Market Commentary December 2018

Iza Global Balanced Fund

	YTD	1 Year	3 Year*	5 Year*
Iza Global Balanced Fund (Class A)	**(1.09)%**	**(1.09)%**	**10.27%**	**10.80%**
Benchmark - GIFS GBP Flexible Allocation	**(2.68)%**	**(2.68)%**	**7.19%**	**6.74%**

The Iza Global Balanced Fund ended 2018 on (1.09)% and ahead of its benchmark (down 2.7%) and the MSCI All Country World Index (down 4.6%)

Asset Class Performance (GBP)

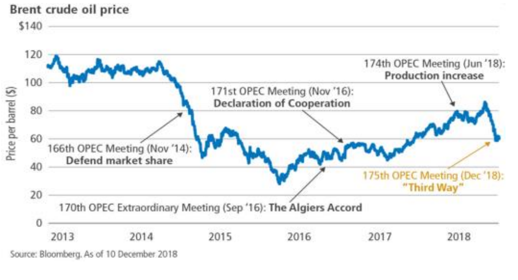
Asset Class	Index	MTD	YTD	1 Year	3 Years*	5 Years*
Global Equity	MSCI ACWI	(7.1)%	(4.6)%	(4.6)%	11.8%	9.8%
Global Property	FTSE EPRA Nareit Developed Rental	(5.7)%	1.2%	1.2%	8.5%	12.2%
Global Bond	JPM GBI Global Traded	2.7%	5.5%	5.5%	7.6%	6.6%
Global Cash	ICE LIBOR 1 Month	0.1%	0.6%	0.6%	0.4%	0.5%
SA Equity	FTSE/JSE All Share	0.7%	(16.4)%	(16.4)%	12.3%	4.6%
SA Property	FTSE/JSE SA Listed Property	(4.5)%	(31.7)%	(31.7)%	6.3%	4.6%
SA Bond	Beassa ALBI	(2.8)%	(1.6)%	(1.6)%	19.5%	6.5%
SA Cash	STeFI Call Deposit	(2.9)%	(2.6)%	(2.6)%	14.9%	5.1%

Global Market Overview

Global equities were sharply lower in December when US bourses capitulated after Trump's public criticism of Fed Chair Powell failed to deter a final rate hike amid weakening economic data and a partial US government shutdown. Emerging markets were also negative as China underperformed on unclear trade war progress and a slowing domestic economy. Bond yields fell markedly on safe-haven appeal.

Among the major US indices (USD), a 9.2% decline in December was enough to leave the S&P 500 down 6.2% for the year, with energy counters the worst performing S&P sector in 2018. The price of Brent crude oil continued a slide in December, seeing it get close to $50/barrel, down over 40% from its October high and circa -20% for the year. The Dow Jones Industrial Average fell by 5.6% and the tech-heavy NASDAQ dropped 3.9%, its worst year in a decade and snapping a six-year winning streak. Tech stocks including Apple (-11.7%), Amazon (-11.1%), Netflix (-6.5%) and Alphabet (Google; -5.8%), which drove the Nasdaq higher for the last couple of years, pulled the index lower in December.

After peaking at $86 per barrel in early October, Brent crude oil fell nearly $30 in just a few weeks. The reversal was due to a combination of factors: an apparent softening of U.S. applications of sanctions on Iran, weakening global demand and a surprising acceleration in U.S. output. To reduce the market imbalance and stem the price decline, OPEC and key partners at the 175th meeting of the OPEC Conference in early December agreed to cut production, but without driving prices substantially higher as the **table below** indicate.



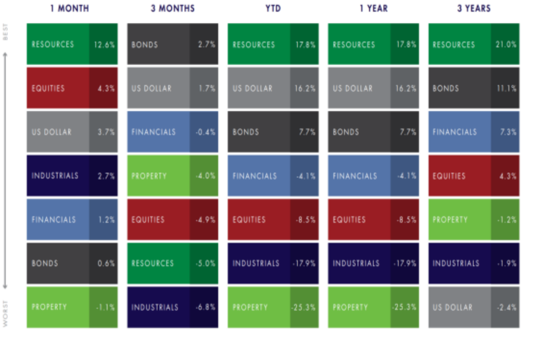
SA Market Overview

The Equity market ended 2018 on the front foot, gaining 4.3% in December. At a sector level Resources, Financials and Industrials gained 12.6%, 1.2% and 2.7% respectively for the month. The Rand weakened by 3.7% in December with Bonds gaining slightly +0.6% and Property lost 1.1%.

The best performing shares were resource companies such as AngloGold Ashanti +31%, Anglo American +16% and BHP Billiton +15%. The worst performing shares included Aspen (-8%) and Foschini (-5%).

The FTSE/JSE All Share Index fell 8.5% last year with several blue-chip stalwarts suffering heavy losses as the market de-rated companies that have exploited cheap leverage to make acquisitions. Nine ALSI 40 shares declined by more than 30% (of which six fell more than 40%). SA listed property stocks plunged 25.3%. In SA, only cash and the All Bond Index (+7.7%) produced real returns.

Major market inflection points are often associated with elevated volatility and increasing concentration of returns in a few counters. This was reflected on the JSE with the FTSE/JSE All Share Index fluctuating more than 5% twelve times during the year.



Co- Manager Comments

"To the casual observer Unilever endured a turbulent 2018, with its scuttled HQ relocation plans, brand portfolio shifts, and the announcement of a new chief executive; yet relatively speaking the shares barely flinched and continue to be a calm port of call, just as they have throughout much of their past 80 years of listing on the London exchange." - James Bullock, Lindsell Train Ltd

"Our outlook for the U.S. and global economies has not changed since we published our 2019 Outlook. There are some tentative signs that the two U.S. weak spots, housing and capital spending, are bottoming out. However, our global leading economic indicators continue to herald a soft first half of 2019 outside of the U.S. The dollar thus has more upside in the near term.– BCA Research Jan 2019

"As we enter 2019 the Fund's portfolio USD adjusted yield is now 4.98%, which is some 130 bps higher than at the start of 2018. At the same time, overall portfolio duration has declined to just 2.1. Given the attractive running yield and modest portfolio duration embedded in the portfolio, we are becoming increasingly confident that the Fund is well positioned to earn an attractive return for investors over the medium-term. We also believe the Fund's liquidity profile (more than 32% of the portfolio has a duration of less than one) will aid our capacity to take advantage of attractive investment opportunities if market conditions continue to remain uncertain. ." – Rubrics Global Credit UCITS Fund

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