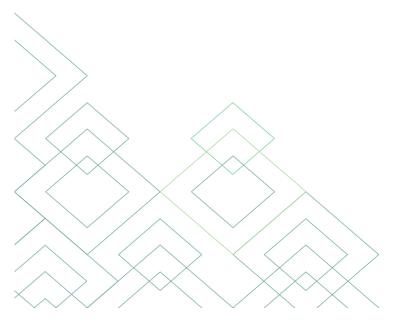




see money differently





Performance to 30 June 2021	Fund Performance ¹	SteFI Call Deposit
1-year	4.2%	3.5%
3-year	6.1%	5.1%

Market Commentary

The fragility of the local economy has managed to keep interest rates accommodative. However, inflation tailwinds in the shape of food, electricity, fuel, and nominal wages, are envisaged to place upward pressure on short-term interest rates. Despite unanimously leaving the repo rate unchanged at 3.50%, the South African Reserve Bank's (SARB) Monetary Policy Committee (MPC) cautioned the risks of rising inflation expectations as well as global monetary policy normalisation on the short-term interest rate outlook.

Employment in the non-agricultural formal sector decreased by 0.1% quarter-on-quarter. Notable layoffs were identified in community services (-2.3%), manufacturing (-1.4%), construction (-1.4%), and business services (-0.1%). According to Statistics South Africa, the total number of business liquidations increased by 12.1% in the first 8 months of 2021 compared with the first 8 months of 2020.

To this end, we see no room for further monetary easing, with the SARB likely to embark on a gradual hiking cycle in the interest of sustainable economic recovery. The Forward Rate Agreement (FRA) market is of a similar view, now fully pricing in a 25 basis-point interest rate hike in the first quarter of 2022. The risk is that should the fiscal outlook further deteriorate, and we have persistent currency weakness, the SARB may need to consider a more aggressive hiking pace.

Bond investors have also begun tapering their post-pandemic fiscal expectations weeks ahead of the November 2021 Medium-Term Budget Policy Statement (MTBPS). A rising inflation outlook as well as debt stabilisation challenges have recently resulted in an uptick in the sovereign risk premium in the latter weeks of September 2021.

Current positioning and outlook

The portfolio was well invested across all the major South African banks as well as having international bank exposure and South African government exposure. The fund is within its mandate with investments in high quality issuers, all with an investment grade rating.

Market Expectations

The SARB's Quarterly Projection Model (QPM) indicates a repo rate increase of 25 bps in Q4 of 2021 and in each quarter of 2022 as do the FRA curve. The Forward Rate Agreement (FRA) market has turned more hawkish, currently projecting 240 bps worth of hikes over the next 2 years, compared to a projection of 185 bps in July. This implies a repo rate of 5.9% by the end of 2 years, which is below SARB's forecast of 6.36%. The investment philosophy of conservative credit selection and low duration continues to support returns in the fund. The fund has a bias towards floating rate instruments linked to 3-month Jibar. This bodes well for future returns in the fund given the general interest rate view.

Summary and Conclusion

The SARB's Quarterly Projection Model (QPM) indicates a repo rate increase of 25 bps in Q4 of 2021 and in each quarter of 2022 as do the FRA curve. The Forward Rate Agreement (FRA) market has turned more hawkish, currently projecting 240 bps worth of hikes over the next 2 years, compared to a projection of 185 bps in July. This implies a repo rate of 5.9% by the end of 2 years, which is below SARB's forecast of 6.36%. The investment philosophy of conservative credit selection and low duration continues to support returns in the fund.

¹ Net return for the Nedgroup Investments Money Market Fund, C class. Source: Morningstar (monthly data series).



Page 2

Disclaimer

WHO WE ARE

Nedgroup Collective Investments (RF) Proprietary Limited is an authorised Collective Investment Scheme and the representative of Nedgroup Investments Funds PLC in terms of the Collective Investment Schemes Control Act. It is a member of the Association of Savings & Investment South Africa (ASISA)...

OUR TRUSTEE

The Standard Bank of South Africa Limited is the registered trustee. Contact details: Standard Bank, Po Box 54, Cape Town 8000, Trustee-compliance@standardbank.co.za, Tel 021 401 2002.

HOW ARE OUR FUNDS PRICED

Funds are valued daily at 15:00. Instructions must reach us before 14:00 (12:00 for Nedgroup Money Market Fund) to ensure same day value. Prices are published daily on our website and in selected major newspapers.

FEES

A schedule of fees and charges is available on request from Nedgroup Investments. One can also obtain additional information on Nedgroup Investments products on our website.

DISCLAIMER

Unit trusts are generally medium to long-term investments. The value of your investment may go down as well as up. Past performance is not necessarily a guide to future performance. Nedgroup Investments does not guarantee the performance of your investment and even if forecasts about the expected future performance are included you will carry the investment and market risk, which includes the possibility of losing capital. Our funds are traded at ruling prices and can engage in borrowing and scrip lending.

Some funds may hold foreign securities including foreign CIS funds. As a result, the fund may face material risks, which could include foreign exchange risks, market conditions and macro-economic and political conditions.

A fund of funds may only invest in other funds, and a feeder fund may only invest in another single fund, both will have funds that levy their own charges, which could result in a higher fee structure.

The Nedgroup Investments Money Market Fund offering aims to maintain a constant price of 100 cents per unit. A money market fund is not a bank deposit. The total return to the investor is made up of interest received and any gain or loss made on any particular instrument held. In most cases the return will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of a capital loss. Excessive withdrawals from the fund may place the fund under liquidity pressures and that in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed. The yield is calculated using an annualised seven day rolling average as at the relevant dates provided for in the fund fact sheet. Nedgroup Investments has the right to close its funds to new investors in order to manage it more efficiently.

NEDGROUP INVESTMENTS CONTACT DETAILS

Tel: 0860 123 263 (RSA only)
Tel: +27 21 416 6011 (Outside RSA)
Email: info@nedgroupinvestments.co.za

For further information on the fund please visit: www.nedgroupinvestments.co.za

OUR OFFICES ARE LOCATED AT

Nedbank Clocktower, Clocktower Precinct, V&A Waterfront, Cape Town, 8001 WRITE TO US PO Box 1510, Cape Town, 8000 DATE OF ISSUE 16 October 2019

