



UNIT TRUSTS | INTERNATIONAL | RETIREMENT FUNDS

see money differently

A photograph of an open book with white pages, tied with a white ribbon bookmark. The text is overlaid on the right side of the book.

# **NEDGROUP INVESTMENTS CORPORATE MONEY MARKET**

Quarter Four, 2021  
Taquanta Asset Management



Performance to 30 June 2021	Fund Performance <sup>1</sup>	SteFI Call Deposit
1-year	4.2%	3.5%
3-year	5.8%	4.9%

## Market Commentary

### Global

The relatively mild symptoms of the omicron coronavirus variant gave global financial markets some cheer in December. Investors are cautiously optimistic that the economic hit will not be as severe this time around. Globally, bond yields are being driven up by the expected winding down of quantitative easing as well as the US Fed signaling its expectation of three quarter-percentage-point interest rate hikes by the end of 2022. At the latest policy meeting, US Fed Chair Jerome Powell noted that the pace of inflation is uncomfortably high.

### Domestic

On the local front, South Africa ended the year on a better footing as curfew restrictions under the current lockdown were completely lifted. This should bode well for economic growth going forward, however it should be noted that South Africa's economic activity remains constrained with benign investment spending, a narrowing current account surplus, as well as stubbornly elevated levels of unemployment. Fitch Ratings removed its negative outlook on South Africa in mid-December post the Medium-Term Budget Policy Statement (MTBPS) and noted that "low growth reflects deep-rooted labour market problems including skill mismatches and the fractious relationship between social partners, but also very weak investment exacerbated by electricity shortages". Despite the improvement in South Africa's cyclical fiscal position (and some token reforms) announced at the MTBPS, S&P and Moody's kept their outlook on the SA sovereign unchanged.

## Inflation and Economic Growth

Headline CPI inflation numbers in SA rose to 5.5% y/y in November from 5.0% in October, the highest rate since March 2017. CPI inflation was largely driven by fuel inflation. PPI inflation for final manufactured goods surprised the market on the upside accelerating to 9.6% y/y in November from 8.1% y/y in October, also because of high fuel inflation. This was the highest producer inflation rate since at least 2013. Administered price inflation for November 2021 was 14.1% y/y and non-administered (i.e. market-determined) price inflation was 3.8% y/y. Aside from administered prices, inflation remains well contained. It is worth noting that non-administered price inflation accounts for 83.8% of CPI and has remained below the mid-point of the CPI target range since the middle of 2017.

The rate path projection of the SARB's Quarterly Projection Model (QPM) currently provides a guidance of eight 0.25% rate hikes over the next 2-years. The SARB has mainly attributed this trajectory on second-round effects, primarily driven by administered prices, fuel costs, and nominal wages rising well above headline inflation. The SARB is now forecasting headline inflation to average 4.5% in 2021 and 4.3% in 2022. On the other hand, muted consumer demand for services is expected to stifle increases in core price inflation, estimated at 3.0% in 2021 and 3.7% in 2022.

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



## Portfolio Positioning

**Credit** / 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.

**Instrument holding** / In line with our long-standing philosophy of immunising our portfolios against market risk by including a high level of floating rate assets, the fund holds a large number of floating rate NCD's issued by banks. The general nature and quality of the assets also provide a high degree of liquidity to the Fund whilst still providing excellent yields.

**Maturity Profile and Duration** | The fund had a high level of liquidity, 31% of the fund is invested in assets that will mature in 30 days. The fund has very little interest rate risk in line with our investment philosophy.

## Investment Outlook

We believe 2022 will see a continuation of the interest rate hiking cycle that started in the last quarter of 2021. We see the SARB embarking on a more gradual hiking cycle throughout 2022 in the interest of sustainable economic recovery, as well as the absence of formidable demand-pull inflation. We continue to monitor prevailing external risks in the shape of global oil inventory levels, the timing of the Fed's interest rate lift-off, as well as the resurgence of COVID-19 infections and mutations. We will observe the dynamics of these and other unforeseen risks and adjust our views accordingly if required.

The fund is well positioned for the interest rate hiking cycle, as we are predominantly invested in floating rate instruments, and we will maintain this strategy throughout the expected series of policy normalisation.

## Responsible Investment

### 1. Social, Environmental & Ethical Responsibility

Taquanta Asset Managers is committed to integrating consideration of environmental, social and governance issues into its investment decision making process and ownership policies, thereby improving long term returns to beneficiaries. Taquanta Asset Managers' approach in this regard takes into account the UN principles of responsible investment. Taquanta Asset Managers will encourage disclosure on these issues and promote acceptance of the principles whenever possible.

Taquanta Asset Managers is fully committed to employment equity and to facilitating the empowerment of previously disadvantaged persons.

### 2. Corporate Governance:

Taquanta Asset Managers (Pty) Ltd. Is a wholly owned subsidiary of Taquanta Investment Holdings (Pty) Ltd. Taquanta Asset Managers (Pty) Ltd recognizes its accountability to all shareholders & stakeholders and as such is committed to upholding the highest standards of good corporate citizenship.

Taquanta Asset Managers (Pty) Ltd has taken cognizance of both local and international corporate governance best practice guidelines, including:

- The King Code on Corporate Governance (King III)
- The Companies Act
- Basel Conventions
- The UK Combined Code
- JSE Rules
- IMASA Guidelines
- Local Regulatory Requirements
- The UN Principles for Responsible Investment

Taquanta Asset Managers (Pty) Ltd will endeavour to apply both the letter and the spirit of these guidelines to all aspects of its business operations.



## 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](mailto: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](mailto:info@nedgroupinvestments.co.za)

For further information on the fund please visit: [www.nedgroupinvestments.co.za](http://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

