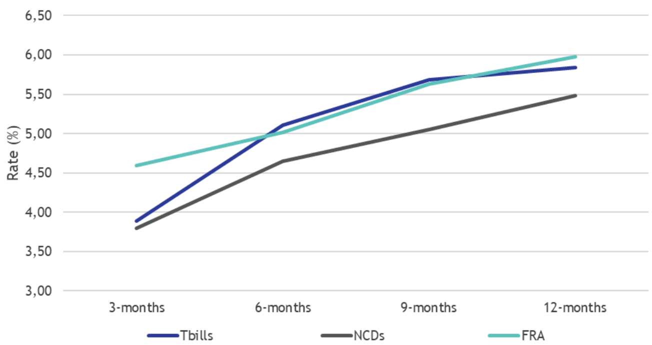
Please note that the commentary is for the retail class of the Fund.

The Fund generated a return (net of management fees) of 1.02% for the fourth quarter of 2021 (Q4-21) and 4.0% over a rolling 12-month period, which is ahead of the three-month Short-Term Fixed Interest (SteFI) benchmark return of 3.6%.

At its November meeting, the South African Reserve Bank (SARB) hiked the repo rate by 25 basis points (bps), moving it from 3.5% to 3.75%. The hike reflects the Monetary Policy Committee's concerns about upside risks to the inflation outlook against accommodative monetary policy settings and risks associated with tighter global monetary conditions. The SARB also revised its inflation forecasts marginally upwards to factor in the short-term rising fuel prices and, to a lesser degree, the weak currency, but sees risk to its broader inflation forecast to be on the upside. The SARB is expected to follow a gradual rate hiking cycle to keep inflation expectations anchored.

Over the last quarter, the fixed-rate Negotiable Certificate of Deposit (NCD) curve increased by 35bps, with treasury bills continuing to trade at a yield discount to this. While we look to take advantage of elevated treasury bill yields, we need to be cognisant of our overall allocation to these instruments, given their liquidity is more limited than NCDs. We expect three-month Jibar to increase as the SARB embarks on a rate hiking cycle. This will be a favourable outcome for the Fund's yield, given that most of the instruments reference three-month Jibar.

T-BILLS VS FIXED RATE NCDS VS FRA



Source: Bloomberg, SARB

We saw local banks issue subordinated and senior unsecured bonds on the corporate credit front, which received strong support and cleared below price guidance. Limited issuance and overwhelming demand continue to drive pricing in the debt capital markets, which are not supported by underlying fundamentals. We remain cautious and continue to invest only in instruments that are attractively priced relative to their underlying risk profiles. Capital preservation and liquidity remain our key focus areas for the Fund.

Portfolio managers
Nishan Maharaj, Mauro Longano and Sinovuyo Ndaleni
as at 31 December 2021