



UNIT TRUSTS | INTERNATIONAL | RETIREMENT FUNDS

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

# **NEDGROUP INVESTMENTS CORE INCOME**

Quarter Two, 2022  
Taquanta Asset Management

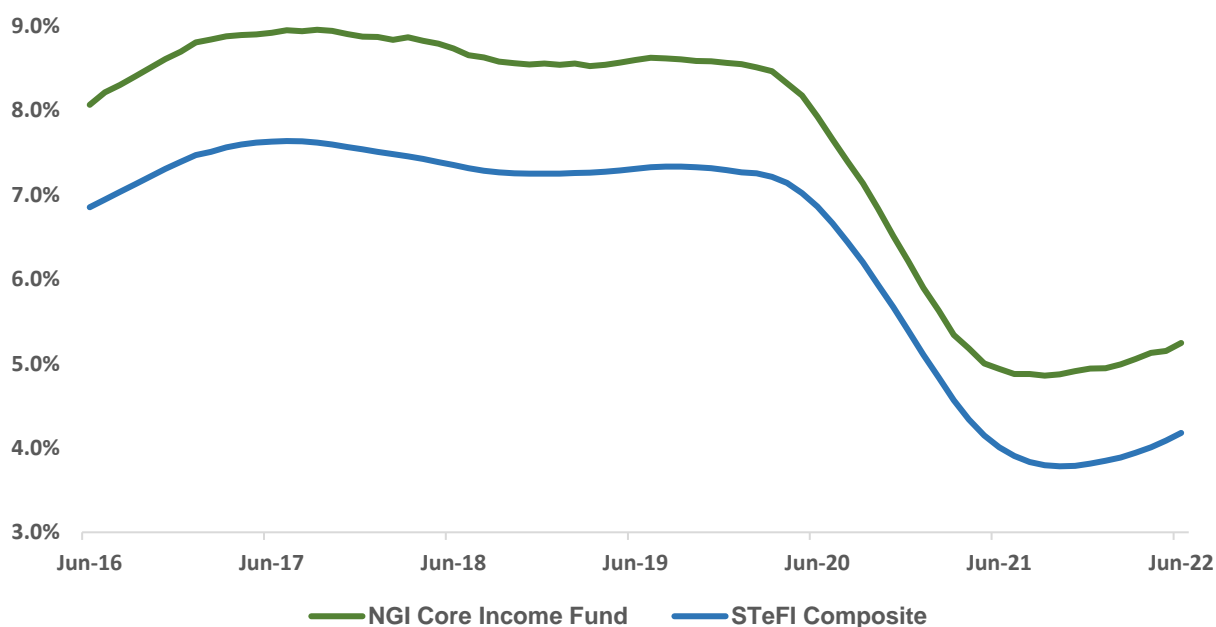
## Performance Review

Performance to 30 June 2022	Fund Performance <sup>1</sup>	STeFI Call Deposit
1-year	5.12%	4.10%
3-year	6.03%	5.01%

The targeted return of the Nedgroup Investments Core Income Fund is the outperformance of the STeFI Composite Index, over any (rolling) 12-month period, measured gross of fees and tax.

Throughout the quarter, the fund has continued to maintain its consistent outperformance of the benchmark. This is due to the careful management of counterparty risk, instrument risk, interest rate risk and most importantly liquidity risk. Compared to the benchmark, the fund has exposure to corporates, securitisations and SA Government/ Government guaranteed paper over and above the bank exposure which adds a credit premium to returns. The outperformance gap narrowed in 2020 due to the 300bps of interest rate cuts by the South African Reserve Bank as well as credit spread compression. As can be seen from the chart below, this trend has started reversing with the outperformance gap widening from Q2 2021. The outperformance gap continued to widen throughout the first quarter of 2022, and the fund will continue to benefit from the interest rate hiking cycle we are currently in.

**Chart 1: Rolling 12-month gross MTM performance (NACA) against the benchmark**



<sup>1</sup> Gross return for the Nedgroup Investments Core Income, A1 class. Source: Taquanta Asset Managers

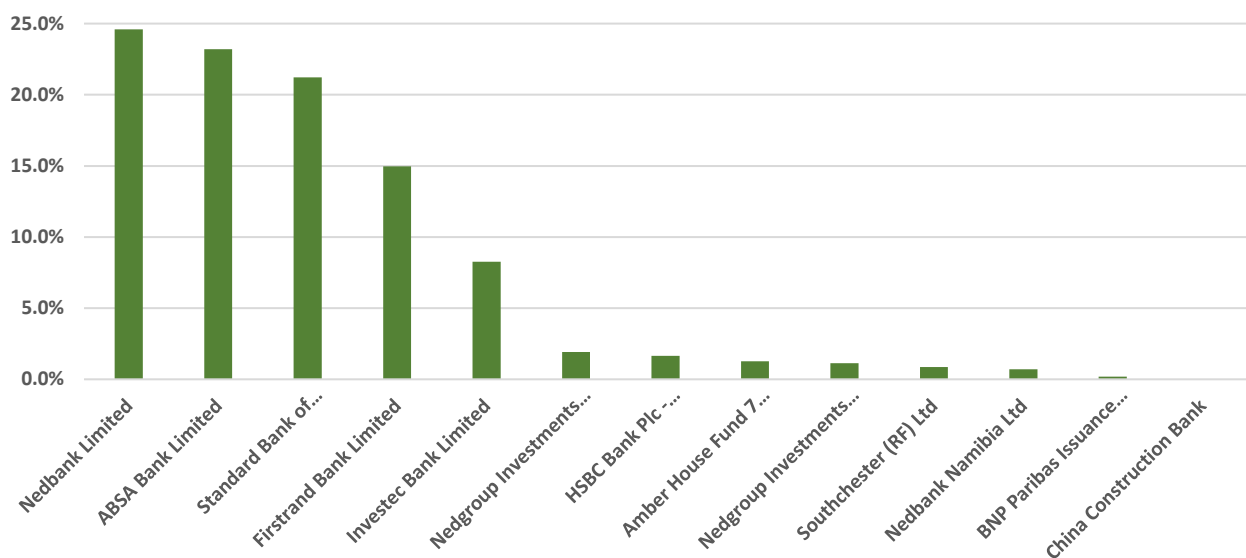


As can be seen in Table 1 below, the funds have generated an active return across all measurement periods irrespective of where we were in the interest rate-cycle. This is testament that the strategy we have adopted generates outperformance in a rate hiking cycle as well as a rate cutting cycle. The long-term average active return for the Nedgroup Investments Core Income Fund exceeds 100bps.

## Credit Review

The Nedgroup Investments Core Income Fund favours counterparties with annuity-based revenue streams and strong balance sheets, hence our bias to the banks. The funds have a bias to the big 5 SA banks, namely Standard Bank, Absa, FirstRand, Nedbank and Investec. The balance of the fund consists of high credit quality investment grade corporates and securitizations, local branches of foreign banks as well as SA Government guaranteed paper.

**Chart 2: Nedgroup Investments Core Income Fund – Credit Analysis 30 June 2022**



Source: Taquanta Asset Managers

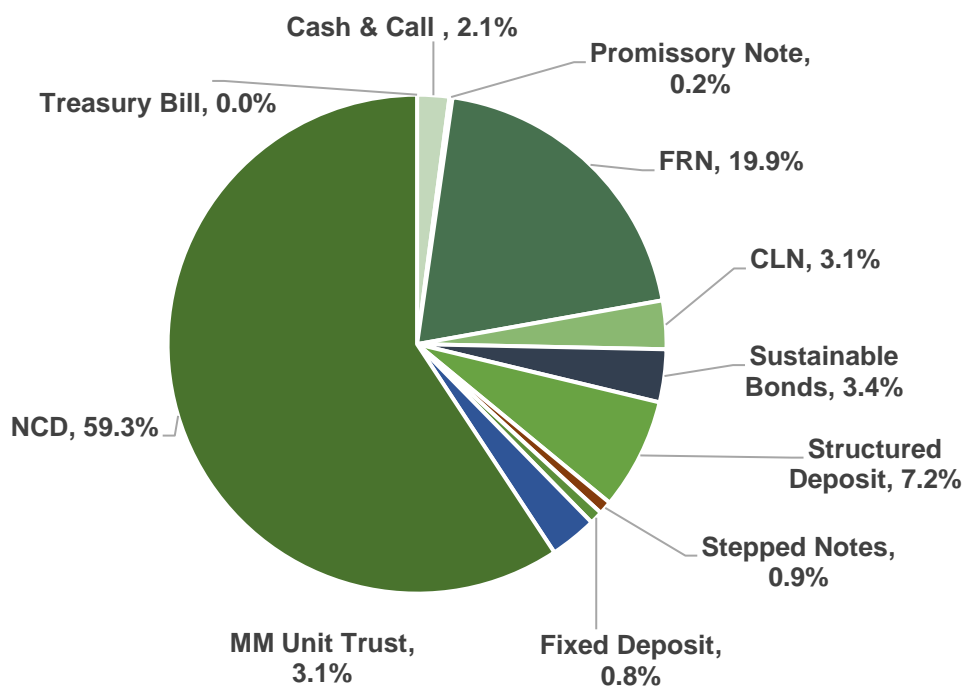
## Instrument Review

The most liquid instrument in the market is a Negotiable Certificate of Deposit (NCDs) issued by the big five SA banks, namely, Absa Bank, Nedbank, FirstRand Bank, Standard Bank and Investec Bank. NCDs are the largest holding in all the funds. These instruments are easily tradable and can be liquidated same day assuming normal market conditions. The fund is only exposed to senior ranking debt. There is no subordinated debt in the portfolio.





**Chart 3: Nedgroup Investments Core Income Fund – Instrument Breakdown as of 30 June 2022**

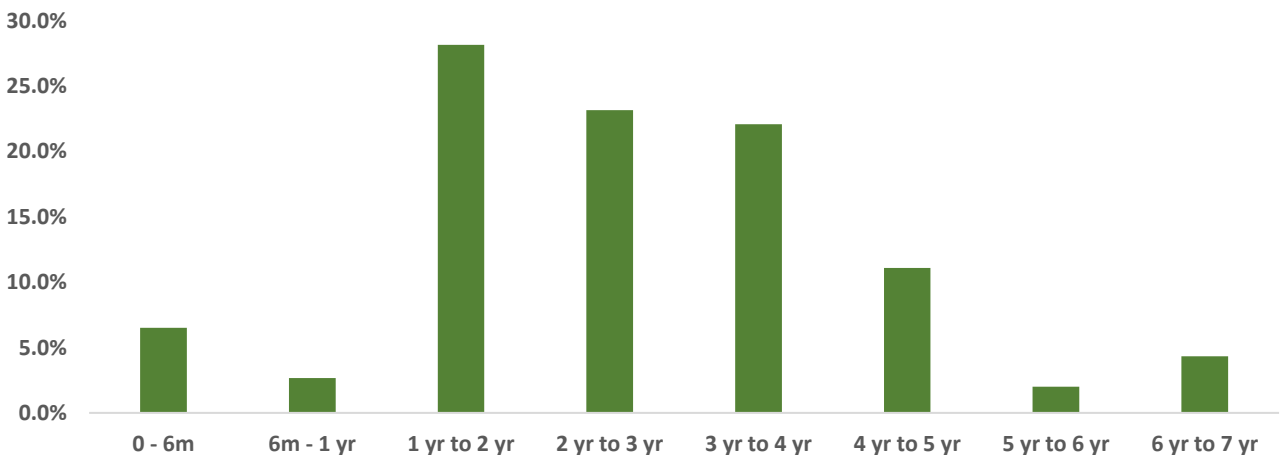


Source: Taquanta Asset Managers

**Maturity Profile**

The fund is well invested, and we foresee the outperformance of the benchmark being maintained. The weighted term to final maturity of the fund is 2.67 years and the duration of the fund is 0.1 years as at the end of June 2022.

**Chart 4: Nedgroup Investments Core Income Fund – Maturity Profile as of 30 June 2022**



Source: Taquanta Asset Managers





## Summary and conclusion

Our cash and income funds are well positioned for the current hiking cycle, as we largely hold floating rate instruments which will all reset their interest rate coupons to the new higher rate within the next few weeks and months. This will serve as much needed relief to income investors following the deep interest rate cuts sustained at the height of the Covid-19 outbreak.

## 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

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

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DATE OF ISSUE

16 October 2019