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

Performance

The Fund generated a return (net of management fees) of 1.82% for the third quarter of 2025 (Q3-25) and 7.81% over a rolling 12-month period. This return is ahead of the three-month Short-Term Fixed Interest (SteFI) benchmark return of 7.56% over the one year.

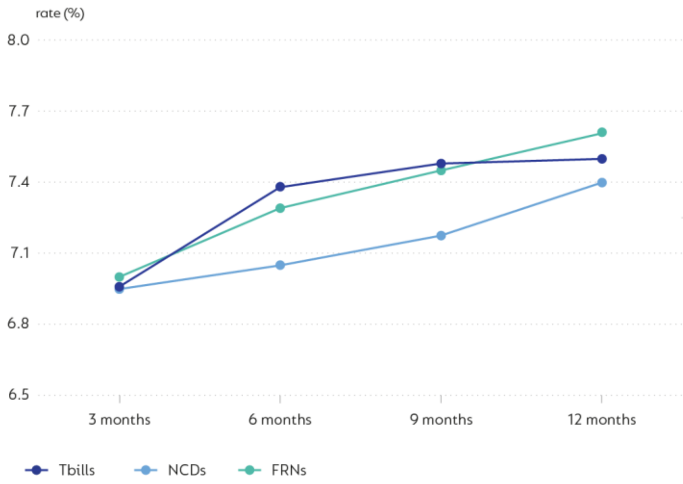
Positioning and outlook

The South African Reserve Bank (SARB) cut the repo rate by 25 basis points (bps) during Q3, moving the rate to 7.0%. Furthermore, Governor Lesetja Kganyago announced that the MPC was shifting to a 3% preferred inflation target from the current 4.5%. The official target range remains 3%-6% and will only change once an agreement is reached with the National Treasury, as announced by the Minister of Finance, likely during the Medium-Term Budget Policy Speech in November. The Q2-25 GDP print at 0.8% quarter on quarter (q/q) was a positive surprise, prompting upward revisions to growth forecasts. At the same time, inflation numbers were also revised up from July's very low base to reflect higher food and fuel inflation and higher administrative prices.

During Q3-25, the 3-month Johannesburg Interbank Average Rate (Jibar) declined by 29bps, decreasing from 7.29% to 7.00%. The decrease was on the back of the implemented July repo rate cut. The forward rate agreement curve is pricing in one more cut with 55% probability before the end of the year on the back of easing inflation pressures and easing global monetary policy settings. Over Q3-25, the Fund increased its exposure to a one-year money market floating rate note and 9-months Treasury Bill as valuation was attractive relative to other asset classes. The Fund's yield will reduce in the coming months as benchmark rates decline due to expected additional rate cuts and compressing NCD offer yields.

Figure 1

T-BILLs VS FIXED-RATE NCDs VS FRNs



Sources: Bloomberg, SARB

Companies continue to see demand for their corporate bonds in the primary market, with most auctions pricing at the higher end of the market. Because new issues remain expensive, the Fund has focused on buying selected credit opportunities in the secondary market instead. While we have found a few attractive options, overall credit exposure is expected to decrease gradually from here.

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 Ndaleni
as at 30 September 2025