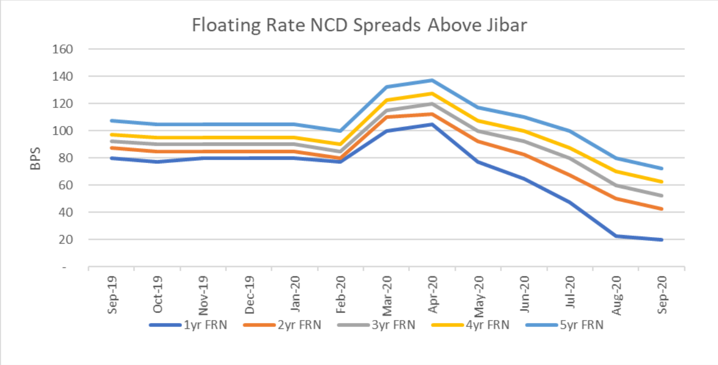
Please note that the commentary is for the retail class of the Fund.

The Fund generated a return (net of management fees) of 1.1% for the third quarter of 2020 (Q3-20) and 6.4% over a rolling 12-month period, which is ahead of the 3-month Short-Term Fixed Interest (SteFI) benchmark return of 5.6%.

GDP contracted by 51.0% quarter-on-quarter (q/q) seasonally adjusted average (saa) in the second quarter of 2020 (Q2-20) following a revised contraction of 1.8% q/q saa in the first quarter of the year. The biggest detractors to the economic growth were the cumulative contraction in activity in the primary and secondary sectors of the economy, which faced the hardest shutdowns in Q2-20.

The South African Reserve Bank (SARB) cut the repo rate by 25 basis points to 3.5% at its July monetary policy meeting. The interest rate markets are not pricing any further rate cuts and are expecting the SARB to remain on hold and monitor economic activity. Inflation is expected to average around 3.3% for 2020 and to remain well below the SARB's 4.5% inflation target.

Over the last quarter, the 3-month Johannesburg Interbank Average Rate (Jibar) index decreased by 0.5%, from 3.9% to 3.4%. This is reflective of the decrease in repo rate and an indication of surplus liquidity in the market. Fixed-rate negotiable certificates of deposit (NCD) and treasury bill yields also decreased following the rate cut. Floating-rate NCD spreads above Jibar tightened, reflecting the return of liquidity in the money market space. 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 a few corporates returned to the debt capital markets. Support for primary market auctions was strong and led to auctions clearing tighter and outside our fair value expectations. 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 September 2020