

# Nedgroup Investments Corporate Money Market Fund

Class C

November 2017



## INCOME RANGE

### RISK RATING



### 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

#### Client type

Institutional

#### 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 30,073 Million

#### Income distributions

Frequency: Monthly

November 2017: 0.64 cpu

Previous 12 months: 7.71 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<sup>2</sup> 0.24%**

#### Please Note:

Differences may exist due to rounding

### CONTACT

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Website: [www.nedgroupinvestments.co.za](http://www.nedgroupinvestments.co.za)  
Email [info@nedgroupinvestments.co.za](mailto:info@nedgroupinvestments.co.za)

### 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<sup>1</sup>

Period	Portfolio - Gross	Portfolio - Net	Benchmark
1 year pa	8.3%	8.1%	6.9%
3 Years pa	7.7%	7.5%	6.5%
5 Years pa	6.9%	6.7%	5.9%
Since Inception	6.9%	6.7%	5.9%
Lowest 1 year return	5.5%	5.3%	
Highest 1 year return	8.4%	8.1%	

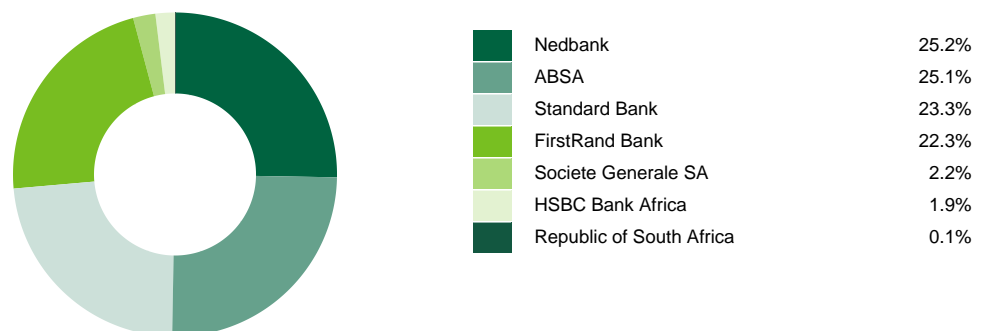
### Risk

Period	Portfolio	ALSI
Volatility [5 years]	0.3%	11.0%

### Maturity spread

Maturity spread	% Spread
0 - 3 months	66.8%
3 - 6 months	16.5%
6 - 13 months	16.8%
<b>Total</b>	<b>100.0%</b>

### Portfolio structure



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.  
Data source: © Morningstar Inc. All rights reserved.

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 01/10/2014 and ending 30/09/2017

## INCOME RANGE

### Investment manager commentary

#### Taquanta Asset Management

Growth in developed, and most larger, emerging economies has continued to gather momentum throughout 2017. The IMF reported that stronger global growth has fuelled stronger manufacturing activity. Focusing on emerging economies, the IMF notes that China continued to enjoy higher domestic demand, while India saw a contraction in growth off the back of the demonetisation initiative and the countrywide implementation of the Goods and Services Tax.

In South East Asia, external demand supported higher growth, while in Brazil healthy exports and a slower pace of contraction in local demand has seen the economy return to growth this year. In Turkey and Russia, stronger domestic and external demand also bolstered growth. Risks that could throw the global economy off the growth path are; among others, ill-advised Federal Reserve Bank policies, a fall out from the Chinese economy, protectionist policies in the US, and oil price volatility.

In South Africa, the Reserve Bank held rates steady at the last MPC meeting, saying they believe it prudent to do so, given the high degree of uncertainty present in the economy, and considering the balance of risks such as the implications of the ANC electoral conference and further downgrades. The bank noted that their Quarterly Projection Model implied three interest rate increases of 25 basis points each by the end of 2019. This policy path is however dependent on economic conditions, hence actual decisions may differ from the projected path, while still achieving the inflation target.

CPI slowed to 4.8% year-on-year in October from 5.1 % in September. PPI inflation was down to 5% year-on-year in October compared to 5.2% the previous month. Potential significant electricity tariff hikes and sustained higher oil prices in the coming year would place upward pressure on inflation. The Reserve Bank confirmed that there should be clarity around Eskom's tariff application by the January MPC meeting. The inflation forecast produced by the Reserve Bank's Quarterly Projection Model was revised slightly upwards to 5.2% for 2018 (previous forecast 5.1%), and 5.5% for 2019 (previously 5.4%).

One day after the November MPC meeting, Standard and Poor's (S&P) issued a notice in which they downgraded South Africa's foreign currency rating to BB from BB+. S&P also lowered the long-term local currency sovereign credit rating to sub-investment grade from BBB- from BB+. S&P cited South Africa's deteriorating public finances, a stagnating economy and a belief that the 2018 budget in February may be insufficient to stabilise public finances in the near term, as the key factors driving their decision.

The implications of the downgrade mean that South Africa will remain in the Citi World Government Bond Index, but would be excluded from the smaller Barclays Aggregate Bond Index. Moody's opted not to downgrade South Africa in November, but have placed South Africa's rating on review for downgrade, with the next review expected in March 2018.

Private sector credit extension has continued a downward trajectory, printing at 5.4% year-on-year in October from 5.6% in September. The slowdown was a direct result of sluggish corporate credit growth. Money supply (M3) was down 5% year-on-year in October from 7.1% in September, the contraction was due to lower financial corporate deposits.

With the uncertain political landscape and potential for further downgrades, risks remain elevated for currency weakness and higher inflation. Should higher inflation and currency weakness materialise, the likelihood of rate hikes will increase given the Reserve Bank's inflation targeting mandate. Rate hikes coupled with already low consumer and business confidence would not bode favourably for already weak economic growth. Our base case view is for interest rates to remain flat for the remainder of 2017, with the direction for 2018 dependent on the ANC elective conference, the February 2018 budget and the Moody's rating review due in March next year. The fund is well positioned to take advantage of the uncertain times ahead.

The Nedgroup Investments Corporate Money Market Fund is invested 95.81% in the big four South African banks, with 4.08% in South African branches of international banks and 0.11% in South African government and government-guaranteed paper. The fund continues to comfortably outperform its benchmark, delivering a gross return of 0.63% in November 2017.

**Please note an important change that will be effective January 2018. Fund commentary will be produced on a quarterly basis, moving from the current monthly cycle, to provide an enhanced analysis of the fund over a longer period.**

#### Who we are

Nedgroup Collective Investments (RF) Proprietary Limited, is the company that is authorised in terms of the Collective Investment Schemes Control Act to administer the Nedgroup Investments unit trust funds. 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.

#### Performance

Unit trusts are generally medium to long-term investments. The value of your investment may go down as well as up. Certain unit trust funds may be subject to currency fluctuations due to its international exposure. 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.

#### Pricing

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

Certain Nedgroup Investments unit trust funds apply a performance fee. For the Nedgroup Investments Flexible Income Fund and Nedgroup Investments Stable Fund, it is calculated daily as a percentage (the sharing rate) of total positive performance, with the high watermark principle applying.

For the Nedgroup Investments Bravata World Wide Flexible Fund it is calculated monthly as a percentage (the sharing rate) of outperformance relative to the fund's benchmark, with the high watermark principle applying. All performance fees are capped per fund over a rolling 12-month period. A schedule of fees and charges and maximum commissions is available on request from Nedgroup Investments.

#### Disclaimer

Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Nedgroup Investments has the right to close unit trust funds to new investors in order to manage it more efficiently. For further additional information on the fund, including but not limited to, brochures, application forms and the annual report please contact Nedgroup Investments.

#### 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)

#### Our offices are located at

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#### Write to us

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