

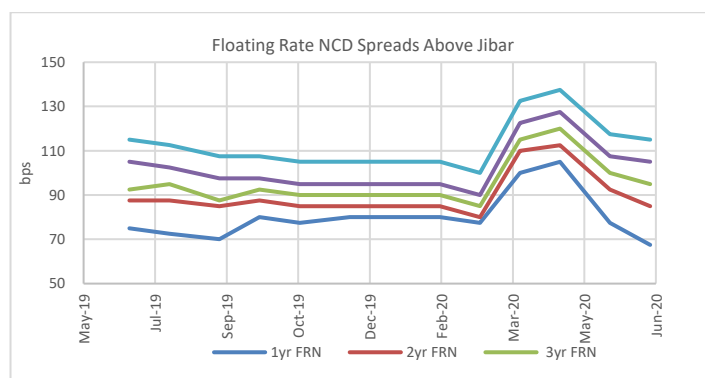
**Please note that the commentary is for the retail class of the Fund.**

The Fund generated a return (net of management fees) of 1.4% for the second quarter of 2020 (Q2-20) and 7.2% over a rolling 12-month period, which is ahead of the 3-month Short-Term Fixed Interest (SteFI) benchmark return of 6.4%.

The South African (SA) first-quarter 2020 (Q1-20) GDP print was weak, at -2.0% quarter-on-quarter (q/q), seasonally adjusted average (saa) versus a revised fourth-quarter (Q4-19) print of -1.4% q/q, saa. The SA economy is expected to contract further in 2020 owing to the negative economic impact of the Covid-19 outbreak.

The South African Reserve Bank (SARB) cut the repo rate by 50 basis points (bps) to 3.75% at its May Monetary Policy Committee meeting. The vote was split, with three members voting for a 50bps cut and two members preferring 25bps. This could signal a moderation in the increment of rate cuts going forward. Given the benign inflation outlook and the weak outlook for growth, we believe there is a room for further rate cuts.

Over the last quarter, the 3-month Johannesburg Interbank Average Rate (Jibar) index decreased by 1.7%, from 5.6% to 3.9%. This is reflective of the decrease in repo rate and further interest rate cut expectations priced in by the market. Fixed-rate negotiable certificates of deposit (NCD) yields and treasury bill yields also decreased following the rate cut. Floating-rate NCD spreads above Jibar tightened, reflecting the return of liquidity in the market. Given our lower interest rate expectations, the absolute yield of the Fund is expected to decrease, as the majority of the Fund is invested in floating rate instruments.



Source: Bloomberg

Corporate issuance has been limited over the last quarter and corporates opted to raise debt through private placements. We are expecting corporate credit spreads to start increasing to reflect increased credit risk and more muted liquidity in what remains a strained economic environment. We remain cautious and continue to invest only in instruments which are attractively priced relative to their underlying risk profile. Capital preservation and liquidity remain our key focus areas for the Fund.

#### Portfolio managers

**Nishan Maharaj, Mauro Longano and Sinovuyo Ndaleni**  
as at 30 June 2020