Nedgroup Investments Core Income Fund

Class C

July 2017

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

Client type
Institutional

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 29,684 Million

Income distributions

Frequency: Monthly

July 2017: 0.71 cpu

Previous 12 months: 8.22 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	9.0%	8.7%	7.6%
3 Years pa	7.9%	7.6%	7.0%
5 Years pa	7.3%	7.0%	6.3%
7 Years pa	7.3%	6.9%	6.2%
Since Inception	7.8%	7.5%	6.8%
Lowest 1 year return	5.9%	5.6%	
Highest 1 year return	11.3%	10.9%	

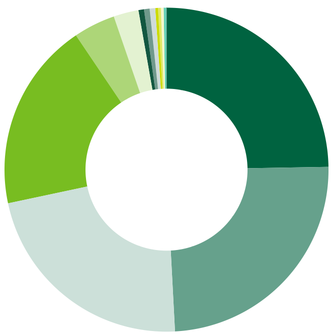
Risk

Period	Portfolio	ALSI
Volatility [5 years]	0.4%	10.8%

Maturity spread

Maturity spread	% Spread
0 - 3 months	5.1%
3 - 6 months	2.1%
6 - 13 months	13.8%
> 13 months	79.0%
Total	**100.0%**

Portfolio structure



FirstRand Bank	24.7%
ABSA	24.3%
Standard Bank	22.5%
Nedbank	18.9%
Investec	4.4%
Standard Chartered	2.3%
Barclays Bank Plc	0.7%
Land & Agricultural Bank Of SA	0.7%
HSBC Bank Africa	0.4%
Mercedes-Benz South Africa Ltd	0.3%
Bayport Securitisation (Pty) Ltd	0.3%
China Construction Bank	0.2%
The Thekwini Warehousing Conduit	0.2%
Macquarie Bank	0.1%
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 01/07/2014 and ending 30/06/2017

NEDGROUP INVESTMENTS CORE INCOME FUND

July 2017

NEDGROUP INVESTMENTS

INCOME RANGE

Investment manager commentary
Taquanta Asset Management

The rebound in global growth seems to have remained on course for this year, with the IMF keeping its forecast at 3.5%. Uncertainty remains, however, around when economic policy reforms in the US will be implemented, with increased pressure to move forward on proposed tax reform to drive growth.

The US CPI slowed to 1.6% year-on-year in June, from 1.9% in May, this is below the Federal Reserve's 2% target. Elsewhere in major economies, Japanese growth is projected to be 1.3% this year. Japan will have to focus on implementing policies to counter the effects of an ageing population and a shrinking workforce to ensure they maintain momentum in growth and productivity. Growth forecasts for the Eurozone have been revised upwards, following better than expected growth reported in the first quarter of 2017.

The IMF projects growth in emerging markets to increase to 4.6% in 2017 (from 4.3% in 2016). In stark contrast to these growth rates, the Reserve Bank has revised South Africa's growth forecast downwards to 0.5% for 2017, (1% previously projected). A challenging political climate and weak consumer and business confidence continue to hamper growth in South Africa. When looking at South Africa's key industries namely mining and manufacturing, mining contributed 21% towards South African output in the 1980s, this number has declined to 8% in 2016 according to Statistics SA.

The mining profit margin ratio has also tightened significantly, from 30 cents for every rand of turnover to nine cents in the first quarter of 2017. The knock-on effects of tightening profit margins, means it is tougher for businesses to expand and grow, invest or make new hires. Statistics SA reported that the profit margin in the formal business sector has seen a downward trajectory from 11 cents for every R1 of turnover in 2007, to five cents for every R1 in 2017.

June saw annual percentage change in PPI contract from 4.8% in May to 4% year-on-year in June. Private sector credit extension grew 6.2% year-on-year in June (May 6.7%), which fell short of the market consensus of 6.5%.

The Reserve Bank announced a largely unexpected 25 basis points cut in the repo rate during the July MPC meeting. The Reserve Bank sited reasons such as the improved inflation outlook, with CPI reported to be 5.1% in June (down from 5.4% in May), and the deteriorating growth outlook, for the surprise cut. They noted however that they would not hesitate to reverse the decision should the inflation outlook deteriorate.

There has been a compression in bank spreads post the rate cut, with a similar trend possible for high quality corporates if underpinned by strong demand and weak supply, especially if banks have high demand for high quality liquid assets. Our base case view is for interest rates to remain flat, with the possibility of another rate cut for 2017, should growth and inflation remain weak. The Fund is well positioned to take advantage of the current economic climate and uncertainties ahead.

The Nedgroup Investments Core Income Fund had a gross return of 0.76% for July 2017.

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As at: 15 August 2017