Nedgroup Investments Core Income Fund

Class C

February 2017

NEDGROUP INVESTMENTS

INCOME RANGE

RISK RATING

1 2 3 4 5

Low Medium High

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 21,882 Million

Income distributions

Frequency: Monthly

February 2017: 0.63 cpu

Previous 12 months: 8.10 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 charges [2]	0.30%

Please Note:

Differences may exist due to rounding

CONTACT

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Minimum Disclosure Document

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.

Performance[1]

Period	Portfolio - Gross	Portfolio - Net	Benchmark
1 year pa	8.8%	8.5%	7.5%
3 Years pa	7.6%	7.3%	6.7%
5 Years pa	7.1%	6.8%	6.2%
7 Years pa	7.3%	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%	

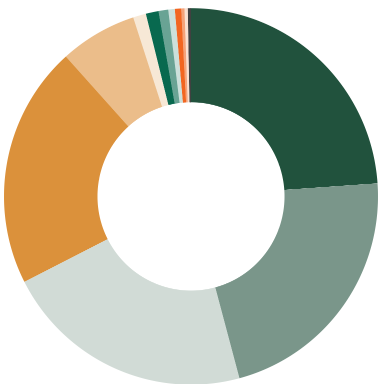
Risk

Period	Portfolio	ALSI
Volatility [5 years]	0.4%	10.5%

Maturity spread

Maturity spread	% Spread
0 - 3 months	7.9%
3 - 6 months	5.1%
6 - 13 months	13.5%
> 13 months	73.5%
Total	**100.0%**

Portfolio structure



FirstRand Bank	23.9%
Nedbank	22.0%
ABSA	21.7%
Standard Bank	20.7%
Investec	6.7%
Standard Chartered	1.3%
Barclays Bank Plc	0.9%
Landbank	0.9%
Inguza Investments (Rf) Limited	0.7%
Mercedes-Benz South Africa Ltd	0.5%
Southchester	0.2%
China Construction Bank	0.2%
The Thekwini Warehousing Conduit	0.2%
Thekwini Ltd	0.1%

AA(ZA)(f)
GLOBALRATINGS
www.globalratings.net

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.

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 01/01/2014 and ending 31/12/2016.

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INCOME RANGE

Investment manager commentary

Taquanta Asset Management

Economic overview

Current statistics suggest that most developed economies performed well at the beginning of 2017. US and UK economic activity has expanded further in 2017, although at a slower pace than at the end of 2016. Inflation is increasing in some advanced economies, mainly due to higher fuel prices. In the US, the Consumer Price Index (CPI) rose to 2.5% year-on-year (y-o-y) from 2.1% y-o-y the previous month and core inflation remained high at 2.3% y-o-y. Energy prices, which increased by 4% over the month, also contributed to the higher-than-expected CPI print. The chances of a hike in the target range of the US federal funds rate in March 2017 have increased, following the hawkish testimony of Fed Chair Janet Yellen. In the UK, headline inflation increased to 1.8%. Following the surprise voter result of Brexit, the Eurozone and the UK performed better than expected.

Domestically, mining and manufacturing production declined by 10.3% and 4.4% respectively on a seasonally adjusted and annualised basis over the final quarter of 2016. In the State of the Nation Address, President Zuma stressed that government's focus would shift towards achieving radical socio-economic transformation, using all levers available to government to transform the private sector. Finance Minister Gordhan presented the 2017 National Budget, which continues to pursue fiscal consolidation. The budget sets out to reduce the deficit from 3.4% of GDP in 2016/2017 to 3.1% in 2017/2018 by relying on higher taxes to increase government revenue. Government revenue is forecast to grow by 9.0% in 2017/2018 and 8.6% in 2018/2019.

South Africa's headline CPI remained high in January, but reduced to a lower than expected 6.6% y-o-y from 6.8% y-o-y in December. Food price inflation remains the largest contributor to the CPI; food prices remained elevated at 11.8% y-o-y. Core inflation (CPI less food, non-alcoholic beverages, fuel and energy prices) reduced to 5.5% y-o-y from 5.9% y-o-y the previous month. Producer price inflation (PPI) in South Africa reduced sharply to 5.9% y-o-y from 7.1% y-o-y the previous month. Due to the favourable weather conditions in the northern parts of South Africa, white and yellow maize harvests should increase significantly, which will moderate food price inflation and help to reduce CPI and PPI inflation going forward. However, there is a risk to this forecast after confirmed sightings of the armyworm in parts of South Africa. Interestingly enough, the armyworm does not affect genetically modified maize, which is approximately 85% of the South African crop.

Private sector credit extension (PSCE) growth increased to 5.6% y-o-y in January compared to 5.1% y-o-y the previous month. Corporate credit growth increased to 10.1% y-o-y from 9.1% y-o-y the month before, while household credit growth moderated to 0.6% y-o-y from 0.7 % y-o-y. Household lending is expected to remain subdued due to weak levels of consumer confidence and stricter lending criteria. Money supply (M3) accelerated to 7.9% y-o-y from 6.9% y-o-y the month before. The uptick was mainly due to financial corporate deposits, which increased to 9.1% from 4.5% the previous month.

Review of the Fund

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Write to us
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Date of issue
15 March 2017

Nedgroup Investments Core Income Fund
February 2017

INCOME RANGE

Performance: the Fund delivered a gross return of 0.67% for February 2017.

Investment outlook

Consumer price inflation in South Africa is trending lower and the risks to the economic growth forecasts are to the downside. With that in mind, our base case view is for interest rates to remain flat for the year. The Fund is therefore well positioned for a flat to rising interest rate cycle. There is upside risk to this view if South Africa's sovereign credit rating is downgraded and if the Fed hikes interest rates in the US. There is also a possible scenario of a rate cut in the last half of this year if growth figures decline, inflation is contained, and there is no significant weakness in the rand. The Fund is well positioned to take advantage of the current economic climate and uncertainties ahead.

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