



**NEDGROUP**  
INVESTMENTS

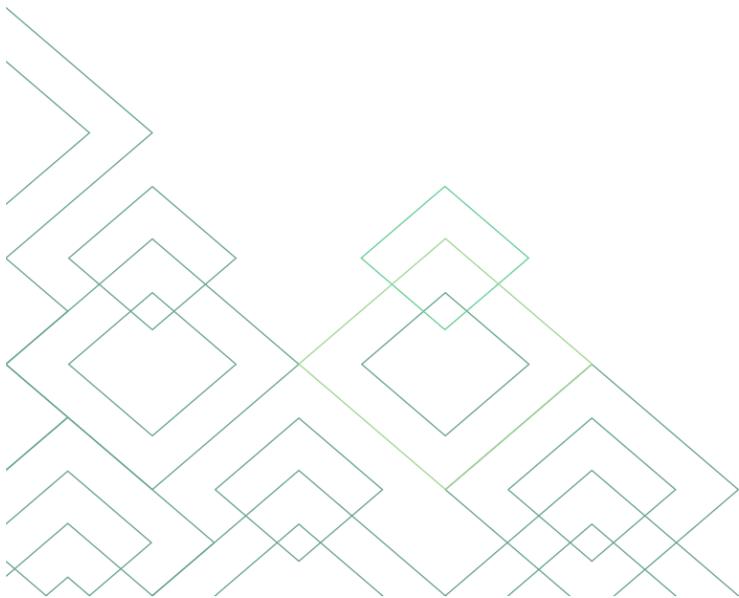
UNIT TRUSTS | INTERNATIONAL | RETIREMENT FUNDS

see money differently



# **NEDGROUP INVESTMENTS** **PRIME MONEY MARKET**

Quarter One, 2022  
Taquanta Asset Management





| Performance to 31 March 2022 | Fund Performance | STeFI Call Deposit |
|------------------------------|------------------|--------------------|
| 1-year                       | 4.0%             | 3.6%               |
| 3-year                       | 5.3%             | 4.7%               |

## Market Commentary

### *Global*

Increasing risks of a global recession are adding a significant layer of uncertainty to the domestic and foreign interest rate outlook. A divergence in these policy views is now worsened by China's growing COVID outbreak and the US's declining levels of real income, which have collectively reduced the pace of manufacturing across both regions.

Furthermore, a continuation in Russian sanctions is not only growth negative, but also remains well poised in favoring commodity-linked currencies relative to their G7 counterparts. A moderate weakening of the US dollar versus a trade weighted EM currency basket was catalyst to the momentary respite of US equity markets during the month of March.

### *Domestic*

On the local front, the SARB hiked the repo rate twice over the quarter by 25bps each in January and March taking the repo rate to 4.25%. At the March MPC, the balance of preferences was not unanimous, with three members of the MPC voting for a 25bps hike and two voting for a 50bps hike. The SARB now expects inflation to average 5.8% in 2022 from the previous forecast of 4.9% at the January 2022 meeting.

### *Inflation, GDP and Interest Rates*

Our view is that the uncertainty surrounding both the pandemic and the Russia-Ukraine war is likely to make these policy estimates a lot more volatile. Negative real wage growth, tepid labour absorption rates, and muted capital expenditure programs, point towards limited second-round effects as well as growing headwinds for global economic activity.

Risks to this outlook currently emanate from aggressive Fed policy tightening and a prolonged conflict between Russia and the Ukraine. Notwithstanding the MPC's hawkish undertone, the implied policy path of the SARB's QPM is now in-sync with our views, which remains moderately dovish relative to the FRA market.

The chart below shows the FRA curve, i.e., this tells us what the market is pricing in 3m rates to be going forward.

The domestic FRA market is currently pricing in another 250-bps worth of rate hikes over the next 2 years. In the absence of costs associated with trade wars and supply-side rigidities, elevated inflation pressures appear less likely to be maintained by a moderating macroeconomic backdrop. To this end, we anticipate a more gradual hiking cycle (up 75 - 100bps in 2022) in the interest of sustainable economic recovery. Over the quarter, the 3-m JIBAR rate rose 63bps to end the quarter at 4.37%, while the 12-m JIBAR rate rose 137bps to 6.40%.





## Portfolio Positioning

**Credit** / The Fund's counterparty exposure at month-end is as follows:

| Issuer                                 | % Market Value |
|--|----------------|
| China Construction Bank                | 27.68%         |
| Bank of China                          | 23.88%         |
| HSBC Bank Plc - Johannesburg Branch    | 20.59%         |
| Standard Chartered Johannesburg Branch | 19.66%         |
| Mercedes-Benz South Africa Pty Ltd     | 4.64%          |
| BNP Paribas Issuance B.V.              | 3.46%          |
| Toyota Financial Services (SA) Pty Ltd | 0.40%          |
| Standard Bank of South Africa Limited  | -0.29%         |

The portfolio was well invested across all foreign banks with local branches as well as having exposure to AAA rated locally listed foreign entities. The fund is within its mandate limits, with investments in high quality investment grade issuers.

The table below represents the issuer credit rating breakdown as at 31 March 2022:

| Credit Profile | %    |
|----------------|------|
| AAA            | 100% |

**Instrument holding** / Exposure to various instrument types:

| Instrument Type    | % of Fund |
|--------------------|-----------|
| Cash and Call      | 17%       |
| Fixed Deposit      | 34%       |
| Floating Rate Note | 10%       |
| Structured Deposit | 26%       |
| Treasury Bill      | 13%       |
| Cash and Call      | 17%       |

In line with our long-standing philosophy of immunising our portfolios against market risk by including a high level of floating rate assets, the fund holds a large number of floating rate notes issued by banks. The general nature and quality of the assets also provide a high degree of liquidity to the Fund whilst still providing excellent yields.

### **Maturity Profile and Duration** |

The maturity profile (term to final maturity) of the assets in the fund at month-end was as follows:

| Band Name    | Market Value   | Weight |
|--------------|----------------|--------|
| 0-30 DAYS    | 219,126,849.18 | 22%    |
| 31-60 DAYS   | 184,446,938.35 | 18%    |
| 61-90 DAYS   | 374,876,427.80 | 37%    |
| 91-120 DAYS  | 131,260,010.41 | 13%    |
| 121-150 DAYS | 30,882,501.37  | 3%     |
| 270-365 DAYS | 64,906,081.64  | 6%     |

The fund had a high level of liquidity, one third of the fund is invested in assets that will mature in 30 days.





## Investment Outlook

Long maturity bonds (SAGBs) ended March 2022 moderately bid, down 1 to 6 basis points (bps) versus the previous month. Non-residents were net buyers as the R1.5b inflow in March followed February's R5.6b outflow. The yield curve bear flattened in March as bond investors continued pricing in the effects of global policy tightening. Limited oil supplies amid elevated geopolitical tension now represents additional upside risks to short-run CPI expectations.

For the quarter, the ALBI delivered 1.86%, while moderating global oil prices saw the CILI deliver 0.31% for the same period. The ALSI was up 3.84% for the quarter while listed property was down 8.32% for the same period.

## Responsible Investment

### 1. Social, Environmental & Ethical Responsibility

Taquanta Asset Managers is committed to integrating consideration of environmental, social and governance issues into its investment decision making process and ownership policies, thereby improving long term returns to beneficiaries. Taquanta Asset Managers' approach in this regard takes into account the UN principles of responsible investment. Taquanta Asset Managers will encourage disclosure on these issues and promote acceptance of the principles whenever possible.

Taquanta Asset Managers is fully committed to employment equity and to facilitating the empowerment of previously disadvantaged persons.

### 2. Corporate Governance:

Taquanta Asset Managers (Pty) Ltd. Is a wholly owned subsidiary of Taquanta Investment Holdings (Pty) Ltd. Taquanta Asset Managers (Pty) Ltd recognizes its accountability to all shareholders & stakeholders and as such is committed to upholding the highest standards of good corporate citizenship.

Taquanta Asset Managers (Pty) Ltd has taken cognizance of both local and international corporate governance best practice guidelines, including:

- The King Code on Corporate Governance (King III)
- The Companies Act
- Basel Conventions
- The UK Combined Code
- JSE Rules
- IMASA Guidelines
- Local Regulatory Requirements
- The UN Principles for Responsible Investment

Taquanta Asset Managers (Pty) Ltd will endeavour to apply both the letter and the spirit of these guidelines to all aspects of its business operations.





## Disclaimer

### WHO WE ARE

Nedgroup Collective Investments (RF) Proprietary Limited is an authorised Collective Investment Scheme and the representative of Nedgroup Investments Funds PLC in terms of the Collective Investment Schemes Control Act. It is a member of the Association of Savings & Investment South Africa (ASISA)..

### OUR TRUSTEE

The Standard Bank of South Africa Limited is the registered trustee.  
Contact details: Standard Bank, Po Box 54, Cape Town 8000,  
[Trustee-compliance@standardbank.co.za](mailto:Trustee-compliance@standardbank.co.za), Tel 021 401 2002.

### HOW ARE OUR FUNDS PRICED

Funds are valued daily at 15:00. Instructions must reach us before 14:00 (12:00 for Nedgroup Money Market Fund) to ensure same day value. Prices are published daily on our website and in selected major newspapers.

### FEES

A schedule of fees and charges is available on request from Nedgroup Investments. One can also obtain additional information on Nedgroup Investments products on our website.

### DISCLAIMER

Unit trusts are generally medium to long-term investments. The value of your investment may go down as well as up. Past performance is not necessarily a guide to future performance. Nedgroup Investments does not guarantee the performance of your investment and even if forecasts about the expected future performance are included you will carry the investment and market risk, which includes the possibility of losing capital. Our funds are traded at ruling prices and can engage in borrowing and scrip lending.

Some funds may hold foreign securities including foreign CIS funds. As a result, the fund may face material risks, which could include foreign exchange risks, market conditions and macro-economic and political conditions.

A fund of funds may only invest in other funds, and a feeder fund may only invest in another single fund, both will have funds that levy their own charges, which could result in a higher fee structure.

The Nedgroup Investments Money Market Fund offering aims to maintain a constant price of 100 cents per unit. A money market fund is not a bank deposit. The total return to the investor is made up of interest received and any gain or loss made on any particular instrument held. In most cases the return will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of a capital loss. Excessive withdrawals from the fund may place the fund under liquidity pressures and that in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed. The yield is calculated using an annualised seven day rolling average as at the relevant dates provided for in the fund fact sheet. Nedgroup Investments has the right to close its funds to new investors in order to manage it more efficiently.

### NEDGROUP INVESTMENTS CONTACT DETAILS

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For further information on the fund please visit: [www.nedgroupinvestments.co.za](http://www.nedgroupinvestments.co.za)

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