



REZCO

REZCO WEBINAR

May 2022

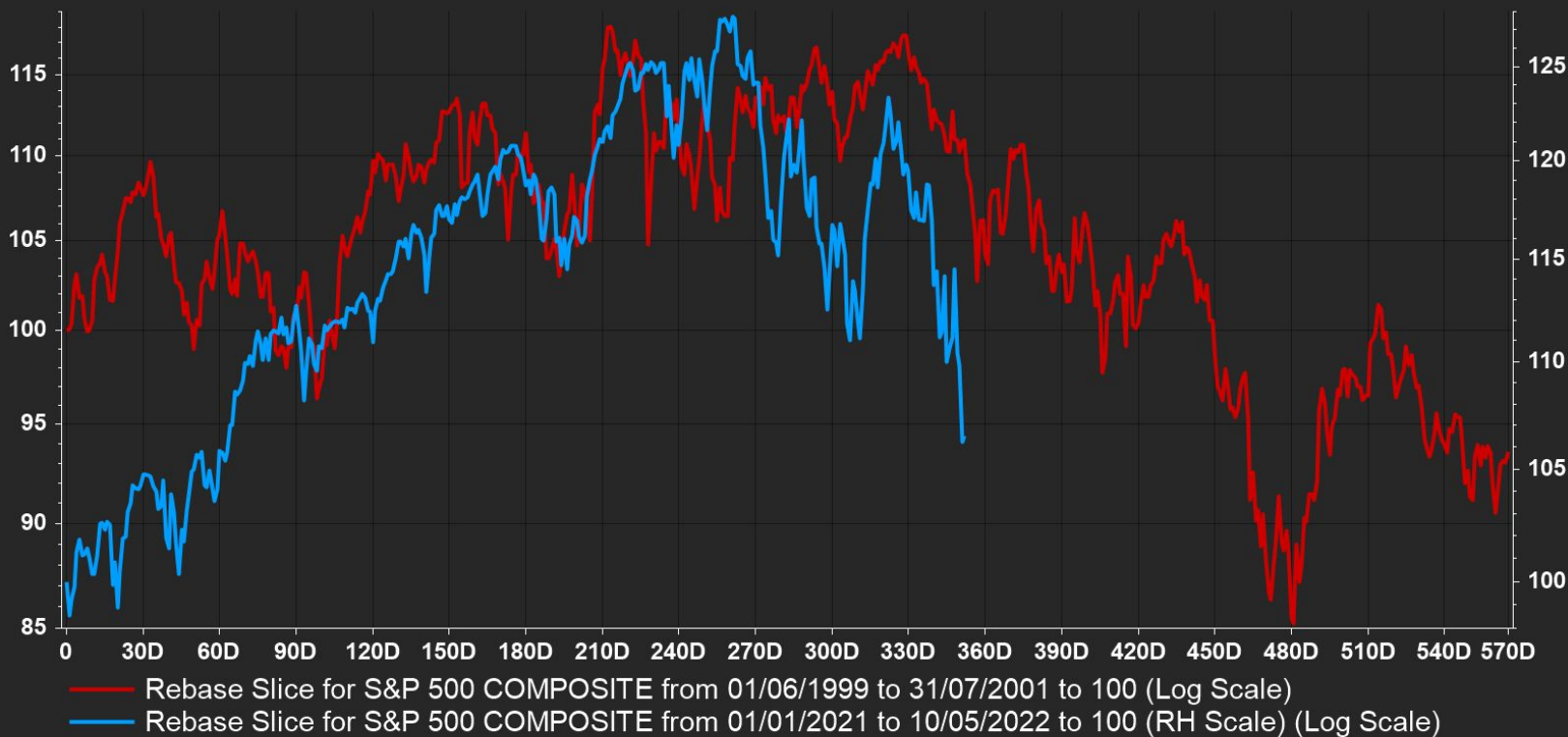
SIMON SYLVESTER | RESEARCH HEAD ,CO-PM
ROB SPANJAARD | CIO ,CO-PM

**WHAT DOES A
BUBBLE
POPPING
LOOK LIKE IN
FINANCIAL
MARKETS?**



ZOOMED IN: DOT COM BUBBLE BURSTING...

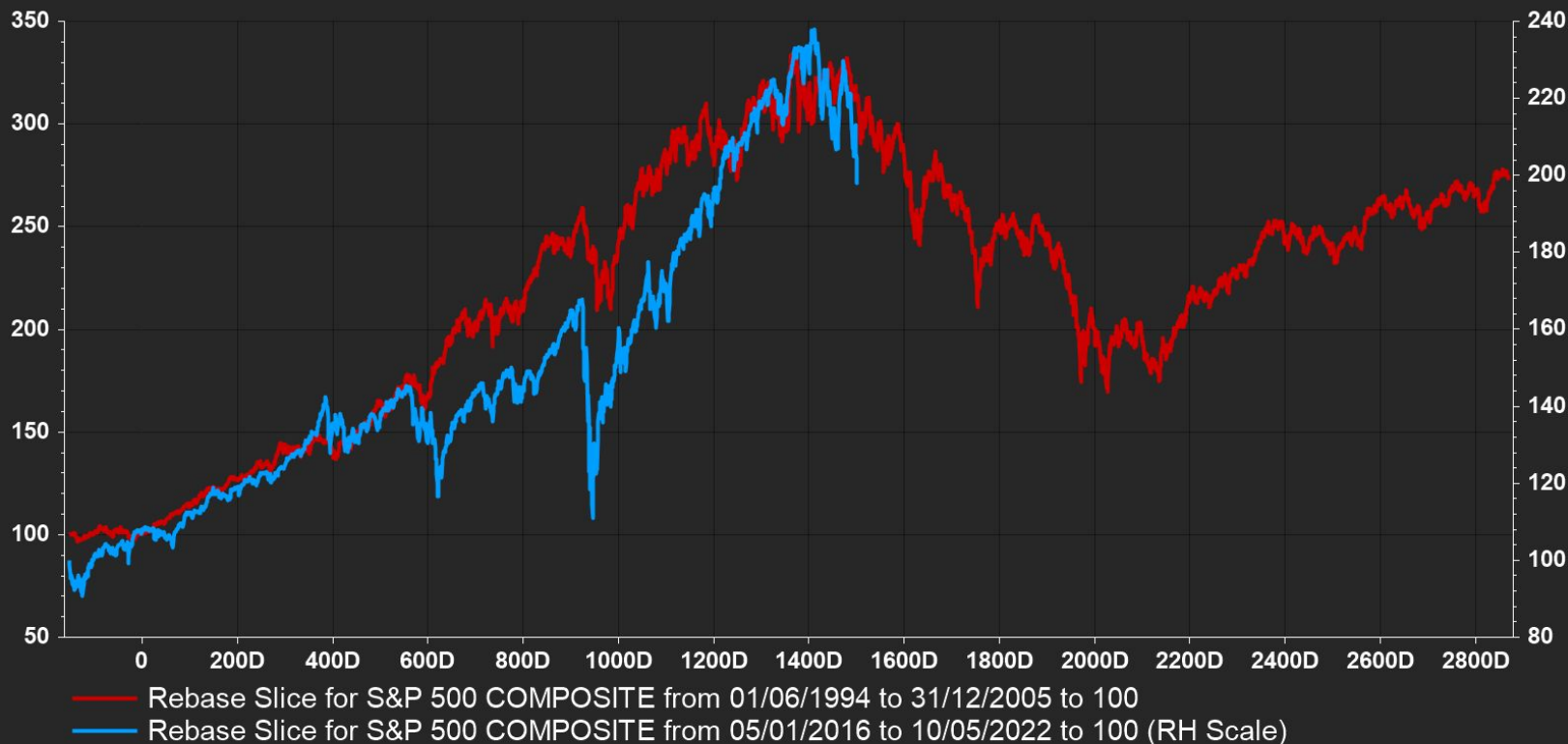
S&P 1999-2001 : 2021-2022



Source: Refinitiv Datastream / Rezco

...ZOOMED OUT: DOT COM BUBBLE BURSTING

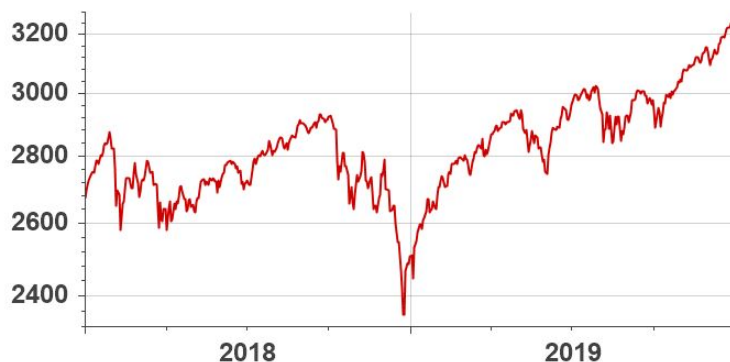
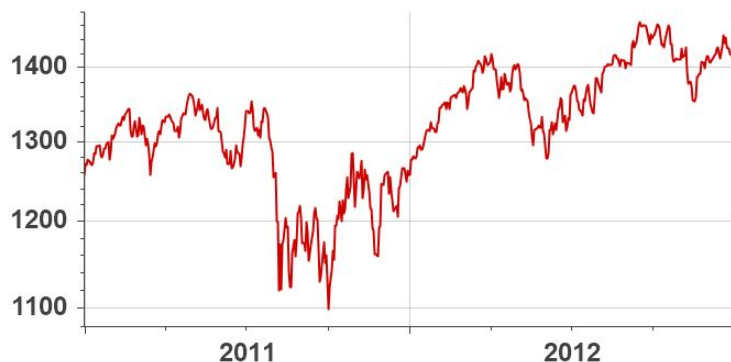
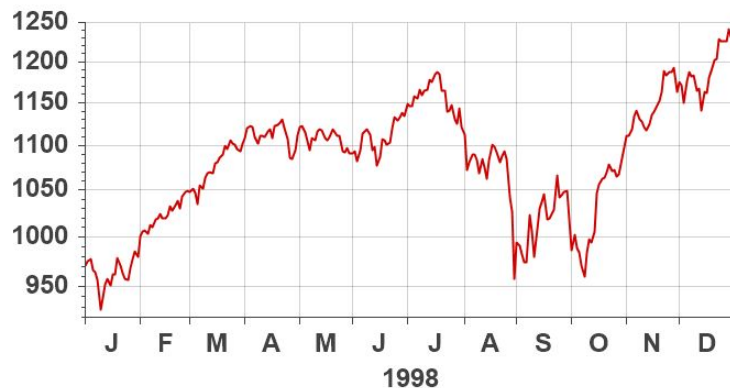
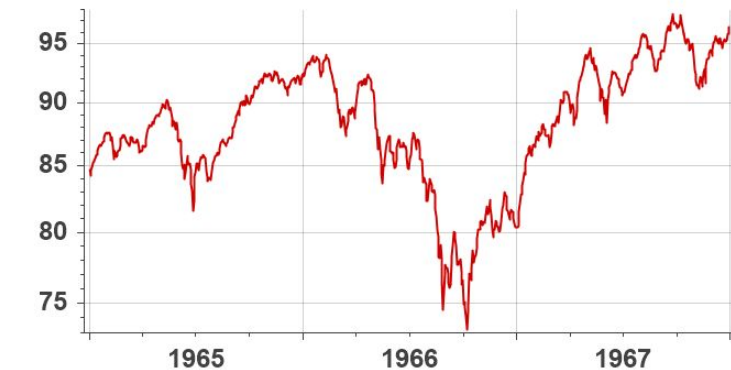
S&P 1994-2005 : 2016-2022



Source: Refinitiv Datastream / Rezco

BUY THE DIP

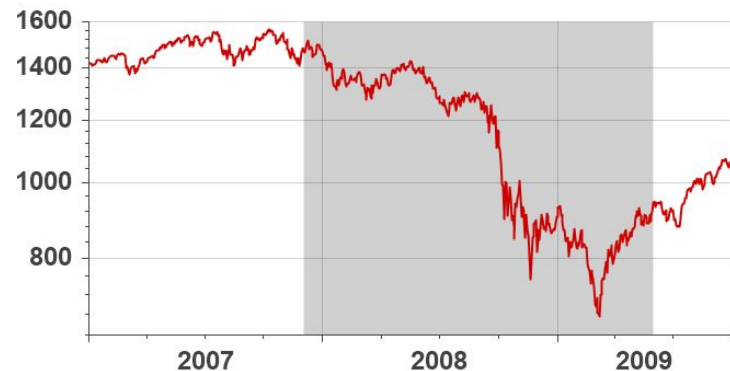
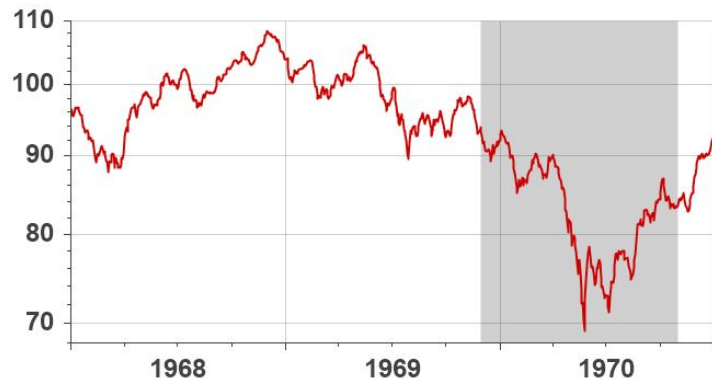
S&P 500 BEAR MARKETS WITHOUT RECESSIONS



Source: Refinitiv Datastream

NOT ALL BEAR MARKETS ARE V SHAPED

S&P 500 THROUGH RECESSIONS



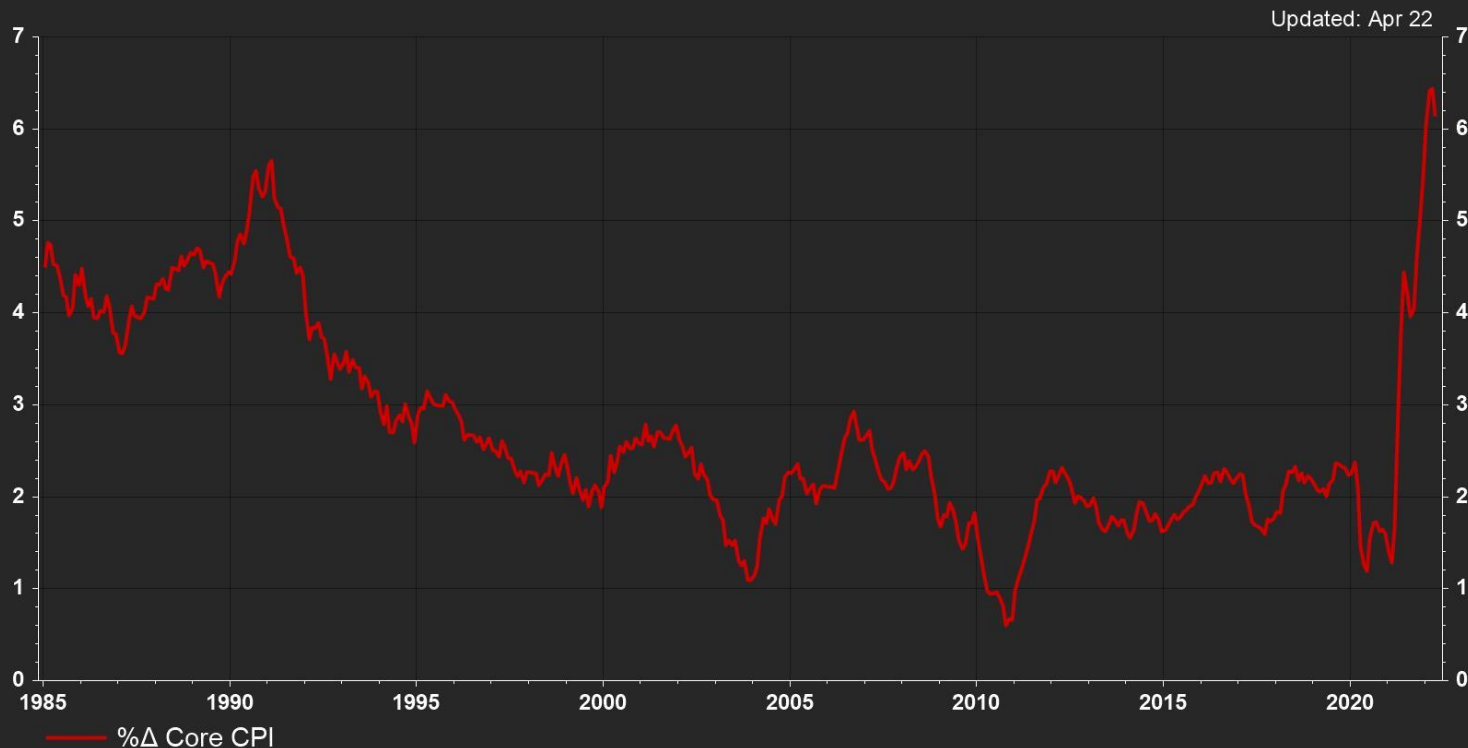
Source: Refinitiv Datastream



ZOOMING OUT: HOW ARE WE
SEEING THE BIG PICTURE?

INFLATION IS NOW ALL OVER THE HEADLINES

US CORE CONSUMER PRICE INFLATION



Source: Refinitiv Datastream / Rezco

BUT THE DEBATE HAS SHIFTED VERY QUICKLY FROM IS INFLATION TRANSITORY...

When It Comes to Inflation, I'm Still on Team Transitory

Fed Chair Powell may have retired the term, but bottlenecks and shortages should be over soon.

By Alan S. Blinder

Dec. 29, 2021 6:14 pm ET

SAVE PRINT TEXT

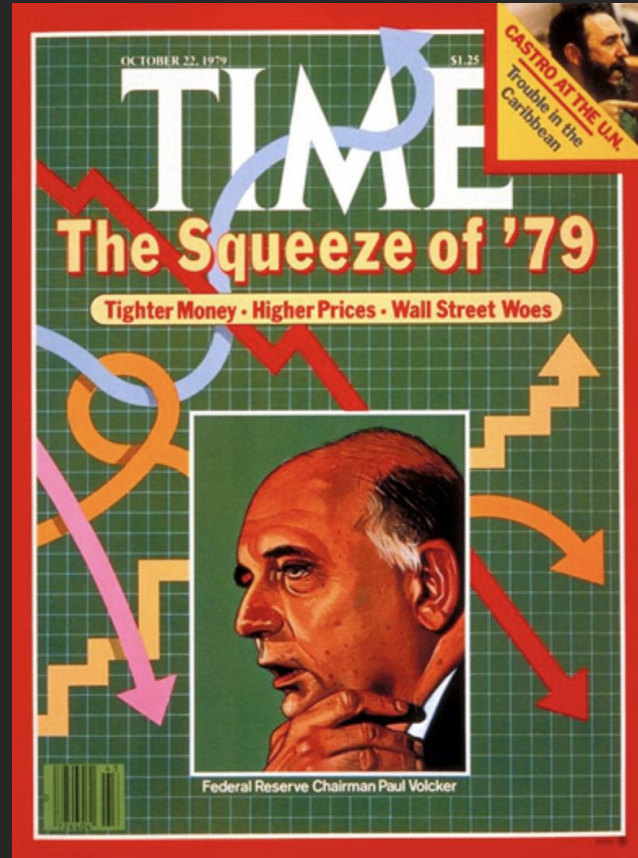
494



People shop at a Best Buy store in San Carlos, Calif., Nov. 26.

PHOTO: DAVID PAUL MORRIS/BLOOMBERG NEWS

...TO WHAT WILL IT TAKE TO GET INFLATION BACK TO TARGET



INFLATION IS A WORSE PROBLEM THAN A RECESSION

And importantly Central Banks are now taking it seriously

Federal Reserve + Add to myFT

Jay Powell channels his inner Paul Volcker with tough stance on US inflation

Fed chair confident he can fight soaring prices without hurting economy but some are sceptical



Federal Reserve chair Jay Powell said he believed the US economy could still 'flourish' despite rising interest rates © Bloomberg



INFLATION: IT IS A DEMAND PROBLEM

Powell mentioned 'demand' 24 times in the recent press conference

Key Powell quotes from May 4, 2022 Press Conference:

On labour: "So in principle, it seems as though by ***moderating demand***, we could see vacancies come down."

On supply chain issues: "**our tools don't really work on supply shocks**. Our tools work on demand." & "...we're **focused on doing the job we need to do on demand, and there's plenty to be done there.**"

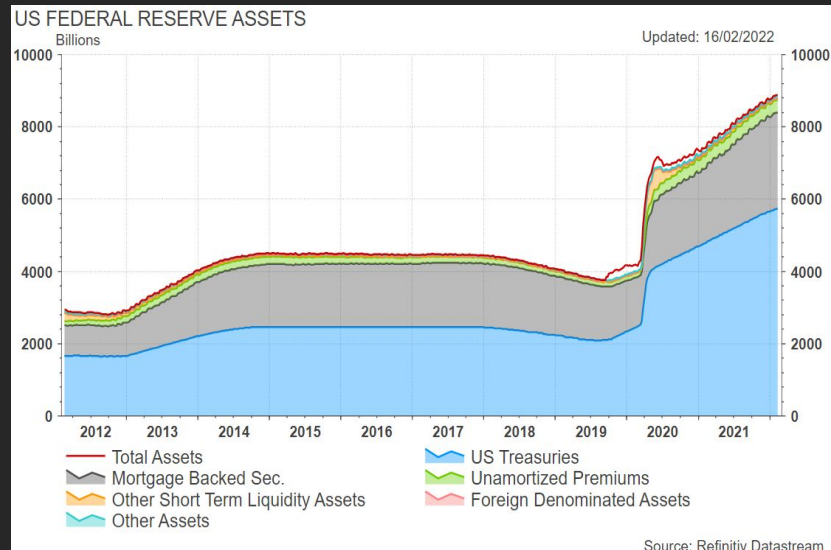
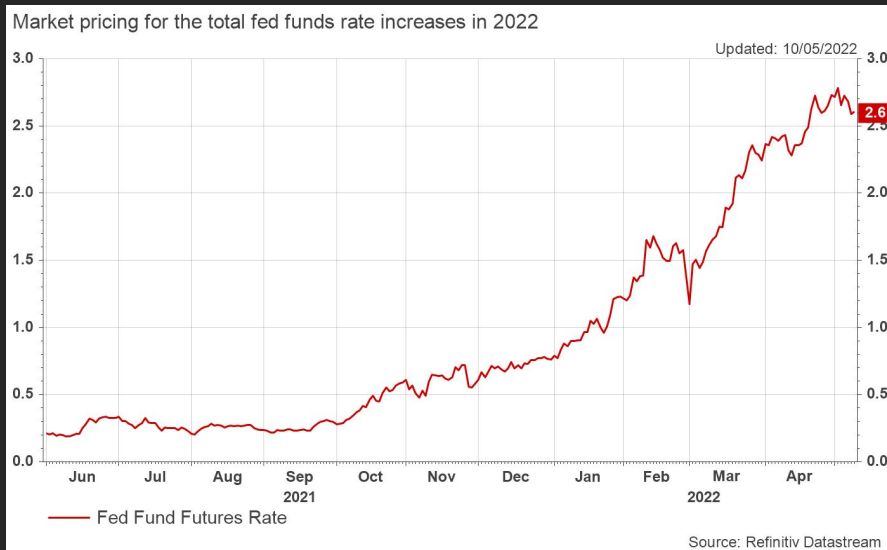
On the Fed's chances of a soft landing: "The issue will come that we don't have precision surgical tools. We have essentially interest rates, the balance sheet, and forward guidance, ***and they're famously blunt tools***. They're not capable of surgical precision. So I would agree. No one thinks this will be easy."

The essence of the problem the Fed is facing:

"you can see places where the demand is substantially in excess of supply. And what you're seeing as a result of that is prices going up, and at unsustainable levels... And so what our tools do is that as we raise interest rates, demand moderates, and it moves down. Interest rates, you know, businesses will invest a little bit less, consumers will spend a little bit less. That's how it works. ... ***I mean, so, yes, there may be some pain associated with getting back to that.*** But, you know, the big pain is in not dealing over time, is in not dealing with inflation, and allowing it to become entrenched."

The Fed seems a bit panicky despite calm facade of Powell

Fast changes in projected interest rates and Q.T. are normally very dangerous for equity markets:

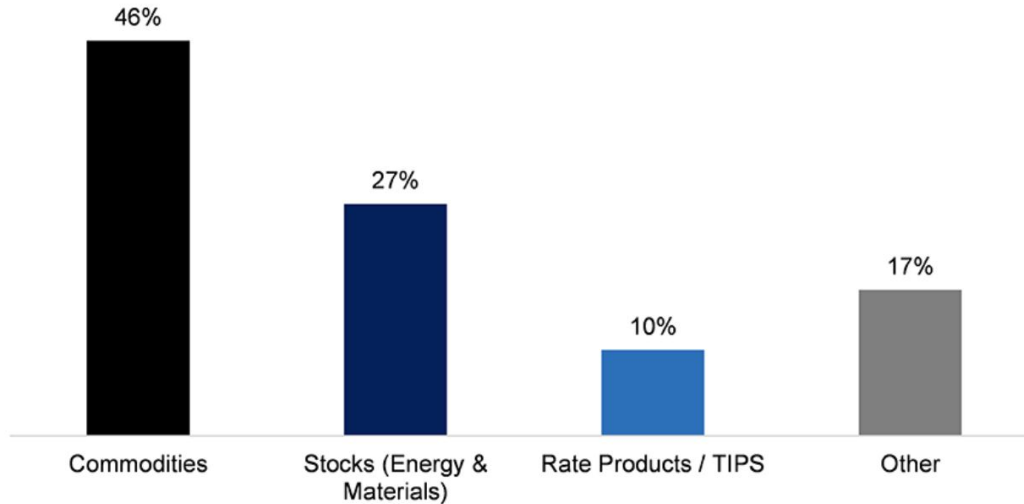


HEARD ON THE STREET



BUY INFLATION HEDGES!

Investor Survey 2021: What Is the Best Way to Hedge Inflation?



Source: JPMorgan, FactorResearch

Financial media's shopping list of inflation hedges:

- Energy
- Commodities
- Inflation Protected Bonds
- Mining Shares
- Real Estate
- Equities

**DON'T INFLATION HEDGE
YOUR PORTFOLIO...**

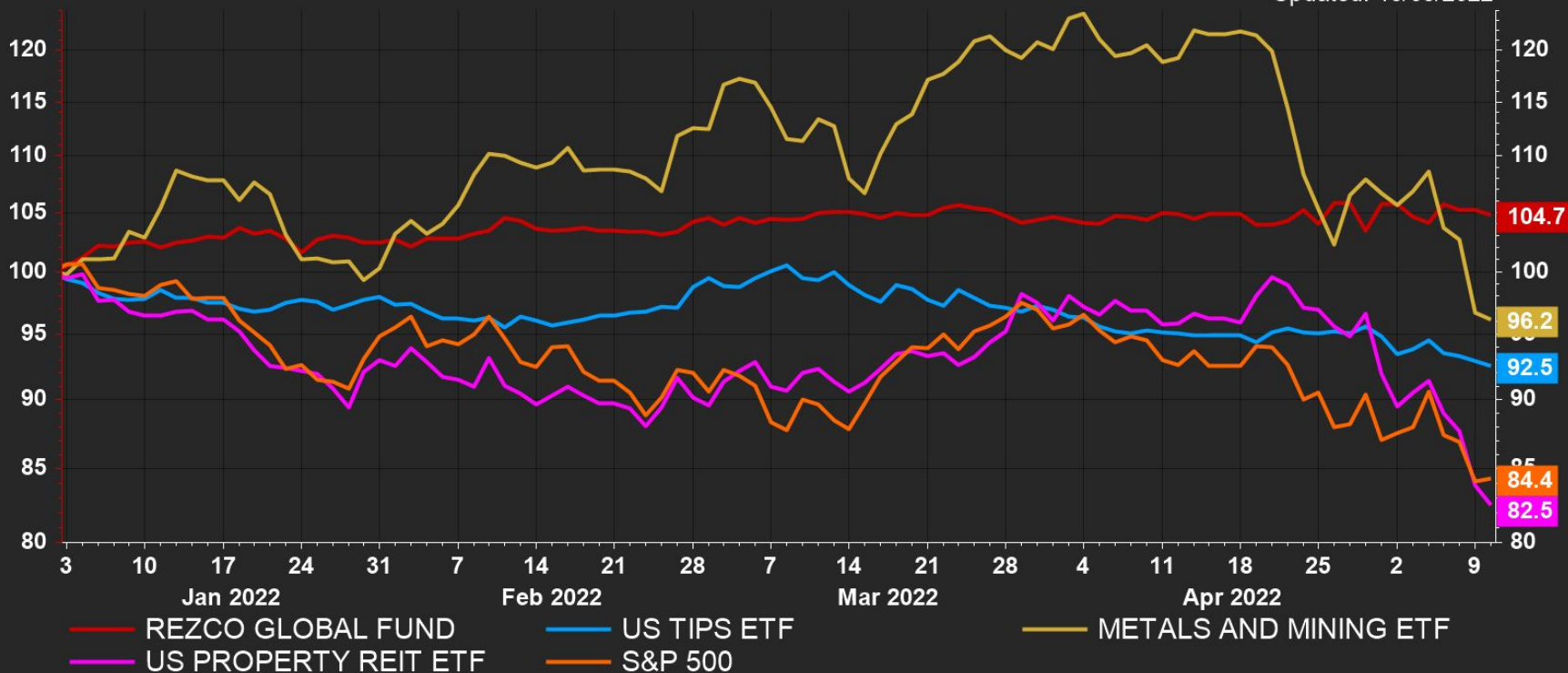
**.....RECESSION PROOF
YOUR PORTFOLIO!**



GLOBAL: YTD INFLATION HEDGES ARE NOT WINNING

TOTAL RETURN: REZCO GLOBAL FUND vs POPULAR INFLATION HEDGES (USD)

Updated: 10/05/2022



Source: Refinitiv Datastream / Rezco

ENERGY HAS PERFORMED WELL, THE REST NOT SO

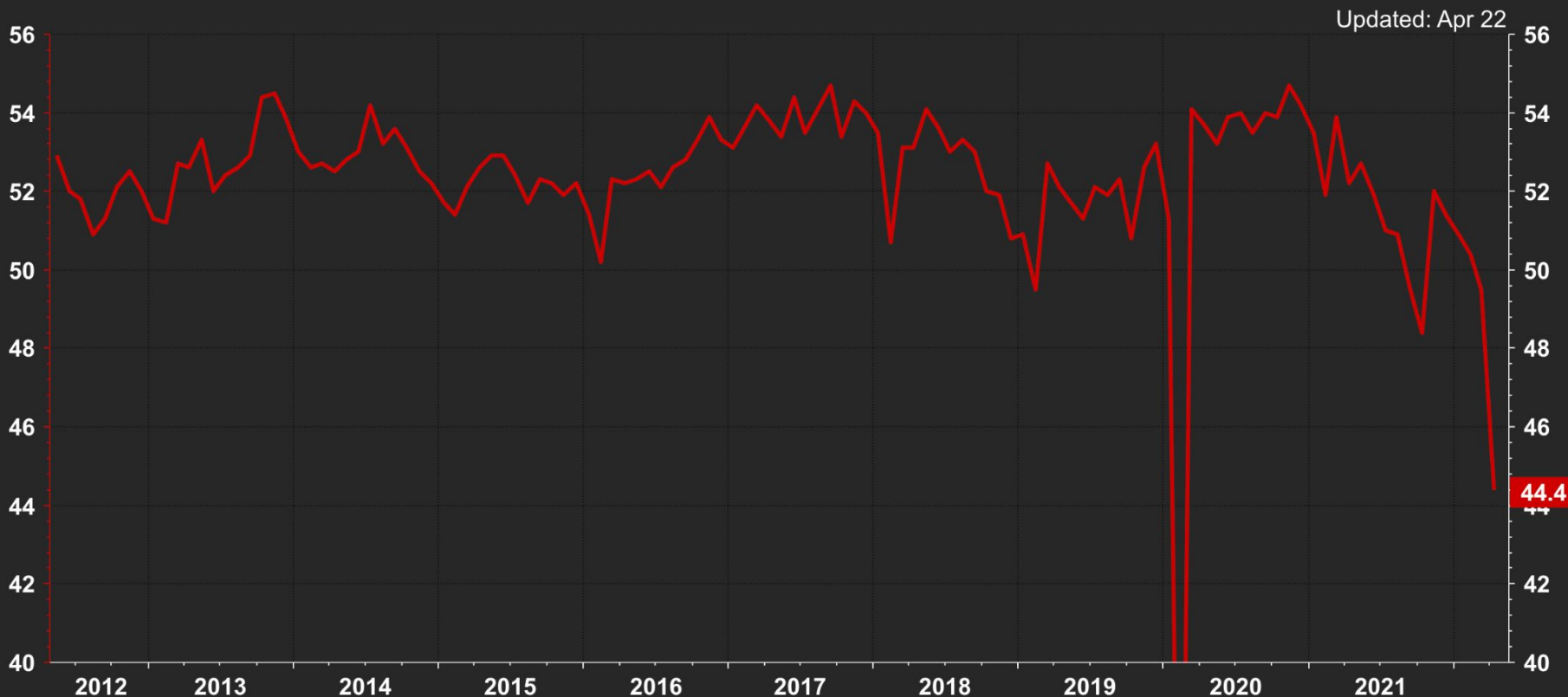
ENERGY VS INDUSTRY



Source: Refinitiv Datastream / Rezco

CAREFUL OF COMMODITIES BEING TOUTED AS A SAFE HAVEN

CHINA MANUFACTURING PMI



Source: Refinitiv Datastream / Rezco



WHY NOT BUY EQUITIES NOW?

If it is in the headlines, shouldn't it be in the price?

**DEPENDS IF YOU BELIEVE THAT
THE FED CAN DO A “SULLY”:**

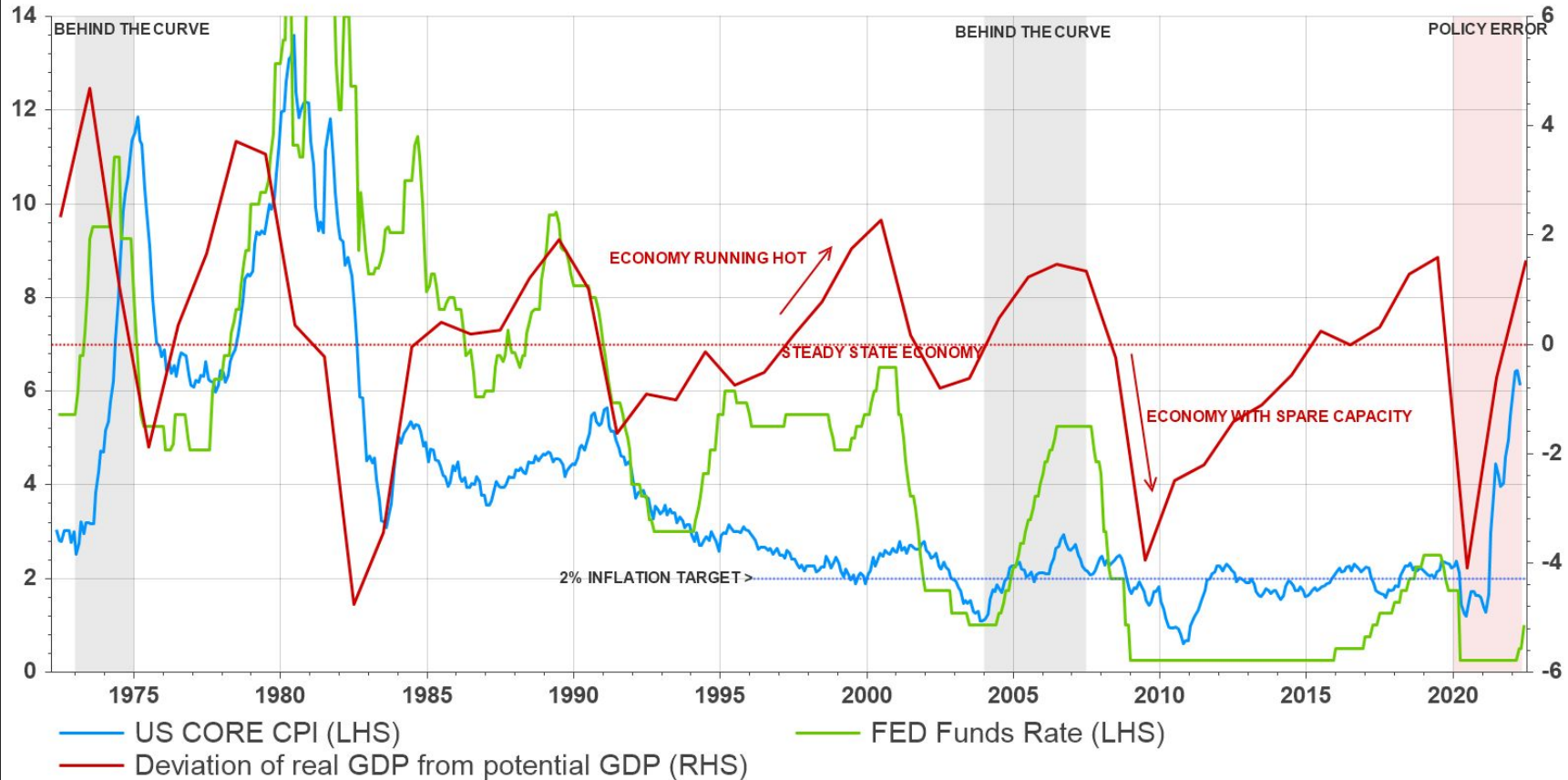


**A SULLY : A NEW FINANCE TERM
FOR THE FED’S CHANCES OF ACHIEVING
A SOFT LANDING**

EL-ERIAN'S TWO OPTIONS

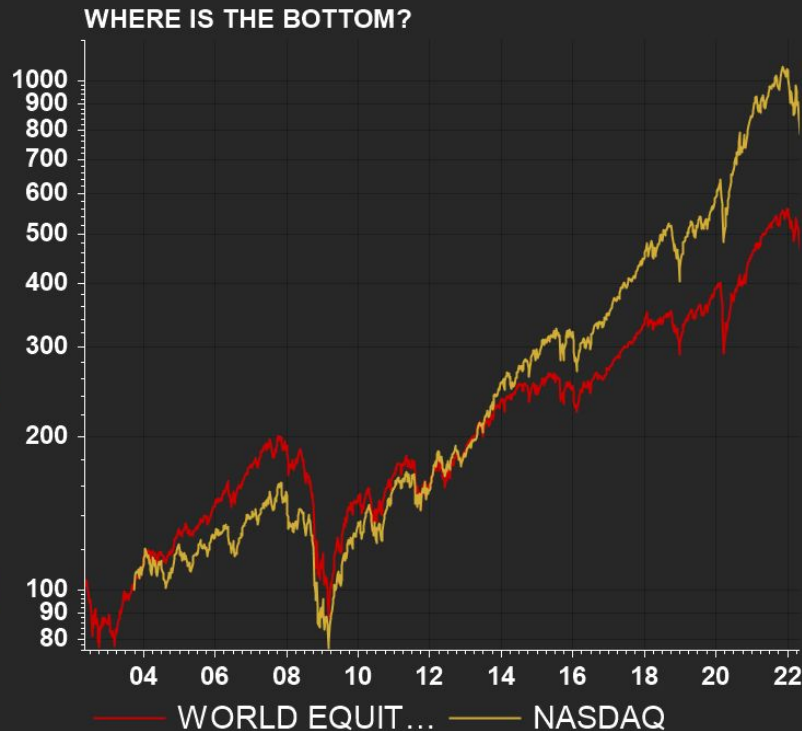


THE FED HAS MADE A POLICY ERROR



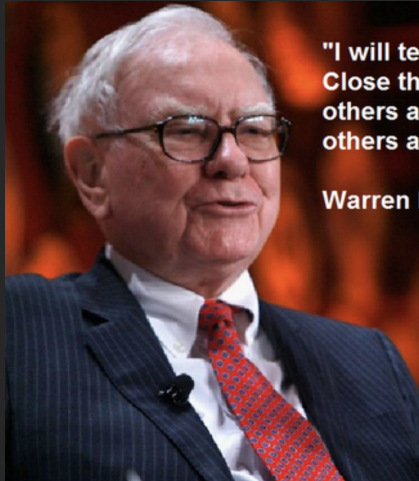
THE MARKET DEBATE

DIFFERENT PERSPECTIVES GIVE DIFFERENT PICTURE



Source: Refinitiv Datastream / Rezco

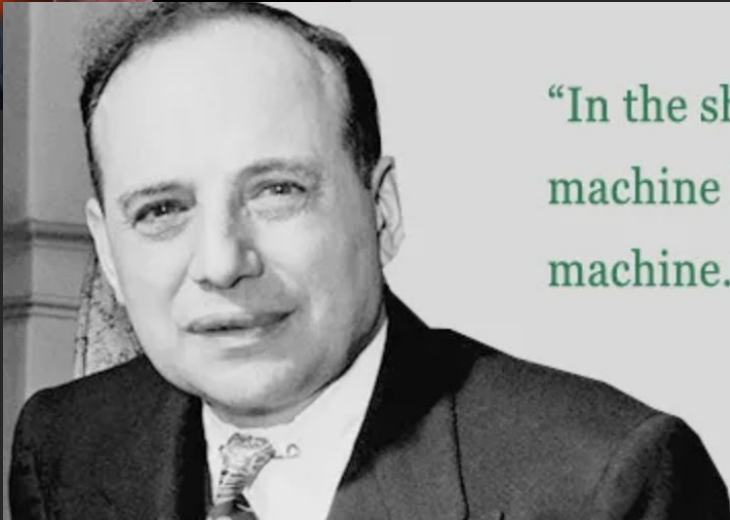
THERE ISN'T ONE CORRECT RULE ON MARKETS



"I will tell you how to become rich.
Close the doors. Be fearful when
others are greedy. Be greedy when
others are fearful."

Warren Buffett

VS



"In the short run, the market is a voting
machine but in the long run, it is a weighing
machine."

~Benjamin Graham

MARKETS ARE STILL EXPENSIVE

F-PE vs FWD EV/EBITDA



Source: Refinitiv Datastream / Rezco

USA CORPORATE PROFIT MARGINS

US Market Net Profit Margin (Long Term)

Updated: 10/05/2022

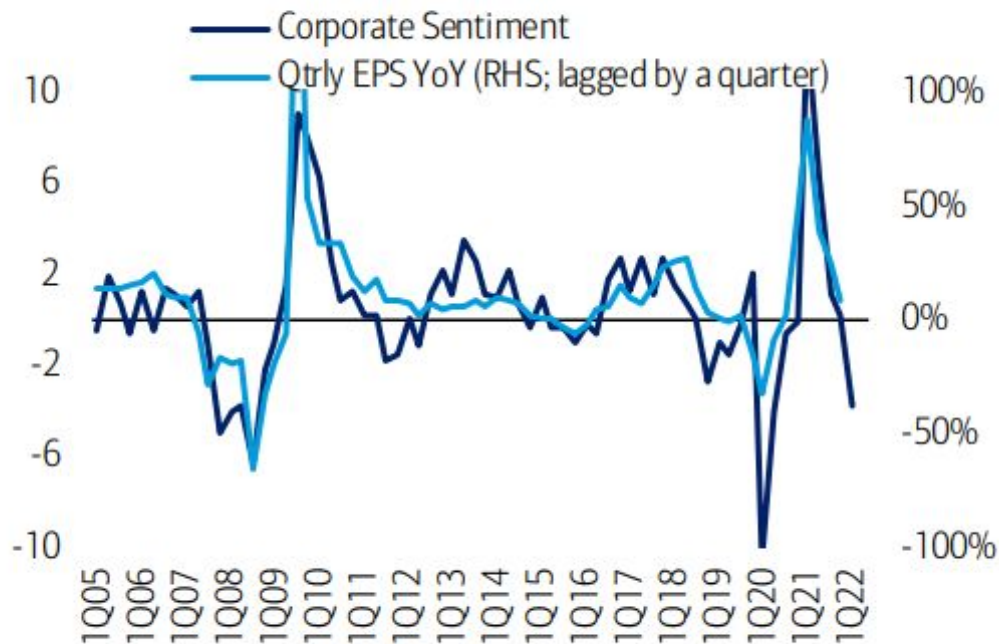


Source: Refinitiv Datastream / Rezco

WE EXPECT PRESSURE ON COMPANY EARNINGS

Exhibit 14: Big sentiment drops points to earnings downside risk

S&P 500 avg. negative sentiment score YoY vs. quarterly EPS YoY with a quarter lag (r-sq=53%; 1Q05-1Q22)



Source: BofA Global Research, FactSet

BofA GLOBAL RESEARCH

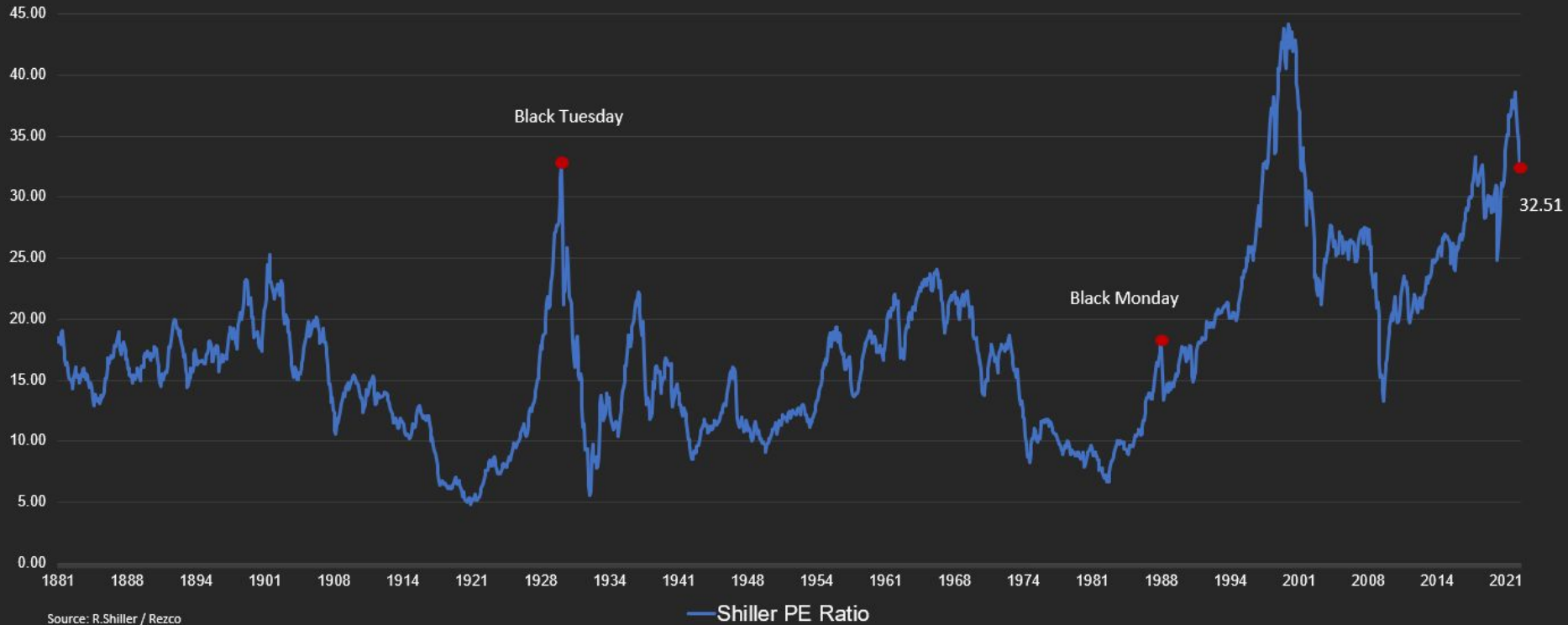
MARKETS ARE UNFORGIVING: FALLING EARNINGS COMES WITH DECREASING VALUATIONS

	Soft Landing	Recession
MARKET PE	-10%	-25%
PROFIT MARGIN (EARNINGS)	-15%	-35%
POTENTIAL MARKET MOVE	-23.5%	-51%

HOW MUCH CAN THE MARKET FALL?

SHILLER CAPE RATIO

Shiller PE Ratio





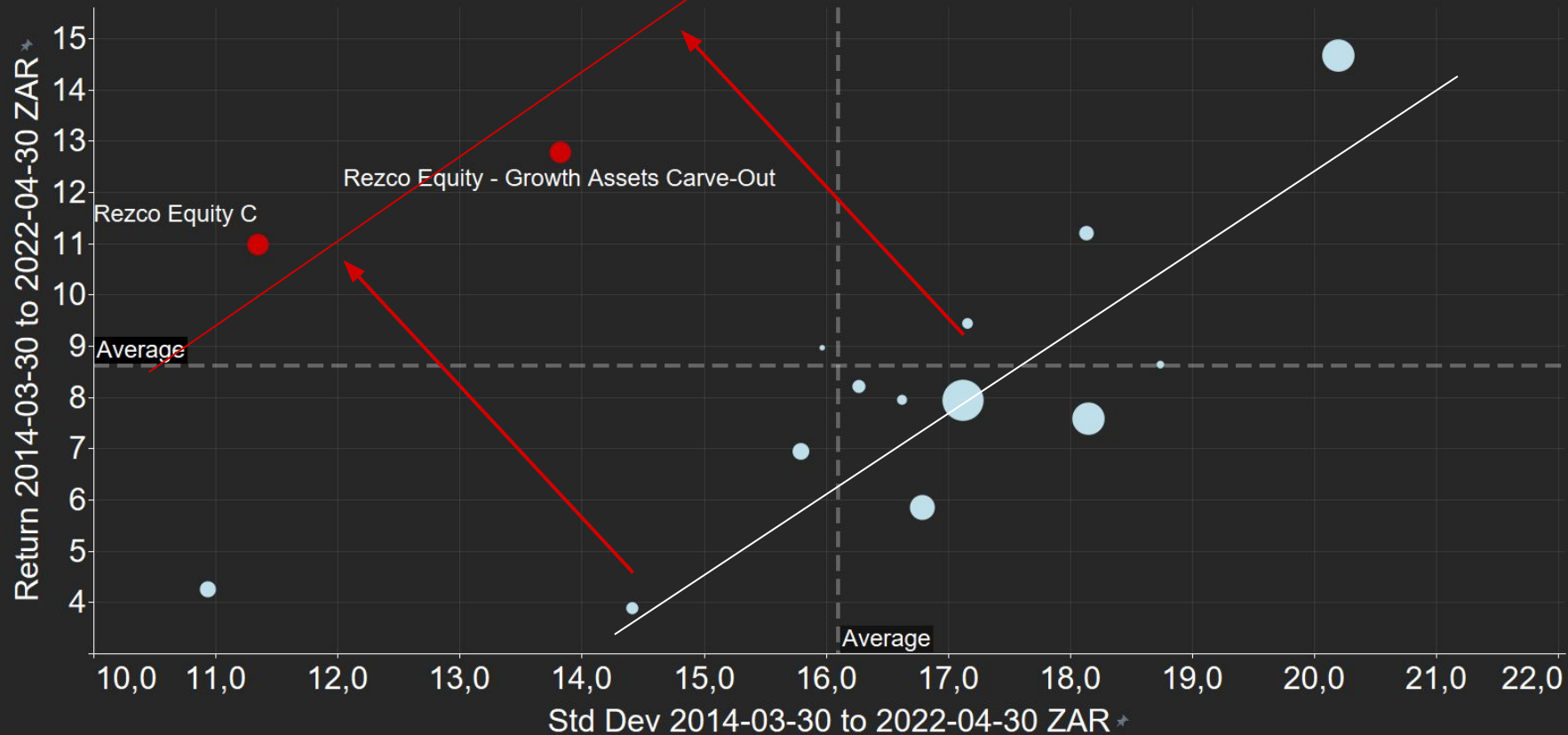
WHAT SOLUTIONS CAN REZCO OFFER?



REZCO SOLUTIONS

	THE NEED	THE SOLUTION
REZCO EQUITY	Investors who need to be in SA Equity but are worried about the macro risks	Risk managed high conviction stock picking
REZCO VALUE TREND	Investors are concerned about risk of capital loss in the Reg 28 space, but want to keep a longer term perspective	Long term track record of managing through the crises
REZCO GLOBAL FLEXIBLE	Investors looking for global flexible allocation with a high allocation to hedged equity	Fund performing well through a falling market - hedged equity has been a good strategy YTD

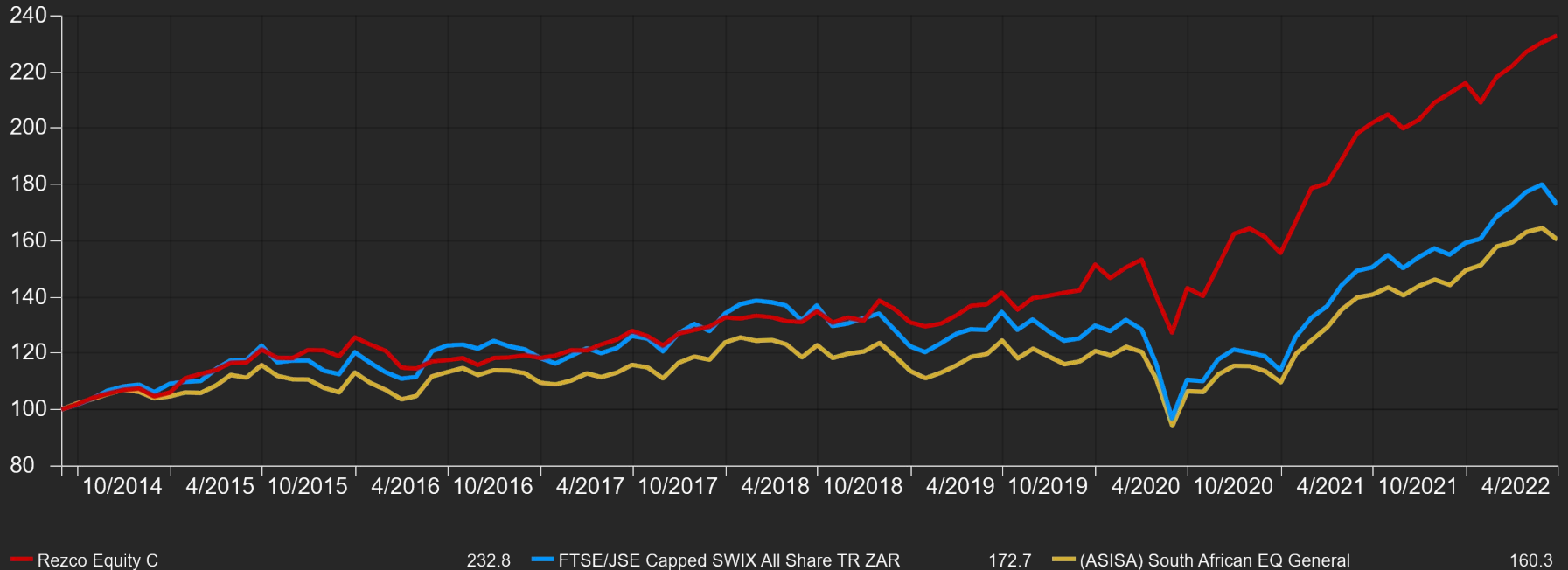
REZCO EQUITY FUND: RISK MANAGED STOCK PICKING



REZCO EQUITY FUND SINCE INCEPTION

Time Period: Since Common Inception (4/1/2014) to 4/30/2022

Currency: South African Rand Source Data: Total Return



Source: Morningstar Direct

TRACK RECORD OF MANAGING THROUGH CRISES

REZCO VALUE TREND

Updated: 10/05/2022

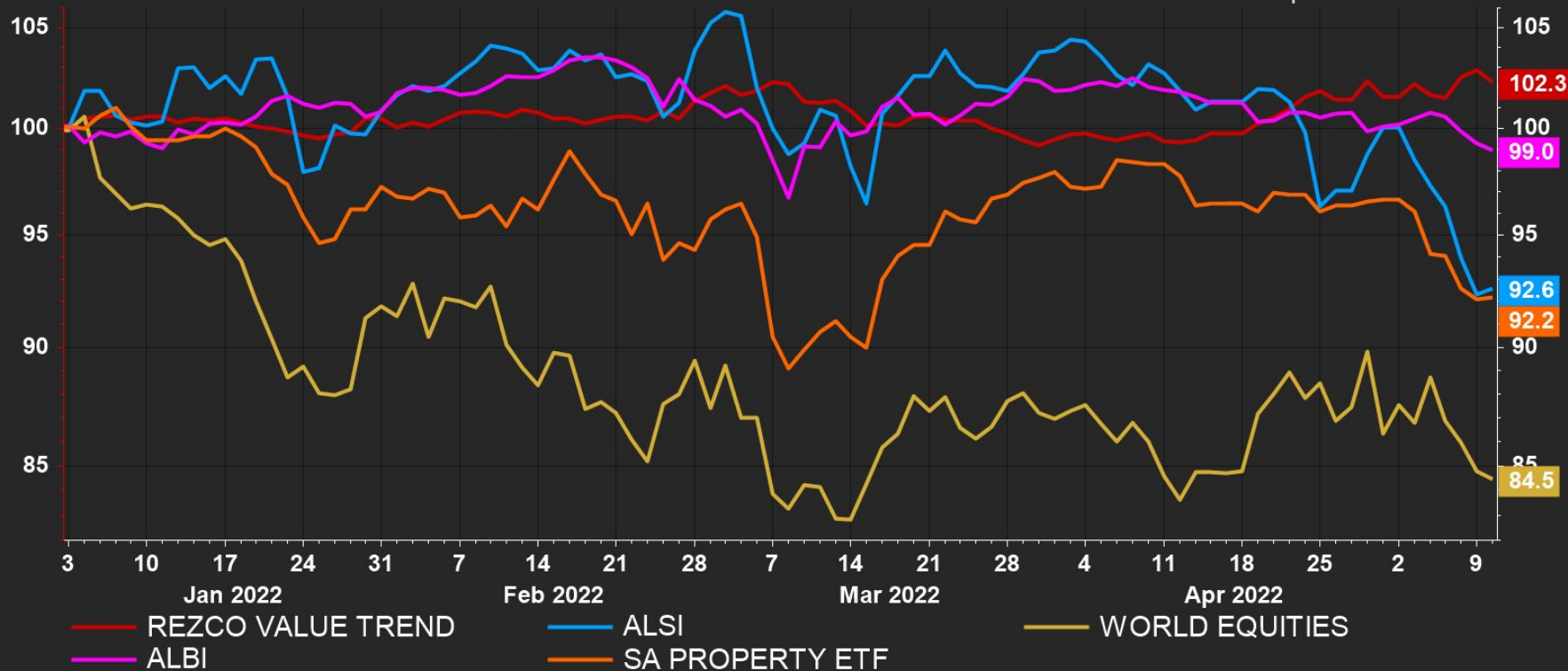


Source: Refinitiv Datastream / Rezco

LOCAL: THE REG 28 MENU

REG 28 OPTIONS YTD (ZAR)

Updated: 10/05/2022



Source: Refinitiv Datastream / Rezco

THE MARKET WILL GO FROM TOO POSITIVE TO TOO NEGATIVE

Base

Search for an instrument...

Lists

OWNED

FOLLOWED

AVAILABLE

MSCI USA INDEX

EDIT LIST

TOOLS

AI SIGNAL

Search...

Drag a column header here to group by that column

			Predictions			Price Change		PE				
	Figi	Display Name	Rank	Percent...	Price Close	1M	3M	FY0	F12M	FY2	FY3	TR12M-F12M
List Information	BBG000BWVSR1	Waste Management Inc	1	100.0	143.06	-8.68	-13.51	29.3	26.3	23.8	20.8	11.4
	BBG000BVWLJ6	Johnson Controls International plc	2	99.9	65.82	-14.03	-17.30	23.0	18.8	16.8	14.8	22.1
	BBG000BJ2D31	Simon Property Group Inc	3	99.8	143.67	-7.73	-14.22	21.1	21.9	21.2	23.5	-3.7
	BBG000BJ3PD2	Eaton Corp PLC	5	99.7	152.40	-10.84	-11.96	22.8	20.1	18.3	16.8	13.4
	BBG000BRD0D8	PNC Financial Services Group Inc/The	4	99.7	201.30	-9.41	-0.57	15.7	14.1	12.5	11.3	11.2
	BBG006N7S6K9	Fidelity National Financial Inc	6	99.6	47.23	-15.46	-7.84	6.5	7.9	8.0	7.5	-17.7
	BBG000BHB3M6	Dover Corp	7	99.5	159.39	-10.70	-9.13	20.7	18.4	16.8	15.6	12.5
	BBG000BCQ4P6	Avery Dennison Corp	8	99.4	182.70	-12.62	-18.04	20.4	18.8	17.1	15.5	8.5
	BBG000BC2R71	Ally Financial Inc	9	99.3	49.34	-6.27	2.79	5.8	6.5	6.2	5.9	-10.7
	BBG000NDYB67	General Motors Co	10	99.2	48.82	-20.10	-24.44	6.9	6.9	6.7	6.2	-0.4
	BBG000C04224	CBRE Group Inc	11	99.1	99.80	-3.88	-0.75	18.6	17.3	17.5	15.4	7.5
	BBG000BPXJV6	Republic Services Inc	13	99.0	116.73	-10.11	-15.07	27.7	25.0	22.8	20.7	11.0
	BBG00658F3P3	Synchrony Financial	12	99.0	43.66	-10.29	-10.15	6.1	7.8	7.6	6.4	-22.0
	BBG000FLHZZ2	Waste Connections Inc	14	98.9	120.46	-4.11	-12.72	37.0	32.0	32.4	28.8	15.4
	BBG000BQ5DS5	Norfolk Southern Corp	16	98.7	273.23	-5.22	-0.50	22.3	19.5	17.9	16.8	14.1
	BBG000B9X8C0	Ameren Corp	17	98.6	84.51	-4.06	-1.15	21.9	20.8	20.9	19.5	5.5
	BBG000BJDB15	Freeport-McMoRan Inc	18	98.5	43.21	-1.97	11.17	13.6	11.5	13.9	13.8	17.5
	BBG000RGM5P1	TE Connectivity Ltd	19	98.4	144.30	-10.23	-13.10	21.4	19.3	18.0	15.9	11.0

Name:

lists/msci_usa_index

Description:

The MSCI USA Index is designed to measure the performance of the large and mid cap segments of the US market. With 634 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US.

Owner:

jan@alis.capital

REZCO PROCESS AND PHILOSOPHY IS WORKING YTD IN THE GLOBAL FUND

Time Period: Since Common Inception (2015/08/11) to 2022/04/30

Currency: US Dollar Source Data: Total Return



Rezco Global Flexible Fund

112.1 EAA Fund USD Flexible Allocation

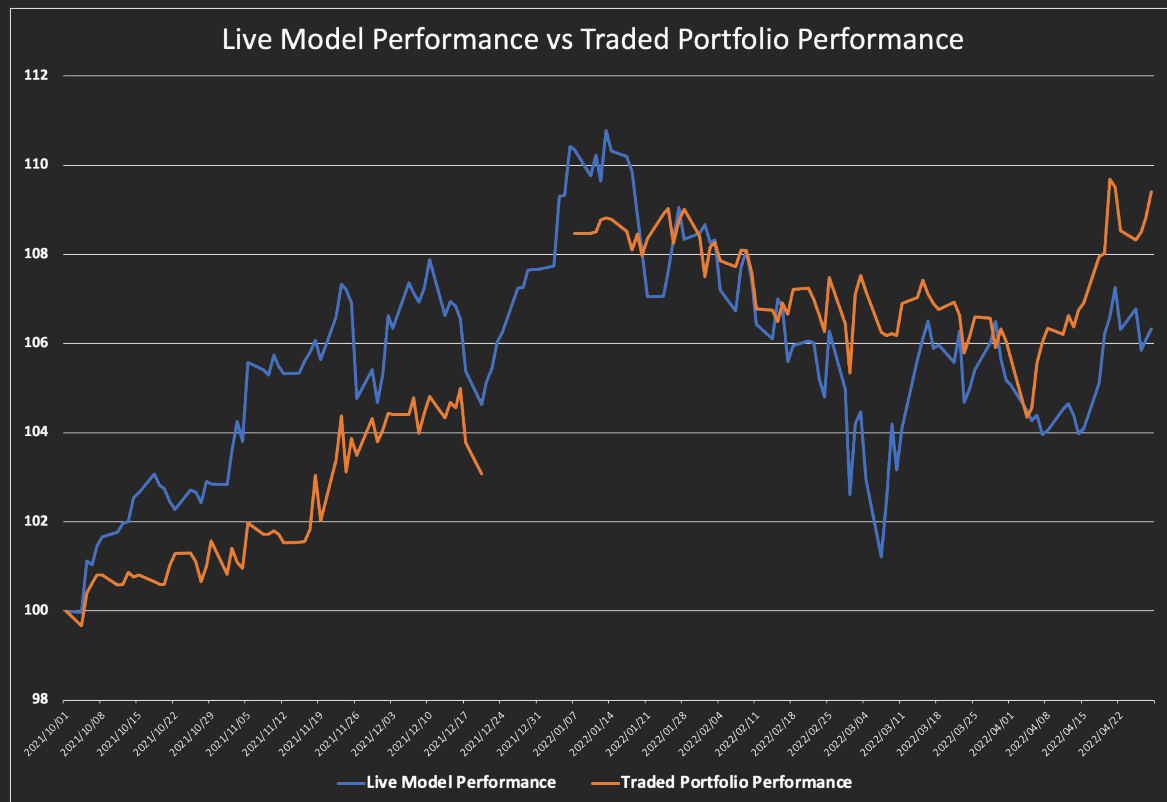
118.7

Source: Morningstar Direct

MAN AND MACHINE



MACHINE ONLY



NOTE: These figures are not audited and are for illustrative purposes only.

WE EXPECT OPPORTUNITIES IN GLOBAL DURATION

Aggregate US Bond ETF & rolling 1-year returns





REZCO SOLUTIONS

	PROTECTING CAPITAL	OPPORTUNITIES
REZCO EQUITY	Proper diversification; active management on stock and sector positions	Volatility usually brings mis-pricing, getting the macro right will be key to stock picking
REZCO VALUE TREND	Very active asset allocation, aim is not to take bad risks (buying an expensive market when risks are high)	Fund historically has been 65%+ invested in equities - we will buy when we think the risk/return makes sense
REZCO GLOBAL FLEXIBLE	Defensive against recession risks	Hedged equity, cash to be invested into bonds and equities

THANK YOU

*FEEL FREE TO STAY ON THE CALL
FOR OUR CASUAL 'COFFEE CHAT'*

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While the portfolio manager will attempt to minimise risk, the value of investments in discretionary accounts and the income derived from those investments may fluctuate and it is possible that the investor could incur losses, including the loss of principal invested. Past performance is not necessarily indicative as to future performance. An investor whose reference currency differs from that in which the fund or segregated account is denominated may be subject to exchange rate movements, which may cause fluctuations in the value of their investments. In addition, investments involving exposure to a currency other than that in which the segregated account or fund is denominated may also cause values to fluctuate.