Nedgroup Investments Corporate Money Market Fund

Class C

May 2017

NEDGROUP INVESTMENTS

INCOME RANGE

RISK RATING

← **1** 2 3 4 5 →

Low Medium High

Risk reward profile

For credit and income instruments, while unlikely, capital loss may occur due to an event like the default of an issuer. The portfolio typically displays little volatility.

GENERAL INFORMATION

ASISA category

South African Interest Bearing Money Market

Benchmark

STeFI Call Deposit

Investment manager

Taquanta Asset Managers (Pty) Ltd is authorised as a Financial Services Provider under the Financial Advisory and Intermediary Services Act (FSP No. 618).

Inception date

20 September 2012

Appropriate term

No minimum period

Market value

R 25,816 Million

Income distributions

Frequency: Monthly

May 2017: 0.66 cpu

Previous 12 months: 7.81 cpu

Fees and charges (excluding VAT)

Initial fees	0.00%
Annual management fee	0.20%

Total expense ratio	0.24%
Transaction costs	0.00%
Total investment charges [2]	**0.24%**

Please Note:

Differences may exist due to rounding

CONTACT

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Minimum Disclosure Document

Portfolio profile

The portfolio aims to maximise interest income while protecting the initial capital and providing immediate liquidity to investors by investing in short-term money market instruments of the highest quality. Complies with Regulation 28 of the South African Pension Funds Act and Regulations 29 and 30 of the Medical Schemes Act.

Performance [1]

Period	Portfolio - Gross	Portfolio - Net	Benchmark
1 year pa	8.3%	8.1%	7.0%
3 Years pa	7.4%	7.2%	6.3%
Since Inception	6.8%	6.5%	5.8%
Lowest 1 year return	5.5%	5.3%	
Highest 1 year return	8.3%	8.1%	

Risk

Period	Portfolio	ALSI
Volatility [3 years]	0.2%	9.9%

Maturity spread

Maturity spread	% Spread
0 - 3 months	53.4%
3 - 6 months	13.2%
6 - 13 months	33.4%
Total	**100.0%**

Portfolio structure

ABSA	26.5%
Nedbank	26.3%
Standard Bank	23.8%
FirstRand Bank	22.5%
HSBC Bank Africa	0.5%
Republic of South Africa	0.4%

AA+(ZA)(f)
GLOBALRATINGS
www.globalratings.net

1) The annualized total return is the average return earned by an investment each year over a given time period. Performance is calculated for the portfolio and individual investment performance may differ as a result of initial fees, the actual investment, the actual investment date, the date of reinvestment and dividend withholding tax. Due to the delayed release of inflation data, relevant benchmarks will lag by one month.

2) Total Expense Ratio (TER), expressed as a percentage of the Fund, relates to expenses incurred in the administration of the Fund. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TERs. Transaction Costs (TC), expressed as a percentage of the Fund, relate to the costs incurred in buying and selling the underlying assets of the Fund. TC are a necessary cost in administering the fund and impact fund returns. It should not be considered in isolation as returns may be impacted by other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER. The Total Investment Charges expressed as a percentage of the Fund, relates to all investment costs of the Fund. Both the TER and TC of the Fund are calculated on an annualised basis, beginning 01/04/2014 and ending 31/03/2017

NEDGROUP INVESTMENTS CORPORATE MONEY MARKET FUND

May 2017

INCOME RANGE

Investment manager commentary

Taquanta Asset Management

Economic Overview

Global economic activity especially in developed countries, has picked up during the first quarter of 2017, albeit not as fast as expected. In the US, GDP increased at an annualised rate of 1.2% quarter-on-quarter which was higher than the initial GDP estimates of 0.7%, but slower than the growth of 2.1% quarter-on-quarter observed in the final quarter of 2016. The main driver behind the reduced GDP in the US was a reduction in government spending and investment. Inflation in the US reduced to just over 2%. In the UK, GDP grew at a slower pace than in the final quarter of 2016; the economy grew at a pace of 0.2% quarter-on-quarter, down from 0.7% quarter-on-quarter the previous quarter. This was due to slower growth in household spending. Post the Brexit vote; contingency plans have been put in place by asset managers and banks to elect a European city as a base for their EU operations. There will be a push from France to entice financial industries to choose Paris as their European base following the win by Emmanuel Macron as the new President. However, the draconian labour laws in France do not favour this.

With a reported contraction of 0.7% in GDP during the first quarter of 2017, South Africa has moved into a technical recession due to two consecutive quarters of negative growth. The last time this happened was during the financial crisis of 2008/09. Unemployment statistics for the 1st quarter of 2017 reported the unemployment rate at 27.7%, which is the highest rate since September 2003. Statistics South Africa noted that during the first quarter of 2017, the expanded unemployment rate, which include people who wanted to work but were not actively looking, increased to 36.4%, which translates to 9.3 million people who wanted to work but were unemployed.

Reported headline CPI moving into the target range at 5.3% year-on-year in April, from 6.1% year-on-year in March, and a stronger than expected rand exchange rate, was cited by the MPC as contributing factors to the decision to keep rates on hold at the May MPC meeting. It was noted however, that the resilience of the rand was mainly due to stronger global capital inflows rather than the local economic landscape. The reduced inflation rate was mainly due to food (6.6% year-on-year, previous month 8.7% year-on-year) and fuel prices (5.6% year-on-year, previous month 15% year-on-year). Domestic grain prices continue to be the reason for the improvement in food inflation and are due to the end of the drought in the northern parts of South Africa. Core inflation reduced further to 4.8% year-on-year (lowest level since Jan 2013) from 4.9% year-on-year the previous month. PPI for final manufactured goods slowed to 4.6% in April year-on-year (5.2% year-on-year in March).

The latest Private sector credit extension (PSCE) increased to 5.9% year-on-year in April, from 4.98% year-on-year the previous month. The increase was mainly driven by acceleration in household credit which increased to 2.9% year-on-year from 0.7% year-on-year the month before. The reasons for the increase in household credit were due to factors stemming from the inclusion of the reconstructed African Bank data. Growth in Money Supply (M3) slowed further to 5.3 % year-on-year from 5.6 % year-on-year in March

Review of the Fund

Performance: The fund continues to comfortably out-perform its benchmark.
May 2017 Gross Return: 0.68%
Credit: The Fund is invested 99.08% in the Big Four South African Banks, 0.53% in South African branches of International Banks and 0.38% in South African Government and South African Government Guaranteed debt.

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As at: 15 June 2017

Investment Outlook

The looming risks of further downgrades, which in a worst-case scenario would lead to South African government bonds falling out of global bond indices, would cause significant weakening of the rand, due to capital outflows. Rand weakness in turn, remains a key risk to the inflation outlook. With continued sluggish growth, unemployment levels are also expected to remain elevated above 2016 levels. Our base-case view is for interest rates to remain flat for the remainder of the year. Should inflation continue to grow at a slower rate and the rand remain strong, there could be a possibility of a rate cut towards the end of the year. The fund is well positioned for a flat to rising interest rate cycle, as well as to take advantage of the current economic climate and uncertainties ahead.