

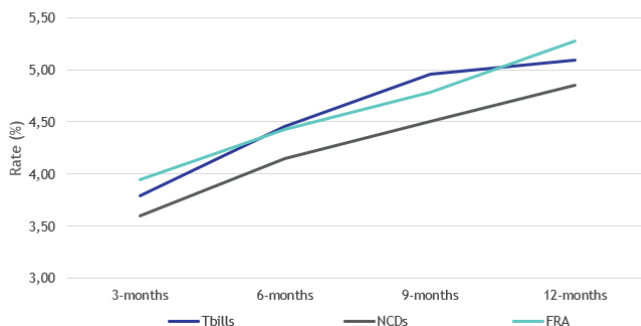
Please note that the commentary is for the retail class of the fund.

The Fund generated a return (net of management fees) of 1.1% for the third quarter of 2021 (Q3-21) and 4.2% over a rolling 12-month period, which is ahead of the three-month Short-Term Fixed Interest (SteFI) benchmark return of 3.5%.

The South African Reserve Bank (SARB) unanimously left the repo rate unchanged at 3.5% at its monetary policy meeting. The committee emphasised that while it sees the risks to growth as balanced, the pandemic, rising global PPI inflation, volatile commodity prices, the longer-term impact of the pandemic and unrest in July are risks to their projections. Despite the SARB lowering its longer-term growth expectations, we believe they will commence slowly normalising short term interest rates, with the first 25-basis points (bps) hike expected in November. Should this materialise, we would expect it to be favourable for the Fund's yield given that most of the instruments reference three-month Jibar.

Over the last quarter, the fixed-rate Negotiable Certificate of Deposit (NCD) curve increased by 20bps, 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 that of NCDs.

T-BILLS VS FIXED RATE NCDS VS FRA



Source: Bloomberg

In the last quarter, we saw MTN, Redefine, Mercedes-Benz, and Toyota Financial Services return to the primary debt capital markets. The auctions were well supported, with the issues oversubscribed and pricing below and at the lower end of price guidance. Local banks also issued subordinated and senior unsecured bonds, 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 30 September 2021