



WHAT'S INSIDE

- >> GLOBAL MARKET OVERVIEW AND MARKET OUTLOOK FOR 2024
- >> SOUTH AFRICA
- >> THE IZA PORTFOLIOS
- >> FUNDS' PERFORMANCE SUMMARY
- >> ASSET CLASS PERFORMANCE (BASE CURRENCY)

OUR

MONTHLY REPORT

August 2024

August 2024 Market Commentary

Market Insights

GLOBAL MARKET OVERVIEW – August 2024

The month of August 2024 brought both volatility and opportunities for diversified investors. Global equities faced turbulence early in the month due to disappointing US economic data and a surprise rate hike by the Bank of Japan. Despite this, both the Iza Global Balanced and Iza Global Equity Funds delivered positive returns, supported by their diversified portfolios and strategic exposure to bonds and high-quality names.

August was characterized by sharp market movements early in the month, driven by weak US economic data and the Bank of Japan's unexpected rate hike. The ISM Manufacturing Index fell short of expectations, and the US unemployment rate ticked higher, raising concerns of a looming recession. Meanwhile, the Bank of Japan's policy shift led to an unwinding of yen carry trades, adding to market volatility.

Despite this turbulence, developed markets rebounded in the latter half of the month as expectations for more aggressive rate cuts by the Federal Reserve grew. Interest rate-sensitive assets like real estate rallied, while global equities staged a comeback, led by the S&P 500, which gained 2.4%. Fixed income markets also benefited from the flight to quality, with bonds delivering solid gains as yields declined.

In this environment, the diversified nature of the Iza Global Balanced and Equity Funds provided resilience, allowing them to navigate the volatility while capturing upside in key sectors. With US interest rates expected to fall further and corporate earnings remaining stable, the outlook for equities remains cautiously optimistic. The use of hedged GBP classes for certain holdings, such as Nomura, MSCI, and Rubrics, further protected returns against USD weakness.

Both the Iza Global Balanced and Iza Global Equity Funds demonstrated strong resilience and performance in August, capitalizing on the market's rotation towards quality and value, while maintaining diversification to navigate periods of volatility. In the balanced fund, Berkshire Hathaway, Fundsmith, and the bond positions were standout performers, with the fund benefitting from its strategic allocation to hedged classes during a period of USD weakness.

In the equity fund, while growth names like Scottish Mortgage faced challenges from concerns about AI monetization, and Smithson was down slightly, the broader portfolio remained robust. Smithson's outperformance relative to benchmark small and mid-cap indexes reinforces its positioning as a quality growth player, ready to capitalize on a shift in sentiment. As cracks begin to emerge in the over-concentrated large-cap indexes, the fund is well-positioned to benefit from future rotations into underappreciated sectors and names.

Looking ahead, both funds are well-prepared to capture further upside as the Federal Reserve moves toward cutting rates, while maintaining downside protection through their diversified portfolios. As the economic landscape continues to evolve, the strategic positioning of the Iza Global Balanced and Equity Funds ensures that they can deliver solid returns to investors, supported by a prudent mix of growth, quality, and value investments.



South Africa



The South African equity market in August (+1.4%) saw a mixture of positive and negative developments, with a return in optimism to a relatively underpriced domestic market on the one hand, while at the same time taking some direction from global headwinds on the other. Sentiment in the equity market improved, with interest rate-sensitive sectors performing well, indicating renewed confidence in the domestic economy. However, the resource sector struggled due to lower platinum and iron ore prices and a strengthening rand against the US Dollar, weighing down the overall performance of the SA equity index. Major developed and emerging market equity indices suffered a large sell-off early in August after data released by the US Bureau of Labor Statistics showed that unemployment for July increased by more than expected to its highest level in almost 3 years, but this was later offset by the possibility of deeper interest rate cuts by the Fed. While the SA equity index underperformed the developed market peers, it outperformed its emerging market counterparts, which is quite a positive sign considering the previous dislocation we've seen from our bourse relative to faster-growing EM economies. The bond market (+2.4%) continued to see yields decline, driven both by the post-election optimism and the decline in US Treasury yields, making South African bonds more attractive to investors. Foreign investors continued to buy South African bonds for the second consecutive month, again reiterating the return in confidence that the GNU will be able to deliver on its reform agenda. This is the first time in three years where foreigners have been net buyers for two months in a row. The property sector (which gained a whopping 8.3% in August) continues to be a top performer in 2024, fuelled by the decline in interest rates and ultra-low valuations. Hyprop was the best performer ending the month 18% higher while index heavyweights Growthpoint (+14%), Resilient (+14%), Fortress (+13%), and Redefine (+12%) also outperformed. Headline inflation for July dropped to 4.6%, the lowest level in three years, driven by slower energy price increases and lower vehicle prices. Core inflation, which excludes volatile items like food and energy, also slowed. These lower-than-expected inflation figures increase the likelihood of the South African Reserve Bank (SARB) starting to cut interest rates in September, which would be positive for the economy, as it would make borrowing cheaper and encourage investment and spending. With the repo rate likely to fall faster than the rate of inflation over the next few quarters, real policy rates will decline. In anticipation of lower real policy rates, investors have turned more positive on ILBs.

OUR PORTFOLIOS

The Iza Portfolios

Iza Global Balanced Fund

The Iza Global Balanced Fund ended August with a strong positive performance, firmly outperforming peers and moving into the top quartile in both the EAA Global Flex and ASISA Global MA categories. This momentum pushed the fund into the top 10% year-to-date, driven by strong contributions from key holdings.

Berkshire Hathaway continued to be a standout performer, delivering a return of 6.29% in August. The value-driven nature of Berkshire, coupled with its defensive characteristics, helped the fund capitalize on the market's cautious tone as fears of a recession lingered. Bonds also played a crucial role in the fund's success, with the iShares Treasury Bond ETF up 0.93% and Rubrics Enhanced Yield gaining 1.66%. These fixed-income positions provided valuable stability and income as volatility rattled equity markets, and the use of GBP hedged classes further enhanced returns in the face of USD weakness.

Fundsmith Equity Fund, a high-conviction quality manager, also delivered solid returns of 1.71%, reversing some of its underperformance from earlier months. Nomura Global High Conviction followed suit with a 1.66% return, boosted by the fund's exposure to quality names that tend to thrive in times of economic uncertainty. T. Rowe Price Global Focused Growth added value with a positive return of 0.73%, despite growth stocks facing headwinds.

Iza Global Equity Fund

The Iza Global Equity Fund also performed well in August, remaining within the top two quartiles year-to-date in the ASISA Global Equity category. While the fund still trails the MSCI World Index, its broader diversification and lower concentration risk continue to provide long-term stability. With cracks beginning to show in the historically over-concentrated market cap-weighted indexes, the fund's diversified approach is well-positioned to capitalize on shifts in market sentiment.

Berkshire Hathaway once again was a major contributor, posting a return of 6.29%. Its value-driven strategy outpaced many of the fund's other holdings, underscoring the ongoing rotation into more defensive and stable names. In contrast, Scottish Mortgage Investment Trust struggled, returning -4.23% in August. This was largely due to concerns about AI monetization, with some high-profile names like Nvidia failing to exceed investor expectations as much as they had in the past, despite beating average earnings estimates.

Smithson Investment Trust, focusing on small and mid-cap growth stocks, was down by -0.68% but outperformed benchmark small and mid-cap indexes, including the Russell 2000. The fund's focus on high-quality growth names within this space provided resilience in a challenging environment for smaller companies, and it remains well-positioned to capture future upside when market sentiment shifts.

Quote of the Month

"Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves."

Peter Lynch

Funds' Performance Summary

As at 30 August 2024 - GBP	1 Month	3 Months	YTD	1 Year	3 Years	5 Years
EAA Fund GBP Allocation 20-40% Equity	0.82	2.95	4.31	9.15	-0.07	1.67
EAA Fund GBP Flexible Allocation	0.50	2.40	5.57	10.17	-0.12	2.85
Iza Global Balanced A GBP Acc	0.42	2.10	8.25	13.31	-3.31	3.68
*Iza Global Equity A GBP Acc	0.16	2.12	9.53	15.93	-4.82	5.50
IZA Global Stable Portfolio GBP	0.47	2.35	8.09	13.55	-0.34	2.40
As at 30 August 2024 - USD						
EAA Fund USD Cautious Allocation	1.33	3.59	5.20	9.33	0.07	2.31
EAA Fund USD Flexible Allocation	1.34	3.37	6.59	11.23	0.53	4.13
*Iza Global Balanced A USD Acc	2.53	5.17	11.61	17.35	-4.94	5.10
*Iza Global Equity A USD Acc	2.27	5.21	12.94	20.07	-6.31	6.30
As at 30 August 2024 - ZAR						
EAA Fund GBP Allocation 20-40% Equity	0.69	0.21	4.40	6.15	5.36	6.51
EAA Fund GBP Flexible Allocation	0.36	-0.32	5.67	7.14	5.31	7.74
Iza Global Balanced A GBP Acc	0.28	-0.61	8.35	10.19	1.94	8.61
Iza Global Equity A GBP Acc	0.02	-0.59	9.63	12.74	0.36	12.89
IZA Global Stable Portfolio GBP	0.34	-0.37	8.19	10.43	5.08	7.27

*The 5-year performance information is based on back-tested performance of hypothetical investments.

Asset Class Performance (Base Currency)

As at 30 August 2024	1 Month	3 Months	YTD	1 Year	3 Years	5 Years
SA Indices						
FTSE/JSE All Bond TR ZAR	2.38	12.00	12.34	18.60	8.96	9.12
FTSE/JSE All Share PR ZAR	1.19	9.19	8.92	11.74	7.49	8.67
FTSE/JSE All Share TR ZAR	1.38	9.65	11.41	16.08	12.03	12.82
STeFI Call Deposit ZAR	0.65	1.99	5.39	8.20	6.45	5.67
Major Equity Indices						
MSCI ACWI NR USD	2.54	6.51	15.97	23.44	5.77	12.14
MSCI World NR USD	2.64	6.58	16.72	24.43	6.90	13.11
S&P 500 NR USD	2.38	7.28	19.19	26.58	8.87	15.36
Global REITS						
FTSE EPRA Nareit Global NR USD	5.93	12.19	7.68	16.17	-3.02	0.58
Global Fixed Income						
Bloomberg 20-30Y Treasury Strips TR USD	2.92	9.69	-2.40	2.61	-15.38	-8.66
ICE LIBOR 1 Month USD	0.47	1.40	3.76	5.69	3.69	2.45
NYSE US 10 Yr Treasury Futures PR USD	1.06	3.86	-0.67	0.65	-6.05	-2.93
Commodities						
DJ Cmmnty Crude Oil TR USD	-3.55	0.18	12.33	0.23	15.94	-0.18
DJ Cmmnty Precious Metals TR USD	2.13	4.80	20.12	25.76	9.94	9.36
DJ Cmmnty Silver TR USD	-0.29	-5.39	19.96	16.80	6.02	8.37



Get in touch

Feel free to say hello or ask any questions

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