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OUR

MONTHLY REPORT

May 2025 Market Commentary

May 2025



Market Insights

GLOBAL MARKET OVERVIEW – May 2025

May 2025 saw strong gains in US equities, led by the S&P 500 (+6.15%) and Nasdaq (+9.56%), driven primarily by the de-escalation of US-China tariffs and robust Q1 earnings growth of 12.5% year-over-year. Technology, communication services, consumer discretionary, and industrial sectors outperformed, while healthcare lagged and energy equally affected following the announcement from OPEC+. Treasury yields rose amid concerns over inflation, budget deficits, and a hawkish Fed, which held rates steady at 4.25%-4.50% but flagged risks of stagflation and economic softening. Mixed economic data showed stable unemployment (4.2%) but manufacturing contraction and cautious corporate guidance due to tariff uncertainties. China's trade and manufacturing data indicated ongoing softness, while emerging markets outperformed, aided by a weaker US dollar.

European markets faced disinflationary pressures and fiscal challenges, with global bond markets posting negative returns amid US fiscal concerns, including Moody's downgrade of US sovereign credit.

Inflation in the Eurozone fell below the ECB's 2% target to 1.9% in May 2025, driven by weaker consumer demand. Economic growth remains subdued at 0.3% in Q1 2025, weighed down by global trade uncertainties, cautious spending, and a stronger euro reducing import prices. The ECB has responded by cutting interest rates for the 8th time in a year in order to stimulate growth.

The US dollar has weakened significantly due to slowing economic growth, rising inflation linked to tariffs, fiscal policy uncertainty, and Moody's credit downgrade, undermining investor confidence and causing about a 7.5% drop in the Dollar Index. The dollar is expected to decline further in the medium term amid ongoing trade tensions, large fiscal deficits, and a global shift away from dollar assets, particularly against the euro, pounds and some emerging market currencies as other economies gain strength.

Amidst the fear of a mild recession, US consumer inflation accelerated slightly, driven by rising prices on merchandise as companies began passing on higher import tariffs. Core consumer prices, excluding food and energy, rose 0.3% monthly, the largest increase in four months. This uptick reflects partial tariff cost pass-through in sectors like furniture, apparel, and auto parts, while prices for services such as airfares and hotels declined. Ahead of the Federal Reserve June policy meeting officials assess trade policy's impact on inflation and the economy.

Gold rallied near \$3,385 an ounce in response to weaker-than-expected US economic data, which increased speculation that the Federal Reserve will cut interest rates at least twice in 2025. The contraction in US services activity and slower hiring boosted expectations of monetary easing, which typically supports gold as a non-yielding asset. Meanwhile, escalating US trade tensions with China and the EU, including doubled tariffs, have enhanced gold's appeal as a safe haven amid geopolitical uncertainty. Gold is up nearly 30% this year, supported also by ongoing central bank buying amid concerns over dollar exposure and global instability.

South Africa



South African equities delivered a 3.1% gain for the month, marginally outperforming their EM counterparts. The rally was broad-based, with all major sectors ending in the green. Particularly strong performances came from mining stocks such as Sibanye (+27.5%), Sasol (+26.6%)—recovering partially from a difficult year—and Northam (+21.6%). The FTSE/JSE All Share Index is now up 14.0% year-to-date.

On a sector level, Chemicals led with a 17.9% return, followed by Beverages (+6.0%) and Life Insurance (+4.7%). The continued rebound in commodity-linked counters reflects higher PGM and platinum prices, with the latter rising 9.1% in May. Meanwhile, the gold price paused its rally, slipping slightly by 0.6%.

Equites Property Fund was the top performer in the listed property space, climbing 10% in May after releasing a strong operating update and progress on its UK portfolio rationalisation, which is expected to improve earnings quality going forward. MAS Real Estate also performed well (+7.3%) amid competing acquisition offers from PK Investments and Hyprop. Fairvest (+7.2%) and Emira (+6.7%) rounded out the month's outperformers. On the other hand, NEPI Rockcastle fell 3.0%, making it the only notable laggard.

Domestic inflation remained subdued, although headline CPI ticked up marginally to 2.8% year-on-year in April (from 2.7% in March). This marked the ninth consecutive month that inflation has been below the midpoint of the SARB's 3%–6% target range. The rise was driven largely by a jump in food prices—particularly meat—which saw a month-on-month increase of 2.3%. This was offset by continued deflation in transport, which shaved 0.6% off the headline figure.

Core inflation dropped to a new cyclical low of 3.0%, reinforcing expectations of a looser monetary policy stance. In line with this, the SARB cut the repo rate by 25 basis points to 7.25% in its May MPC meeting. The decision was unanimous, with one MPC member favouring a larger 50bps cut. The central bank also revised its inflation and growth forecasts lower, projecting headline inflation at 3.2% for 2025 and GDP growth of just 1.2%—down from earlier estimates of 1.7%.

In a notable shift, the SARB began publicly exploring the prospect of lowering its inflation target from the current 3–6% band to a fixed 3%. While no changes have been made yet, the accompanying forecast scenarios suggested only a modest short-term cost to growth, with potential medium-term gains from lower inflation expectations.

South African nominal bonds posted their best performance of the year, rallying 2.7% in May. The market reacted positively to the SARB's dovish stance, the resolution of budget uncertainties, and greater clarity around the Government of National Unity's policy agenda. Short- and medium-dated bonds led the way, flattening the yield curve. This reversal follows several months of steepening amid concerns over the fiscal trajectory.

Inflation-linked bonds underperformed, returning just 0.4% for the month. With inflation well contained and VAT increases scrapped in the final budget version, investor interest in ILBs has waned, particularly on the longer end of the curve.

The rand appreciated 3.4% against the U.S. dollar in May, reflecting improved risk sentiment and a broadly weaker greenback. The domestic currency also gained against the euro and pound, recovering some of the ground lost earlier in the year. This trend, if sustained, will help ease imported inflation pressures and support consumer purchasing power.

While the asset price recovery in May was encouraging, economic data releases were less upbeat. March data (published in May) pointed to ongoing weakness in the local economy. Mining output fell 4.4%, manufacturing dropped 2.3%, and electricity generation contracted 2.0%. Retail and wholesale trade were flat to slightly positive, and only land transport showed a material rebound.

May was a month of recovery and policy recalibration. Risk assets performed strongly across the board, aided by falling rates and stabilising sentiment. The SARB's rate cut and openness to a lower inflation target added fuel to the bond market rally, while equities benefited from improved global risk appetite and strong stock-specific performance. However, the underlying economy continues to face headwinds. Without tangible improvements in productivity, investment, and energy supply, growth will likely remain sluggish. In this environment, selective exposure, valuation discipline, and diversified asset allocation remain the best tools for navigating a complex investment landscape.

The Iza Portfolios

Iza Global Balanced Fund

The IZA Global Balanced Fund has shown a strong rebound in May from April lows due to the concerns about the uncertainties around the Trump tariffs and structural shifts. The fund was up 2.84% in pounds and 3.23% in USD in May. Our prudent strategy of having a balanced exposure to both pounds and dollars has enabled the fund to reduce the volatility as well as minimise losses with the dollar weakening against all major currency pairs.

The recent inclusion of GBP and EUR bonds by the Northstar Asset Management team has shown resilience while limiting the downside risk and has proved beneficial post the rate cuts to 2% from the ECB. GBP and EUR bonds are currently more appealing than USD bonds because they offer higher yields and benefit from monetary easing by the ECB and Bank of England, while the US Federal Reserve maintains relatively higher rates. The stronger fiscal stimulus and stable economic fundamentals in Europe further support their attractiveness. We believe this will prove beneficial for the diversified bond exposure across the different geographies.

Following the headlines of the legendary, Warren Buffet step down by the end of the year, the leadership transition to Greg Abel and the unallocated cash from his portfolio has led us to a prudent stance to exit the position promptly in May, benefitting from significant upside and banking profits.

Given the current rise and outlook on Japanese equities supported by steady corporate earnings growth, share buybacks, and improvements in corporate governance, we have added some exposure to Nikkei and Euro Stoxx 50 Index via some structured products. The Nikkei experienced sharp declines despite strong gains in 2024 due to global market sell-offs, concerns over interest rate changes, and fluctuations in the yen, highlighting its continued vulnerability to macroeconomic and geopolitical risks. However, once the US uncertainties and Bank of Japan policies start to shift and ease, we believe these would be an upward boost for the portfolio. The Euro Stoxx index has had a strong recovery since the steep April lows and the monetary easing makes it quite attractive given that the ECB has cut rates 8 times over a one-year period to support growth amid slowing inflation and trade tensions. While we remain cautious about the potential weak export if the EU is not able to achieve any other beneficial deal with the President Trump post the tariffs of 50% being imposed on steel and aluminum.

Iza Global Equity Fund

The IZA Global Equity Fund has delivered a remarkable performance in May. The fund was up 4.86% in GBP and 5.25% in USD. Our Equity managers has shown strong resilience with the exceptional underlying returns in May.

This month has been a period of focus and realignment for this portfolio where we rotated our Ironclad position into the iShares Core MSCI World and Ranmore Global Equity. We firmly believe that our decision to upweight the iShares Core MSCI World will be beneficial for the portfolio to capture the upside of the global equity market with its global exposure to the large companies, and long proven track record. Ranmore Global Equity was another addition to the portfolio's value exposure. Ranmore has delivered outstanding long-term performance, with over 700% total return since inception, outperforming peers and global benchmarks. It maintains a focused portfolio of 40-50 holdings diversified by geography and sector, deliberately avoiding large U.S. mega-caps in favor of under-researched, contrarian opportunities, including selective exposure to Chinese equities like Baidu and Ping An. Compared to peers, Ranmore offers more consistent returns, better downside protection, and a differentiated, genuinely active value strategy. We believe Ranmore will be a good value add for the Equity portfolio as the strategy aligns with ours.

Key Performance Highlights across both funds

Both funds have seen a strong recovery since April, with all underlying managers performing well throughout May. This highlights the advantages of combining diverse asset classes within the Iza Balanced portfolio, alongside top-tier global equity managers in both funds that provide exposure across all major jurisdictions and not just the US. Year-to-date, both funds are up over 5%, significantly outperforming the S&P 500, which has returned just over 1% in USD. The benefits of true global diversification are beginning to materialize, and we believe this is only the early phase of a broader trend. Both funds are well-positioned to capture opportunities as the investment cycle shifts.

Contributors across both funds:

- Scottish Mortgage was up 8.63% in May and 3.10% on a YTD basis. SMT LN has recovered 20.8% in GBP from the biggest drop in April. The strong gains of SMT LN were from high-growth technology and AI companies in May, driven by record investments in AI infrastructure by major tech firms, accelerating enterprise AI adoption, and robust Q1 earnings that exceeded expectations. The easing of macroeconomic uncertainties, positive trade developments between the US and the EU and China, and renewed investor enthusiasm after April's market turmoil fueled a broad rally in AI and tech stocks.

- iShares Core MSCI World delivered a 5.88% return in May driven by broad gains in developed markets. Its diversified exposure to large-cap sectors like technology, consumer discretionary, and communication services contributed significantly to its positive performance.

- Guinness Global Innovators recorded a 7.83% return in May – the key driver to the strong performance was the overweight tech and increase in global demand of semiconductors and Guinness Global Equity Income Fund was up 4.32% in May despite the ongoing trade negotiations.

- Dodge & Cox was up 5.35% in May and 2.73% on a YTD basis. T.Rowe delivered a return of 5.88% and Nomura delivered a solid 6.6% return in GBP in May showing signs of recovery from their overall struggle with the healthcare and quality holdings this year.

Contributors to the IZA Global Equity Fund Performance:

Clearance Camino Fund delivered consistent positive returns with a 3.81% return in GBP in May and 8.91% from a YTD perspective. This is hugely driven by improved macroeconomic conditions, and strong demand in residential, retail, and industrial sectors. Europe's real estate market is benefiting from stabilizing yields, improving financing conditions, and supportive policy measures, making it attractive relative to other regions.

Detractors to the IZA Global Balanced Fund Performance:

- Gold was down 1.17% in GBP (-0.80% in USD) in May from the 52 weeks high. While we are still bullish on gold and the outlook on gold looks promising due to the rising inflation, the ongoing escalation and de-escalation of tariffs has had investors shift from gold to stocks due to easing U.S.-China trade tensions and stronger U.S. jobs data, which boosted investor risk appetite and Treasury yields, reducing gold's appeal as a safe haven.

- The Iza Seg Mandate (fixed Income) was down 1.07% in GBP (-0.70% in USD) in May. Rubrics Enhanced Yield was down 0.29% in GBP. Bonds declined overall in May 2025 mainly due to rising U.S. Treasury yields driven by concerns over fiscal deficits, including Moody's downgrade of the U.S. credit rating, and trade policy uncertainties. The Bloomberg Treasury Bond Index fell about 1.03%.

It was also good to see our active manager Rubrics Enhanced Yield outperform border bond indexes in a tough month. Bonds have traded in a range since bottoming in late 2022, a pattern that, while frustrating, likely reflects a broader bottoming process as inflation continues to ease. With yields now at appealing levels and central banks nearing the end of tightening cycles, the income on offer provides a strong foundation for future returns. If the US economy enters a deeper-than-expected recession, bond prices could benefit from falling rates, adding capital appreciation to already attractive yields. This creates a favourable risk-reward dynamic for long-term investors seeking both income and downside protection.

Quote of the Month

"Earning power is as valuable as assets, therefore try to buy earning power at a discount"

George Michailis

Funds' Performance Summary

As of 30 May 2025 - GBP	1 Month	3 Months	YTD	1 Year	3 Years	5 Years
IZA Global Stable Portfolio GBP	1.65	- 2.78	- 0.52	3.48	4.45	2.78
Iza Global Equity A GBP Acc	4.86	- 5.09	- 2.71	1.54	5.25	*3.14
Iza Global Balanced A GBP Acc	2.84	- 4.74	- 2.06	2.15	4.23	2.72
EAA Fund GBP Flexible Allocation	2.06	- 0.46	1.43	4.46	2.74	4.03
EAA Fund GBP Allocation 20-40% Equity	1.25	- 0.48	1.41	4.86	2.51	2.43
As of 30 May 2025 - USD						
Iza Global Equity A USD Acc	5.25	1.57	4.63	7.26	7.58	*4.05
Iza Global Balanced A USD Acc	3.23	1.94	5.31	7.89	6.45	*4.52
EAA Fund USD Flexible Allocation	2.90	0.82	2.95	6.44	4.85	5.18
EAA Fund USD Cautious Allocation	1.41	0.68	2.62	6.35	3.63	2.94
As of 30 May 2025 - ZAR						
IZA Global Stable Portfolio GBP	- 0.40	1.24	2.50	5.13	12.21	5.09
Iza Global Equity A GBP Acc	2.75	- 1.17	0.25	3.15	13.06	5.46
Iza Global Balanced A GBP Acc	0.77	- 0.81	0.91	3.77	11.97	5.03
EAA Fund GBP Flexible Allocation	0.00	3.65	4.52	6.12	10.38	6.36
EAA Fund GBP Allocation 20-40% Equity	- 0.79	3.63	4.50	6.52	10.12	4.73

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

Asset Class Performance (Base Currency)

As of 30 May 2025	1 Month	3 Months	YTD	1 Year	*3 Years	*5 Years
SA Indices						
STeFI Call Deposit ZAR	0.61	1.83	3.05	7.86	7.44	5.91
FTSE/JSE All Share TR ZAR	3.14	11.45	14.02	27.30	13.66	17.62
FTSE/JSE All Share PR ZAR	3.00	9.76	12.17	22.98	9.37	13.32
FTSE/JSE All Bond TR ZAR	2.73	3.71	4.24	21.78	11.36	10.13
Major Equity Indices						
S&P 500 NR USD	6.25	- 0.48	0.90	13.07	13.89	15.42
MSCI World NR USD	5.92	2.10	4.95	13.72	13.18	14.18
MSCI ACWI NR USD	5.75	2.52	5.32	13.65	12.30	13.37
Global REITS						
FTSE EPRA Nareit Global NR USD	2.43	1.44	5.14	10.17	- 0.16	4.63
Global Fixed Income						
NYSE US 10 Yr Treasury Futures PR USD	- 1.35	- 0.35	1.77	1.06	- 3.70	- 4.54
Bloomberg 20-30Y Treasury Strips TR USD	- 4.87	- 10.17	- 3.17	- 5.29	- 10.70	- 13.94
Commodities						
DJ Cmmnty Silver TR USD	0.97	5.01	12.81	7.28	14.54	11.23
DJ Cmmnty Precious Metals TR USD	- 0.17	13.84	22.27	33.66	19.54	12.41
DJ Cmmnty Crude Oil TR USD	5.50	- 10.24	- 10.69	- 8.87	- 8.61	21.50





Get in touch

Feel free to say hello or ask any questions

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