

see money differently



NEDGROUP INVESTMENTS

Cash Solutions Range

Q1 2023

Marketing Communication

Nedgroup Investments Cash Solutions Range

Past performance is not indicative of future performance and does not predict future returns.

Periodic returns up to 31 March 2022	1 month	3 months	YTD 2022	1 year	3 years	Gross Est. Yield*	Modified Duration
Money Market Fund	0.5%	1.5%	1.5%	5.7%	4.9%	8.4%	0.09
Prime Money Market Fund	0.4%	1.5%	1.5%	5.4%	4.6%	7.7%	0.16
Corporate Money Market Fund	0.5%	1.6%	1.6%	5.7%	4.8%	8.4%	0.10
Core Income Fund	0.7%	2.0%	2.7%	6.8%	5.5%	8.3%	0.11
<i>SteFI Call</i>	0.6%	1.7%	2.3%	5.7%	4.4%		
<i>SteFI Composite</i>	0.6%	1.7%	2.3%	6.0%	4.8%		

All net return for the Nedgroup Investments fund's respective C classes. Source: Morningstar

*Gross Est. yields are available daily at **Cash Solutions** (nedgroupinvestments.co.za)

Macro Overview

The Silicon Valley Bank (SVB) debacle was unlikely to remain an isolated incident within the U.S. banking system. Much of the banking system invested billions into longer dated government bonds when interest rates were near zero. A rising interest rate environment creates a bank balance sheet mismatch, jeopardizing capital in the event of a surge in liquidity risk (i.e., increased withdrawals).

The Fed's liquidity drainage coupled with a plunge in the value of U.S. treasury bonds, has since induced the vulnerability of the entire banking system, pushing the most vulnerable institutions over the edge.

Having made colossal policy mistakes of easing too much and tightening too late, the Fed has likely ignored the long and variable lags of monetary policy and the impact which they bear on the wider economy.

To this end, the SVB failure can be considered a warning shot for policy overkill.

On the other hand, banking in South Africa is highly regulated by wide ranging primary and subordinate legislation. It is the SARB's Prudential Authority's objective to ensure that said banks remain well capitalised and stable.

Without the SVB debacle, the Fed was certain to drive up interest rates by 50-bps in March. Now with U.S. financial stability at stake, policy makers increased borrowing costs by 25-bps, while simultaneously echoing a dovish undertone.

Conversely, the SARB's Monetary Policy Committee (MPC) raised the repo rate by 50-bps from 7.25% to 7.75%. This outcome exceeded our, the analysts' consensus, and the central bank's own Quarterly Projection Model (QPM) forecast.

Given the fragile state of the economy, it is our assessment that industrial activity will eventually capitulate to aggressive monetary tightening. While we have previously anticipated the SARB to ease monetary policy only in the new year, more aggressive tightening can pull forward the next cutting cycle.

In the SA money market, the 3-m JIBAR rate rose 50 bps m/m to end the month of March at 7.958%, while the 12-m JIBAR rate increased by 18 bps m/m to 9.000%. In the last 12 months, these rates increased by 360 bps and 260 bps, respectively.

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.

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Trustee-compliance@standardbank.co.za, Tel 021 401 2002.

GROSS ESTIMATED YIELD

Gross Yield: means the sum of all expected income over the next 12-months from underlying instruments in the portfolio divided by the cumulative net asset value of the fund. The expected income amounts are approximate and based on market assumptions and forecasts. Actual returns may differ, based on changes in market values, interest rates and changes in costs experienced during the investment period.

MODIFIED DURATION

Modified duration measures how sensitive a bond's price is to a change in the interest rate level and follows the concept that interest rates and bond prices move in opposite directions. In other words, it estimates by how much, measured as '% change', you can expect a bond price to fall for every 1% increase in interest rates and vice versa. The weighted average modified duration collectively measures the total portfolio's sensitivity

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

OUR OFFICES ARE LOCATED AT

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WRITE TO US

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