

Nedgroup Investments Core Income Fund

Class C

May 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 liquidity of this portfolio is less than that of a traditional money market portfolio.

GENERAL INFORMATION

ASISA category

South African Interest Bearing Short Term

Benchmark

STeFI Composite

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

01 October 2008

Appropriate term

Minimum 6 Months

Market value

R 30,482 Million

Income distributions

Frequency: Monthly

May 2017: 0.69 cpu

Previous 12 months: 8.19 cpu

Fees and charges (excluding VAT)

Initial fees	0.00%
Annual management fee	0.25%
Total expense ratio	0.30%
Transaction costs	0.00%
Total investment charges²	0.30%

Please Note:

Differences may exist due to rounding

CONTACT

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Email info@nedgroupinvestments.co.za

Portfolio profile

The portfolio aims to preserve capital, but provide returns in excess of that offered by a traditional money market portfolio. The mandate is, however, more flexible and the average portfolio duration will be longer than that of traditional money market portfolios. The portfolio complies with Regulation 28 of the South African Pension Funds Act.

Performance¹

Period	Portfolio - Gross	Portfolio - Net	Benchmark
1 year pa	8.9%	8.6%	7.6%
3 Years pa	7.8%	7.5%	6.9%
5 Years pa	7.2%	6.9%	6.3%
7 Years pa	7.2%	6.9%	6.2%
Since Inception	7.8%	7.5%	6.7%
Lowest 1 year return	5.9%	5.6%	
Highest 1 year return	11.3%	10.9%	

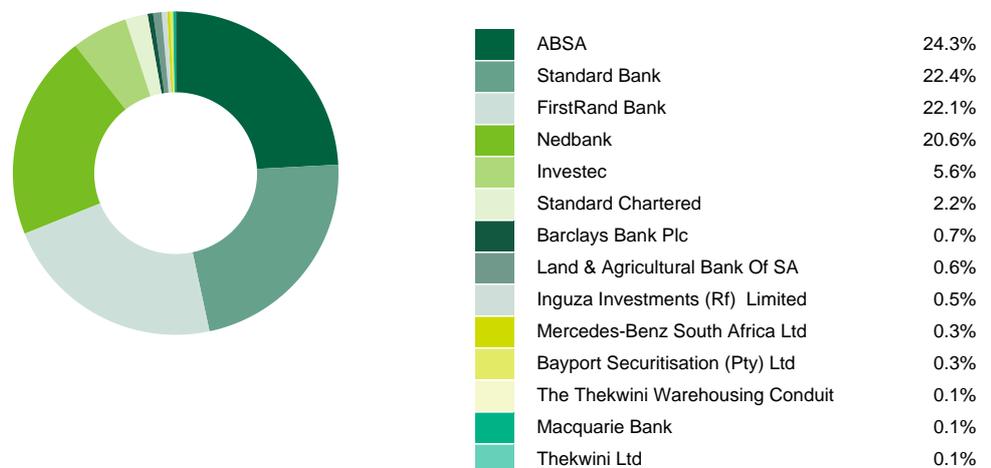
Risk

Period	Portfolio	ALSI
Volatility [5 years]	0.4%	10.3%

Maturity spread

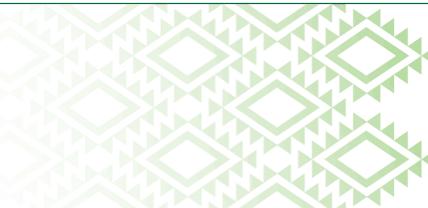
Maturity spread	% Spread
0 - 3 months	5.8%
3 - 6 months	3.4%
6 - 13 months	14.4%
> 13 months	76.4%
Total	100.0%

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 01/04/2014 and ending 31/03/2017



INCOME RANGE

Investment manager commentary Taquanta Asset Management

Economic Overview

Global economic activity especially in developed countries, has picked up during the first quarter of 2017, albeit not as fast as expected. In the US, GDP increased at an annualised rate of 1.2% quarter-on-quarter which was higher than the initial GDP estimates of 0.7%, but slower than the growth of 2.1% quarter-on-quarter observed in the final quarter of 2016. The main driver behind the reduced GDP in the US was a reduction in government spending and investment. Inflation in the US reduced to just over 2%. In the UK, GDP grew at a slower pace than in the final quarter of 2016; the economy grew at a pace of 0.2% quarter-on-quarter, down from 0.7% quarter-on-quarter the previous quarter. This was due to slower growth in household spending. Post the Brexit vote; contingency plans have been put in place by asset managers and banks to elect a European city as a base for their EU operations. There will be a push from France to entice financial industries to choose Paris as their European base following the win by Emmanuel Macron as the new President. However, the draconian labour laws in France do not favour this.

With a reported contraction of 0.7% in GDP during the first quarter of 2017, South Africa has moved into a technical recession due to two consecutive quarters of negative growth. The last time this happened was during the financial crisis of 2008/09. Unemployment statistics for the 1st quarter of 2017 reported the unemployment rate at 27.7%, which is the highest rate since September 2003. Statistics South Africa noted that during the first quarter of 2017, the expanded unemployment rate, which include people who wanted to work but were not actively looking, increased to 36.4%, which translates to 9.3million people who wanted to work but were unemployed.

Reported headline CPI moving into the target range at 5.3% year-on-year in April, from 6.1% year-on-year in March, and a stronger than expected rand exchange rate, was cited by the MPC as contributing factors to the decision to keep rates on hold at the May MPC meeting. It was noted however, that the resilience of the rand was mainly due to stronger global capital inflows rather than the local economic landscape. The reduced inflation rate was mainly due to food (6.6% year-on-year, previous month 8.7% year-on-year) and fuel prices (5.6% year-on-year, previous month 15% year-on-year). Domestic grain prices continue to be the reason for the improvement in food inflation and are due to the end of the drought in the northern parts of South Africa. Core inflation reduced further to 4.8% year-on-year (lowest level since Jan 2013) from 4.9% year-on-year the previous month. PPI for final manufactured goods slowed to 4.6% in April year-on-year (5.2% year-on-year in March).

The latest Private sector credit extension (PSCE) increased to 5.9% year-on-year in April, from 4.98% year-on-year the previous month. The increase was mainly driven by acceleration in household credit which increased to 2.9% year-on-year from 0.7% year-on-year the month before. The reasons for the increase in household credit were due to factors stemming from the inclusion of the reconstructed African Bank data. Growth in Money Supply (M3) slowed further to 5.3 % year-on-year from 5.6 % year-on-year in March

Review of the Fund

Performance: May 2017 Gross Return: 0.72%

Investment Outlook

The looming risks of further downgrades, which in a worst-case scenario would lead to South African government bonds falling out of global bond indices, would cause significant weakening of the rand, due to capital outflows. Rand weakness in turn, remains a key risk to the inflation outlook. With continued sluggish growth, unemployment levels are also expected to remain elevated above 2016 levels. Our base case view is for interest rates to remain flat for the remainder of the year. Should inflation continue to grow at a slower rate and the rand remain strong, there could be a possibility of a rate cut towards the end of the year. The fund is well positioned for a flat to rising interest rate cycle, as well as to take advantage of the current economic climate and uncertainties ahead.

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, 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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