Back to the Future

Iza Wealth

WHAT'S INSIDE

OUR

MONTHLY REPORT

April 2025

April 2025 Market Commentary

Market Insights

GLOBAL MARKET OVERVIEW – April 2025

April 2025 delivered a potent reminder of how quickly policy-driven instability can unravel market calm. The market was upended by a barrage of aggressive tariff measures from the U.S. administration in the first week of April, which sparked one of the most dramatic short-term markets sell-offs since 2020. The "Trump Thump," as it quickly became known, triggered one of the most dramatic market corrections since the 2008 financial crisis, with the S&P 500 plunging 10.5% over two trading sessions.

Yet, by mid-month, a sharp policy reversal, including a 90-day tariff pause and softer geopolitical rhetoric, particularly toward China helped trigger an equally swift rebound. The S&P 500 staged an 8-day rally of nearly 12%, and global markets largely recovered.

In fixed income, volatility was equally pronounced. U.S. 10-year Treasury yields initially dropped to below 3.9% post the tariff announcement, then spiked to 4.6% mid-month before retracing to 4.2% as softer inflation data and growth fears returned. This is what many believed caused Trump and the Whitehouse to back down on the extreme stance initially taken. Central banks, notably the ECB and Bank of England, shifted dovish again, cutting rates in response to deteriorating economic data.

In FX markets, the U.S. dollar weakened to a 3-year low and by more than 5% against the GBP, driven by confusion around U.S. policy direction. This was the largest monthly drop in the dollar since 2009 and masked the true performance of many USD-based funds when reported in GBP.

Commodities were mixed: gold surged to a record high of $3,500/oz on safe-haven demand, while oil fell sharply (-16%) on recession fears.

Extensive discussions with underlying managers and geopolitical strategists throughout April provided critical insights, helping to guide measured portfolio adjustments rather than reactive moves into cash.

These actions have left us well-positioned to capitalize on future opportunities given the dispersions. As demonstrated during the month, the Iza Global Balanced Fund's robust diversification again provided resilience amid extreme market conditions, while the Iza Global Equity Fund executed tactical moves to enhance long-term positioning during the turmoil.

Looking ahead, we remain vigilant, agile and prepared to adapt as the global economic and geopolitical landscape evolves.

South Africa

South African equity markets delivered another strong performance in April, with the FTSE/JSE All Share Index advancing 4.3% for the month, capping a robust start to the second quarter. However, this positive result belied significant volatility during the month, as investors initially grappled with global trade tensions and domestic political uncertainty.

April began with a steep sell-off, driven by news of sweeping U.S. trade tariffs that included 30% reciprocal duties on South African exports—an aggressive stance that rattled risk assets and saw the local bourse drop as much as 14% in early April. Global equity markets also experienced heightened volatility, with the MSCI Developed Market Index down 0.5% for the month and the S&P 500 posting a 0.7% decline.

The recovery came swiftly, however, after the U.S. administration announced a 90-day delay on implementing the tariffs, opening the door to negotiations. South Africa's diplomatic response was decisive: President Ramaphosa appointed Mcebisi Jonas, former deputy finance minister, as a special envoy to Washington to de-escalate tensions. This, along with domestic political concessions—including the withdrawal of a proposed 0.5% VAT increase—helped ease fears over government stability, bolstering investor confidence.

April's rally was more balanced than previous months. While gold stocks again contributed meaningfully thanks to a 5% surge in the gold price (taking YTD gains to over 23%), gains were more widely distributed.

Retailer Clicks gained 17% in April after reporting upbeat interim results. Revenue rose 8.3% year-on-year, earnings per share grew 13%, and management guided for continued expansion with an increase in pharmacy and store rollouts for the rest of the year. Financials also performed strongly—Capitec rose 11% after reporting 30% growth in FY25 headline earnings, underscoring its ability to capture market share in a difficult environment.

On the downside, Aspen fell sharply (-25%) after disclosing that a dispute at its French production facility could halve earnings. Platinum miners also underperformed, dragged lower by softer PGM prices, underscoring the volatility and commodity-specific risks in the resources sector.

SA listed property experienced a rollercoaster month, dropping 5.6% in the first week before rebounding to finish up 7.6% for April. The rebound was driven by strong operational updates across the sector. Investors were encouraged by improved earnings visibility, high payout ratios, and renewed confidence in the sector's ability to withstand policy and rate shocks.

The local bond market was initially hit by rising fiscal concerns, particularly at the longer end of the curve. While SA 10-year yields briefly breached 11% intra-month, they settled at 10.6% by month-end—unchanged from March. Bond performance recovered into month-end, with the ALBI index returning +0.8%. Short-dated bonds outperformed, supported by declining inflation and a growing consensus that rate cuts are likely in the second half of 2025.

The inflation backdrop remains benign. Headline inflation for March (reported in April) slowed to 2.7%—well below consensus and the third-lowest reading in over two decades. Core CPI also surprised to the downside at 3.1%. Key contributors included lower services inflation, falling education inflation, and subdued fuel prices. With the VAT hike scrapped, inflation is expected to remain below 3% for the next two months before trending toward the SARB's 4.5% midpoint target.

Given these trends, market participants are increasingly pricing in a 50bps rate cut by year-end, with the first 25bps move anticipated as early as the May MPC meeting. While the SARB has maintained a hawkish tone—citing risks from the weak rand and external volatility—the data increasingly supports a less restrictive policy stance.

In contrast to the broad rally in local assets, the rand weakened by 1.5% against the U.S. dollar in April. This bucked the trend among emerging markets, where most currencies strengthened on the back of a broadly weaker dollar. Persistent concerns about domestic political cohesion and diplomatic tensions with the U.S. weighed on the currency. Still, the rand remains 1.4% stronger year-to-date, offering some buffer against imported inflation.

Growth data released in April continued to disappoint. Retail sales momentum has faded following the "two-pot" pension boost earlier in the year, while manufacturing and mining output also softened. The IMF revised South Africa's GDP forecast downward, now expecting 1% growth for 2025. On the bright side, the transport sector showed signs of recovery, potentially contributing positively to Q1 GDP. Nevertheless, the balance of data suggests the SARB may need to recalibrate its stance if it hopes to support a sputtering economy.

The Iza Portfolios

Iza Global Balanced Fund

Amid the turmoil, the Iza Global Balanced Fund demonstrated significant resilience and prudent risk management. At the height of the volatility on April 8, when major indices like the Nasdaq and S&P 500 were down 22% and 16% respectively year-to-date, the fund limited its downside to only 4% in USD terms, comfortably placing it in the top quartile of global flexible peers. By month's end, the fund had impressively narrowed its decline to just 0.5% in USD, underscoring the effectiveness of its diversified investment approach across asset classes, geographies, and styles.

Earlier strategic decisions in March to reduce USD exposure significantly mitigated the impact of the dollar's rapid depreciation. Building on this foresight, in April, the fund proactively adjusted its currency exposure further towards 50%, aligning with the likelihood of continued headwinds for the USD.

Moreover, the fund's recent employment of Northstar Asset Management to actively manage a portion of the bond portfolio reflects our ongoing commitment to leveraging specialized skills in turbulent markets. Northstar's seasoned team, with over a decade's experience navigating global bond volatility, is expected to add substantial value.

Iza Global Equity Fund

The Iza Global Equity Fund navigated April's extreme market conditions with targeted strategic shifts. Recognizing the vulnerability of small and mid-cap equities in a slowing economy, we rotated out of the S&P 400 MidCap ETF into the MSCI World GBP Hedged class. This timely adjustment immediately proved beneficial, delivering positive returns of over 4% in GBP and approximately 6% in USD since inception.

Furthermore, the fund realigned exposure, rotating selectively from quality into undervalued value stocks, capturing attractive entry points and ensuring better style diversification. This disciplined and proactive rebalancing positions the fund effectively to capitalize on anticipated market rotations. As outlined in the conclusion both funds priced on the 29 April and so the last two positive days for the market will only reflect in May which come the 7 May still sees the Iza Global Equity Fund ahead of MSCI World index year-to-date and positive for the year +0.60% vs S&P 500 - 4%, Nasdaq -5% and Russell 2000 -10%.

We believe that active equity managers within this and the Iza Balanced Fund are poised to outperform in the current environment, especially as we navigate a landscape of sustained higher interest rates and shifting growth dynamics across jurisdictions. The significant outperformance of several of our actively managed holdings against the MSCI World and passive indices year-to-date underscores the value of a selective, research-driven approach. As market conditions evolve and opportunities arise beyond the U.S., we are confident that our active managers will continue to capitalize on these shifts. Their ability to dynamically adjust to changing market conditions positions us well to deliver strong, differentiated returns, and we are excited about the opportunities that lie ahead.

Berkshire Hathaway: Navigating Leadership Transition

Early May also brought significant corporate news as Warren Buffett announced his retirement, marking the end of an iconic era for Berkshire Hathaway. As you know we have held Berkshire for some time and benefited significantly from the gains of Buffett’s stewardship. After careful evaluation and extensive internal deliberations, we decided it prudent to fully exit our positions in Berkshire across both funds. Several uncertainties drove our decision:

•Leadership Transition: Greg Abel's shift from an operational expert to strategic leader raises questions about Berkshire’s future strategic direction.

•Capital Allocation: Abel faces the daunting challenge of deploying Berkshire’s massive $348 billion cash stockpile effectively.

•Conglomerate Structure: Increasing scrutiny on the conglomerate model's efficiency raises questions about potential strategic shifts or restructurings.

•Transparency Demands: Investors will likely demand greater transparency and clearer guidance under Abel’s leadership.

We are actively finalizing due diligence on an exciting new value-oriented replacement fund with performance closely mirroring Berkshire’s impressive track record year-to-date and over the long term. Detailed information on this new holding will be shared in our forthcoming publication.

Key Performance Highlights and Detractors across both funds

Positive Contributors:

•Clearance Camino Fund Ltd: Benefited from defensive characteristics, gaining 4.91% in GBP (+11% in USD) in April.

•SPDR Gold Trust: Served as a valuable safe haven, rising 2.33% in GBP (+7% in USD) in April, benefiting from heightened uncertainty.

•RUBRICS Enhanced Yield Fund: Delivered stability within fixed income, returning 0.86% in April.

Detractors:

•Nomura Global High Conviction: Faced broader quality stock sell-off, down 5.08% in GBP (-2.4% in USD).

•Guinness Global Equity Income: Experienced a rotation away from quality, down 4.31%. (-2.4% in USD)

•Prescient China Balanced Fund: Retraced 6% in GBP (-2.6% in USD) after a strong Q1 but remains positive for the year and a key diversifier with long-term alpha potential. The team’s quantitative sentiment and valuation model continues to outperform traditional Chinese benchmarks over time.

Quote of the Month

"The Real Key to making money in stocks is not to get scared out of them."

Peter Lynch

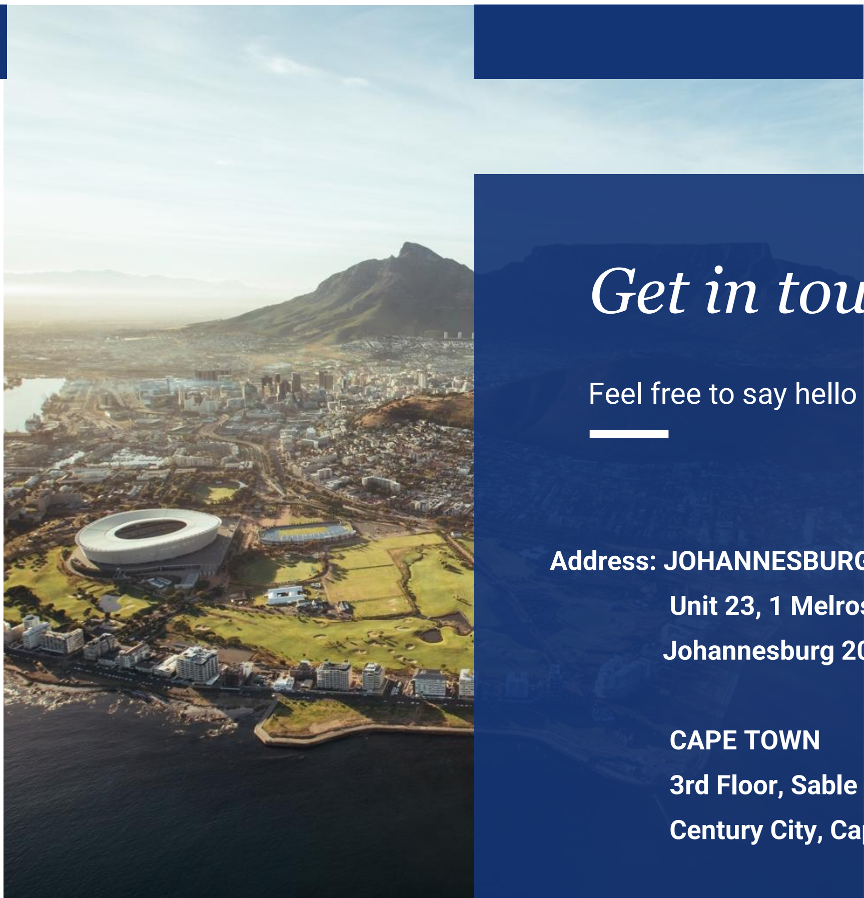
Funds' Performance Summary

As of 30 April 2025 - GBP	1 Month	3 Months	YTD	1 Year	*3 Years	*5 Years
IZA Global Stable Portfolio GBP	-1.74	-5.05	-2.14	2.70	2.96	2.99
Iza Global Equity A GBP Acc	-3.90	-12.09	-7.22	-1.85	1.33	3.70
Iza Global Balanced A GBP Acc	-3.41	-8.88	-4.77	0.47	1.34	3.14
EAA Fund GBP Flexible Allocation	-0.55	-2.95	-0.61	3.39	1.70	4.14
EAA Fund GBP Allocation 20-40% Equity	-0.19	-1.61	0.16	4.26	1.88	2.60
As of 30 April 2025 - USD						
Iza Global Equity A USD Acc	-3.60	-11.54	-6.79	-1.23	1.41	4.10
Iza Global Balanced A USD Acc	-3.11	-8.30	-4.34	1.09	1.34	4.30
EAA Fund USD Flexible Allocation	-3.23	-9.17	-6.20	-1.16	1.51	3.86
EAA Fund USD Cautious Allocation	-3.04	-7.13	-5.11	-0.49	0.91	1.84
As of 30 April 2025 - ZAR						
IZA Global Stable Portfolio GBP	-1.19	0.05	0.05	4.87	9.97	5.82
Iza Global Equity A GBP Acc	-4.39	-3.02	-3.02	-1.36	7.44	7.21
Iza Global Balanced A GBP Acc	-2.66	-0.96	-0.96	1.30	8.14	6.75
EAA Fund GBP Flexible Allocation	-0.45	0.39	0.39	2.36	8.46	6.78
EAA Fund GBP Allocation 20-40% Equity	-0.02	0.81	0.81	2.56	8.64	4.94

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

Asset Class Performance (Base Currency)

As of 30 April 2025						
SA Indices	**1 Month**	**3 Months**	**YTD**	**1 Year**	***3 Years**	***5 Years**
STeFI Call Deposit ZAR	-3.91	-4.99	-2.60	2.42	-0.38	4.38
FTSE/JSE All Share TR ZAR	-0.33	0.85	5.12	18.25	4.26	15.34
FTSE/JSE All Share PR ZAR	-1.30	-0.55	3.56	14.24	0.34	11.14
FTSE/JSE All Bond TR ZAR	-3.75	-5.70	-3.51	13.34	2.75	9.49
Major Equity Indices						
S&P 500 NR USD	-4.04	-14.03	-10.96	4.66	9.38	13.77
MSCI World NR USD	-2.51	-10.97	-7.10	5.14	8.79	12.65
MSCI ACWI NR USD	-2.46	-10.36	-6.62	4.84	8.02	11.78
Global REITS						
FTSE EPRA Nareit Global NR USD	-2.20	-5.84	-3.76	4.04	-4.38	2.91
Global Fixed Income						
NYSE US 10 Yr Treasury Futures PR USD	-2.50	-4.12	-3.27	-3.03	-5.07	-5.34
Bloomberg 20-30Y Treasury Strips TR USD	-6.37	-5.21	-4.56	-3.00	-12.20	-14.57
Commodities						
DJ Cmmdty Silver TR USD	-8.88	-6.15	4.75	14.27	9.57	14.50
DJ Cmmdty Precious Metals TR USD	0.20	6.06	14.84	30.02	15.64	12.50
DJ Cmmdty Crude Oil TR USD	-20.42	-23.39	-20.63	-23.14	-8.89	29.72



Get in touch

Feel free to say hello or ask any questions

Address: JOHANNESBURG

Unit 23, 1 Melrose Boulevard, Melrose Arch,
Johannesburg 2076

CAPE TOWN

3rd Floor, Sable Corner, Conference Way,
Century City, Cape Town, 7441

Phone: +27 (0)10 615 0901

E-Mail: info@izawealth.com

Iza Wealth

www.izawealth.com