

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

Performance

The Fund generated a return (net of management fees) of 1.87% for the second quarter of 2025 (Q2) and 8.12% over a rolling 12-month period. This return is ahead of the three-month Short-Term Fixed Interest (SteFI) benchmark return of 7.82% over the one year.

Positioning and outlook

The South African Reserve Bank (SARB) cut the repo rate by 25 basis points (bps) during Q2, moving the rate to 7.25% from 7.50%. The SARB lowered its inflation forecasts given the persistent undershoot, as well as the stronger exchange rate, lower oil prices, and the removal of the proposed VAT hike. The Monetary Policy Committee (MPC) expects inflation in 2025 to average 3.2% on the back of moderating food inflation and declining fuel prices. The MPC also revised its global and domestic growth forecasts lower, factoring in increased uncertainty and the potential impact of the US tariff increases. Given the benign inflation environment, non-responsive domestic demand, and building global growth headwinds, we believe there is room for an additional 25bps cut at the July MPC meeting.

During Q2, the 3-month Johannesburg Interbank Average Rate (Jibar) declined by 27bps, decreasing from 7.56% to 7.29%. The decrease was on the back of the implemented May repo rate cut. The forward rate agreement curve is pricing in one more cut before the end of the year on the back of easing inflation pressures. Over Q2, the Fund increased its exposure to T-bills across 3-, 6- and 9-month tenors. We have also been increasing our exposure to 9- and 12-month floating-rate NCDs. The Fund's yield is expected to decline in the coming months as benchmark rates decrease due to anticipated additional rate cuts.

We saw a few corporates access the credit markets for refinancing purposes. Supply and demand dynamics continue to drive clearing spreads, with auctions clearing at the lower end of price guidance. The Fund continues to source its credit holdings in the secondary market as primary market debt is expensive. Despite finding some small opportunities in the secondary market, our overall credit allocation will likely gradually decrease.

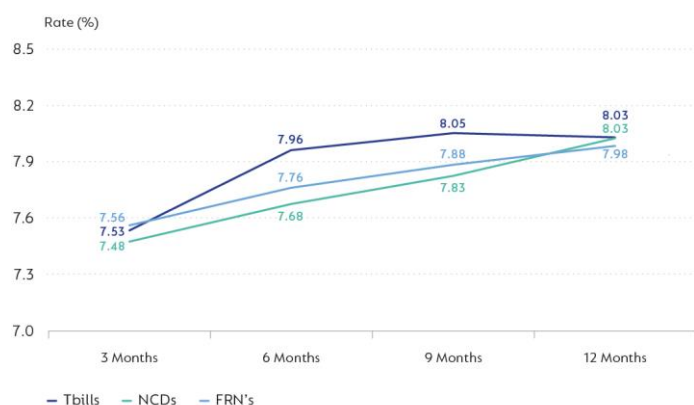
We remain cautious by investing only in instruments that are attractively priced relative to their underlying risk profiles. Capital preservation and liquidity remain a key focus for this Fund.

Portfolio managers

Nishan Maharaj, Mauro Longano and Sinovuyo Ndleni
as at 30 June 2025

Figure 1

T-BILLS VS FIXED-RATE NCDs VS FRNS



Source: Bloomberg, SARB