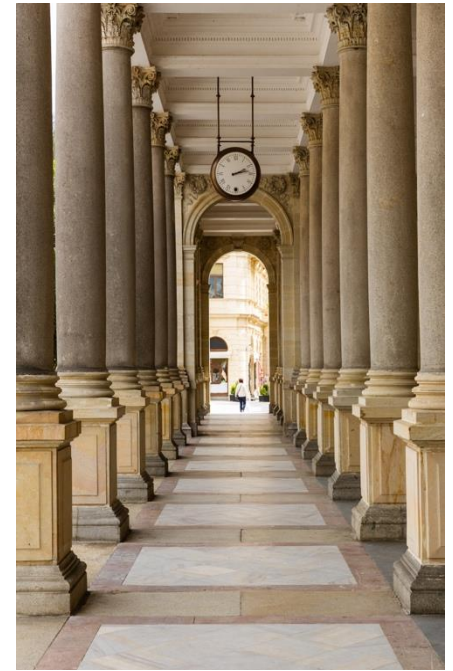
As at 31 August 2022 USD	1 Month	3 Months	YTD	1 Year	3 Years*	5 Years*
Iza Global Stable Portfolio	-6,38	-9,10	-24,52	-25,86	-2,20	-0,37
<i>EAA Fund USD Cautious Allocation</i>	<i>-6,20</i>	<i>-10,42</i>	<i>-19,80</i>	<i>-21,32</i>	<i>-2,37</i>	<i>-1,60</i>
Iza Wealth Global Balanced A	-6,55	-7,12	-31,46	-32,16	0,41	1,76
<i>EAA Fund USD Flexible Allocation</i>	<i>-2,11</i>	<i>-3,85</i>	<i>-12,68</i>	<i>-12,71</i>	<i>1,69</i>	<i>1,70</i>
Iza Global Equity Class A	-7,20	-6,30	-36,15	-36,90	1,30	5,81
<i>Benchmark (MSCI World NR)</i>	<i>-4,18</i>	<i>-5,53</i>	<i>-17,78</i>	<i>-15,08</i>	<i>8,77</i>	<i>7,85</i>

As at 31 August 2022 ZAR	1 Month	3 Months	YTD	1 Year	3 Years*	5 Years*
Iza Global Stable Portfolio	-3,25	-0,30	-19,96	-14,15	1,79	5,29
<i>EAA Fund GBP Cautious Allocation</i>	<i>-3,07</i>	<i>-1,63</i>	<i>-15,61</i>	<i>-9,65</i>	<i>1,61</i>	<i>4,02</i>
Iza Wealth Global Balanced A	-3,41	1,69	-26,36	-20,38	4,46	7,49
<i>EAA Fund GBP Flexible Allocation</i>	<i>-2,33</i>	<i>1,38</i>	<i>-16,10</i>	<i>-9,41</i>	<i>4,16</i>	<i>5,11</i>
Iza Global Equity Class A	-4,08	2,59	-31,41	-26,03	6,67	12,50
<i>Benchmark (MSCI World NR)</i>	<i>-1,10</i>	<i>3,31</i>	<i>-11,67</i>	<i>-0,59</i>	<i>12,92</i>	<i>13,79</i>

* 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.

Asset Class Performance (Base Currency)

As at 31 August 2022	1 Month	3 Months	YTD	1 Year	3 Years	5 Years
SA						
STeFI Call Deposit ZAR	0,44	1,21	2,88	4,09	4,37	5,27
FTSE/JSE All Bond TR ZAR	0,31	-0,38	0,78	1,48	6,67	7,83
FTSE/JSE All Share PR ZAR	-2,43	-6,71	-8,75	-0,25	6,77	3,54
Major Equity Indices						
MSCI ACWI All Cap NR USD	-3,53	-5,58	-17,80	-16,30	7,96	6,73
S&P 500 NR USD	-4,13	-4,00	-16,41	-11,63	11,84	11,23
Global REITS						
FTSE EPRA Nareit Global TR USD	-6,01	-7,85	-19,17	-16,61	-1,44	1,88
Fixed Income						
ICE LIBOR 1 Month GBP	0,15	0,38	0,66	0,69	0,39	0,48
NYSE US 10 Yr Treasury Futures PR USD	-3,56	-2,20	-10,14	-11,64	-2,80	-0,95
Bloomberg 20-30Y Treasury Strips TR USD	-4,78	-4,67	-30,60	-29,98	-9,76	-1,15
Commodity - General						
DJ Cmmnty Crude Oil TR USD	-8,15	-16,77	36,76	54,60	-0,56	3,35
DJ Cmmnty Silver TR USD	-11,89	-18,06	-24,12	-26,33	-2,60	-1,13
DJ Cmmnty Precious Metals TR USD	-4,45	-9,06	-9,67	-9,76	2,02	3,50



Get in touch

Feel free to say hello or ask any questions

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