2018 Quarter 3 Review

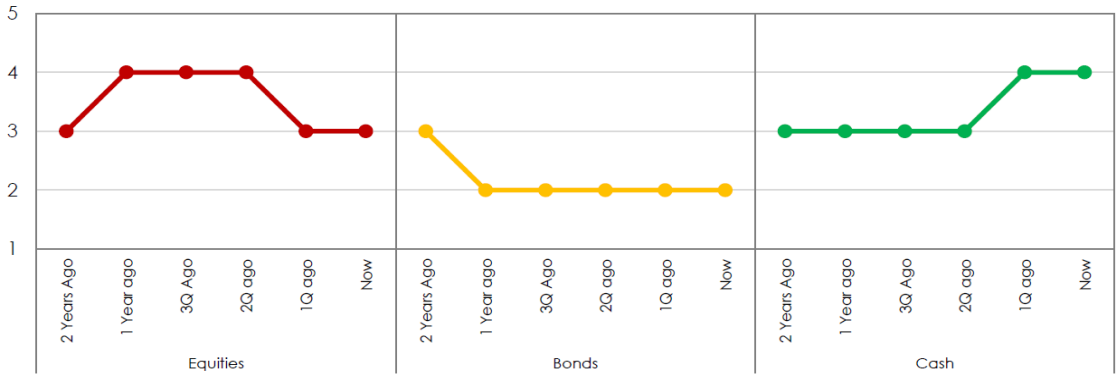
Asset Class Performance (GBP)

Asset Class	Index	QTD	YTD	1 Year	3 Years*	5 Years*
Global Equity	MSCI ACWI All Cap GBP	5.1%	7.5%	12.7%	19.3%	13.5%
Global Property	FTSE EPRA Nareit Developed Rental GBP	1.4%	4.8%	7.8%	12.6%	12.4%
Global Bond	JPM GBI Global Traded GBP	(0.5)%	1.0%	1.2%	6.7%	4.9%
Global Cash	ICE LIBOR 1 Month GBP	0.2%	0.4%	0.5%	0.4%	0.5%
SA Equity	FTSE/JSE All Share ZAR	(4.1)%	(12.7%)	1.4%	11.3%	5.3%
SA Property	FTSE/JSE SA Listed Property ZAR	(2.9)%	(29.4%)	(17.2%)	2.8%	4.2%
SA Bond	Beassa ALBI ZAR	(1.2)%	(4.9%)	5.2%	12.3%	4.5%
SA Cash	STeFI Call Deposit ZAR	(0.4)%	(4.8%)	4.7%	11.3%	3.6%

Asset Class Performance (ZAR)

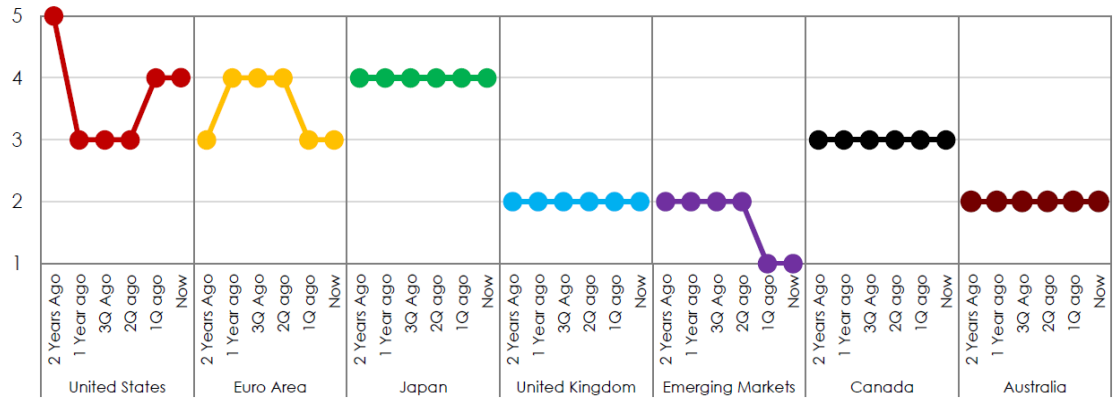
Asset Class	Index	QTD	YTD	1 Year	3 Years*	5 Years*
Global Equity	MSCI ACWI USD	7.7%	18.7%	15.1%	14.3%	16.3%
Global Property	FTSE EPRA Nareit Developed Rental USD	3.2%	14.6%	8.6%	6.9%	14.1%
Global Bond	JPM GBI Global Traded USD	1.5%	11.3%	3.1%	2.3%	7.5%
Global Cash	ICE LIBOR 1 Month USD	3.8%	15.9%	6.6%	1.8%	7.8%
SA Equity	FTSE/JSE All Share ZAR	(2.2%)	(3.8%)	3.3%	6.7%	8.0%
SA Property	FTSE/JSE SA Listed Property ZAR	(1.0%)	(22.2%)	(15.7%)	(1.4%)	6.8%
SA Bond	Beassa ALBI ZAR	0.8%	4.8%	7.1%	7.7%	7.2%
SA Cash	STeFI Call Deposit ZAR	1.6%	4.9%	6.6%	6.7%	6.2%

Broad Asset Classes Valuations – Cyclical Investment Stance
(1 is negative 5 is positive outlook)



Source: BCA Research

Asset Classes Valuations – Regional Equity
(1 is low or no allocation 5 is extra allocation)



Source: BCA Research

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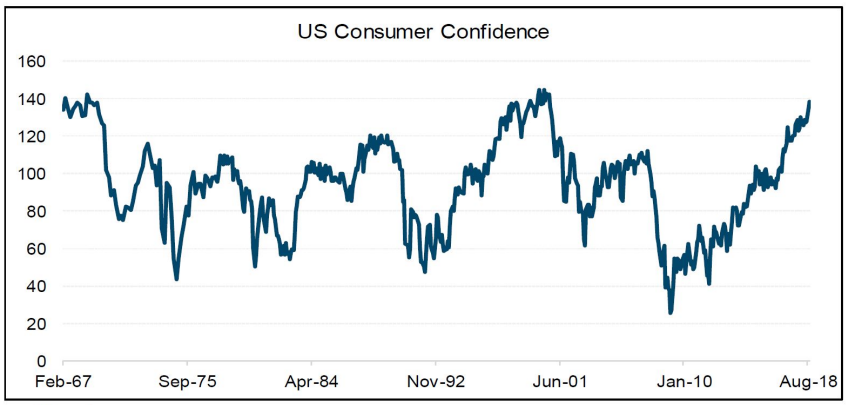
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Global Market Overview

Trade wars are dominating the global economy in what Alibaba's Jack Ma believes could last 20 years as the world's two strongest economic powers continue to fight for global supremacy. In mid-September, Donald Trump imposed a new 10% tariff on over 5000 products from China, with the possibility of these tariffs increasing to 25%. Currently these tariffs are equivalent to over $200 billion worth of exports from China to the US. China have since retaliated with 5-10% tariffs on $60 billion worth of US imports. This clearly aggravates trade war tensions and any prospects of further peaceful trade negotiations. It is interesting to note that the White House excluded the likes of Apple and Fitbit products from the list of taxable products.

The escalation of trade tariffs imposes a threat to global growth. However, global markets and risk assets have continued to rally since Trump imposed new tariffs. The S&P 500 had a positive month in September at 0.57% while the FTSE 100 returned 1.19% and the Eurostoxx 0.52%. The MSCI Emerging Markets index was down -0.53% for the month of September and -7.68% for the year..

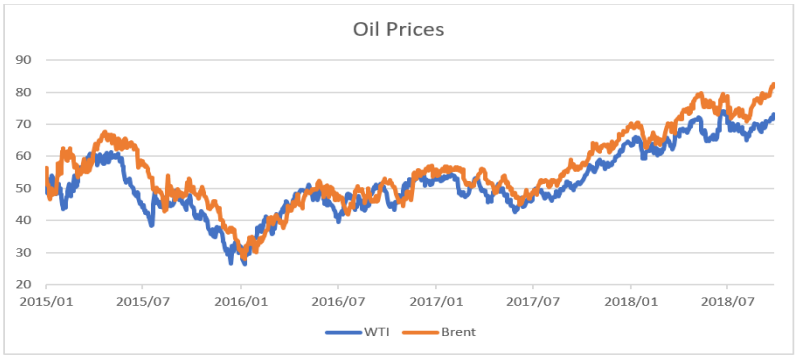
The US Consumer confidence is on a high and has been trending higher since the Great Recession for nearly 10years. How long can it last? Stronger for longer in the US seems to be the safer interpretation but the risks of a major market correction are increasing.



Source: Bloomberg

Brent crude prices hit a 4-year high towards the end of September at $82, three months after WTI crude oil reached $74 (the highest price since November 2014). The rise in oil prices since the start of 2015 is illustrated below. Already struggling emerging markets are suffering the most as steep oil prices cause inflationary pressures often resulting in interest rate hikes.

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Source: Investing.com

We believe the global economy will continue to be characterised by global divergences. By adopting a cautious viewpoint, we remain neutral on global equities whilst maintaining our core position of overweight US and Japan relative to Europe and emerging markets.

Several of the IZA Global Balanced Fund top 10 holdings had differing results in the past quarter: Amazon was up +15% in the three months; Unilever was flat; Tencent was negative -18.8% and World Wrestling Entertainment was up +24%.

As a whole the IZA Global Balanced Fund was +2.29% for the quarter and is +8.94% YTD.

"The investment universe of stocks that meet our criteria for consideration in our portfolio numbers 175 out of all the listed companies in all the countries across the entire world, and we only invest in 25 of those companies. What makes markets go up is not politics or interest rates or inflation but rather successive waves of technological innovation!"
- Nick Train, Lindsell Train Global Equity Fund

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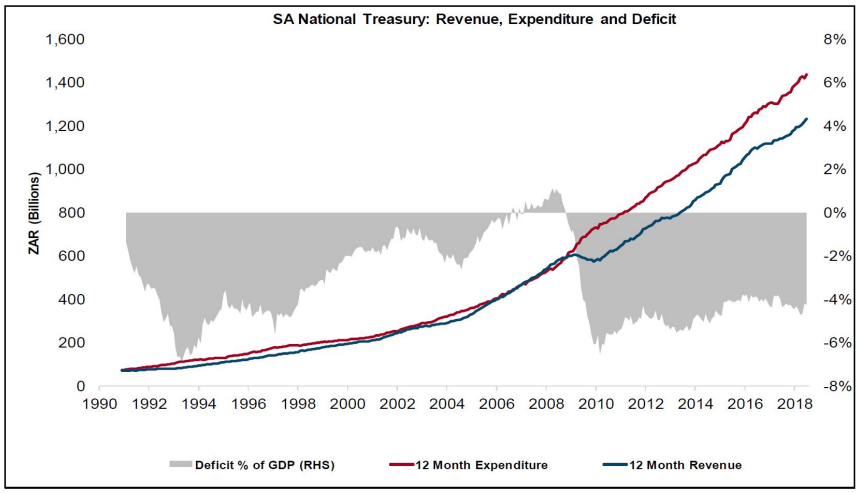
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SA Market Overview

The Reserve Bank Monetary Policy Committee (MPC) met on the 20th of September to discuss interest rates. The main points discussed included the oil price increases and rand weakening. The final decision was a close-call but ultimately the verdict was to keep the repo rate unchanged at 6.5%. The SARB said they will continue to be vigilant as the inflation outlook has deteriorated since their previous meeting in July. A rate increase would have dealt yet another blow to the struggling SA economy. A big factor affecting SA's inflation is the rising petrol prices. At the start of 2018, 95 unleaded petrol was R14.4 per litre and has now risen to R17.1 per litre, some 19% more expensive.

A day after the decision to keep the repo rate unchanged, President Ramaphosa announced his economic stimulus plan, aimed at increasing economic growth, job creation, and foreign investment.

The markets, however, did not react very positively to the news. The rand weakened after the announcement. There is scepticism whether Ramaphosa' s cabinet can implement material change and stimulate economic activity. More details will be unveiled in the medium-term budget policy statement on the 24th of October. **Graph 1 below shows the extent of the issue facing the government.** Our new Finance Minister Tito Mboweni will be delivering the medium-term budget policy statement as now resigned Minister Nene is out over over his involvement in Gupta-gate.



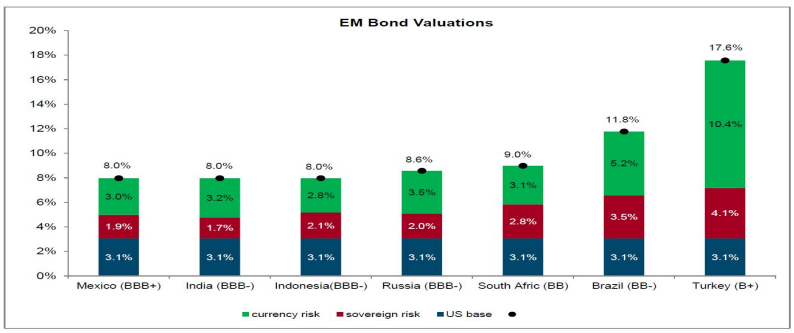
Source: Bloomberg

The rand remained volatile throughout the quarter and in September reached a low of 15.6/$ in the first week and a high of 14.1/$ towards the end of the month. The rand has since depreciated in October sitting around 14.9/$ on the 8th of the month.

SA Equities and Property markets were negative for the quarter. The SA Bond and Money Market yields moved up during the quarter largely in line with broad based weakness in Emerging Market investment confidence. **The Graph below** shows that SA is largely in line with broader peers but there are significant EM outliers that are dampening the general EM debt markets.

In the diagram below, we decompose the EM bond yields into three risk premia.

- The base rate 10-year US bond yield
- The risk premium or excess yield investors require over and above the US bond yield for sovereign risk
- and the risk premium or excess yield investors require for currency risk



	Mexico	India	Indonesia	Russia	South Africa	Brazil	Turkey
US Base	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Sovereign Risk	1.90%	1.70%	2.10%	2.00%	2.77%	3.50%	4.10%
Currency Risk	3.00%	3.20%	2.80%	3.50%	3.14%	5.20%	10.40%
Domestic Yield	8.0%	8.0%	8.0%	8.6%	9.0%	11.8%	17.6%

Source: Bloomberg

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