

January 2025

### Fund Objective

The objective of the High Yield Credit fund is to generate returns in excess of a typical income fund. This fund is best suited for investors looking for enhanced income returns with very low liquidity requirements.

### Investment Strategy

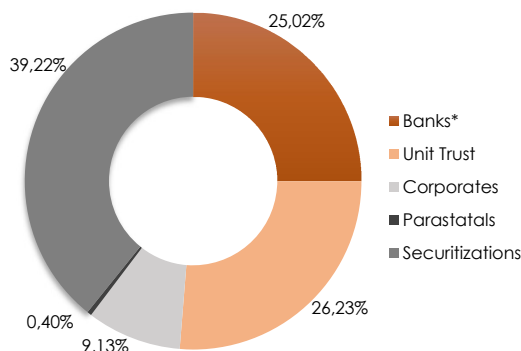
Employs a conservative approach to enhance yields through extracting the liquidity risk premium in longer dated and less liquid debt instruments, as well as an increased exposure to credit assets. Our fundamental credit review process is robust, combining qualitative and quantitative analysis, overlaid with institutional memory to question convention, operating within a strong risk and compliance framework. Our portfolio construction process builds a well-diversified fund targeting up to 30+ counterparties to further diversify risks.

### Fund Performance

Period (naca)	Fund Return	Fund Target	CPI +5%
1 month	1,0%	1,0%	0,5%
3 months	1,8%	3,1%	1,3%
6 months	4,7%	6,2%	3,1%
1 year	8,3%	12,7%	8,0%
2 years p.a.	10,5%	12,6%	9,1%
3 years p.a.	10,5%	11,6%	10,1%
5 years p.a.	10,0%	10,3%	9,9%
3yr volatility	1,2%	0,4%	1,4%

Source: Taquanta Asset Managers

### Issuer Type



\*Includes 6% in Credit-linked Notes, which are bank issued notes referencing other entities.

Source: Taquanta Asset Managers

### Fund Details

#### Risk Profile:



#### Portfolio Manager:

Taquanta Asset Managers

#### Currency:

ZAR

#### Fund Size:

R275,8 m

#### Inception date:

August 2015

#### Target Return:

STeFI Composite (Cash) +4%

#### Minimum Rating:

BB- (at time of purchase)

#### Max offshore exposure:

40% (Hedged)

#### Lock in Period:

5 years

#### Maturity Limit:

7 years

#### Modified Duration:

<0.25 Years

#### No. of Counterparties:

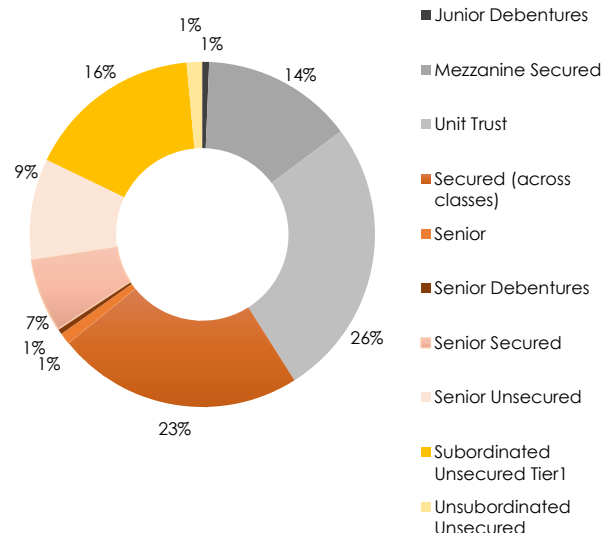
>30

### Top 5 Credit Exposures (excluding unit trust exposure)

Issuer Name	% Exposure
The Republic of South Africa	11%
FirstRand Bank Limited	6%
Amber House Fund 7 (RF) Limited	6%
Standard Bank Group Ltd	5%
Nedbank Group Limited	4%

Source: Taquanta Asset Managers

### Capital Ranking



### Fund Outlook

---

The fund continues to maintain a low duration, and a moderate maturity and liquidity position. Issue spreads in the domestic primary listed debt capital markets are expected to remain contained due to the sustained demand for assets despite the issuance volumes. We continue to look for opportunities in both the public and private debt space while remaining cautious with regards to credit and liquidity risk.

### Market Commentary

---

The South Africa Rand experienced a notable decline in the latter half of January, depreciating to 18.67 per dollar from 18.38 early in the month. The weakness in the currency was largely due to domestic economic vulnerability and growing concerns over U.S. trade policies under President Donald Trump. South Africa's political landscape has been particularly turbulent, with investor confidence waning despite the country's relatively high yields compared to its peers.

Uncertainty surrounding the coalition government since the President signed the land expropriation bill without compensation into law has exacerbated market unease. The coalition faced significant strain when the Democratic Alliance raised governance disputes following President Cyril Ramaphosa's signing of a controversial land expropriation bill. This legislation, aimed at facilitating land redistribution, surprised coalition partners and drew criticism for procedural missteps.

Despite these challenges, officials from the South African Reserve Bank (SARB) expressed limited concern over the rand's depreciation. On January 30, SARB reduced its key interest rate by 25 basis points to 7.50%, marking the third consecutive cut. While inflation remains under control, the medium-term economic outlook is clouded by global uncertainties. SARB revised its 2025 inflation forecast slightly downward to 3.9% from 4%, with projections for 2026 and 2027 remaining at 4.6% and 4.5%, respectively. The central bank expects inflation to stay within the lower half of its target range in the near term, despite potential upside risks.

South Africa's economy is expected to recover in the fourth quarter after a slowdown in the previous quarter, primarily due to an unusual drop in agricultural production. Steady growth is anticipated in the coming years, with GDP potentially reaching 2% by 2027. Inflation in December 2024 edged up slightly to 3% from 2.9% in November, remaining below SARB's 4.5% target midpoint. Key drivers of price growth included housing, utilities, food, alcoholic beverages, and miscellaneous goods. Core inflation, excluding volatile items like food and fuel, eased to 3.6%, its lowest level since February 2022.

Globally, U.S. policy developments continue to pose significant risks. President Trump's repeated tariff threats have raised fears of price hikes and a stronger dollar, which could adversely affect African nations with high debt levels. Our view is that Trump policies of mass deportation, tariffs, deregulations and tax cuts could potentially add inflationary pressures and as such increase the risk of prolonged higher interest rates in the US where inflationary pressures have been persistent for some time now. For example, Consumer Price Index (CPI) for December, released on January 15, showed a year-on-year increase to 2.9%, the highest rate since July 2024. Total CPI has risen for three consecutive months, moving further from the Federal Reserve's 2% target. Core CPI, however, eased slightly to 3.2% from 3.3%. Monthly total CPI increased by 0.2%, while core CPI saw a more significant rise of 0.4%.

Sticky inflation together with a still solid labor market led the Federal Reserve to maintain US interest rates in January, signaling caution amid ongoing political and economic uncertainties. We are predicting a challenging road ahead as the Fed balances inflation control with efforts to support economic stability.

Globally, geopolitical tensions, such as the ongoing conflict in Ukraine and disruptions in the Red Sea, continue to impact commodity prices and supply chains, adding to inflationary pressures. Domestically, South Africa's energy crisis, characterized by renewed load-shedding, remains a significant drag on economic growth and investor confidence.

January 2025

### Disclosures: FAIS

Taquanta Asset Managers (Pty) Ltd is a licensed Category I, II & IIA Financial Services Provider (FSP No: 618).

Accordingly, Taquanta is authorised to provide advisory and/or render discretionary intermediary services relating to the following financial products:

Category Description	Taquanta			
	Cat I Advice	Cat I Intermediary	Cat II discretionary Intermediary	Cat IIA Hedge Fund FSP
Long-Term Insurance subcategory B1				
Long-term insurance subcategory B2				
Long-term Insurance subcategory B2-A				
Long-term Insurance subcategory B1-A				
Long-Term Insurance subcategory C	X	X	X	
Retail Pension Benefits				
Pension Funds Benefits				
Shares	X	X	X	
Money market instruments	X	X	X	
Debentures and securitised debt	X	X	X	
Warrants, certificates and other instruments	X	X	X	
Bonds	X	X	X	
Derivative instruments	X	X	X	
Participatory interests in CIS's	X	X	X	
Participatory interest in a Hedge Fund			X	X
Long-term Deposits	X	X	X	
Short-term Deposits	X	X	X	
Structured Deposits			X	X
Securities and instruments				
General Category IIA experience				X

There are certain risks associated with investments in financial products, including market, credit & currency risks. Past performance is not necessarily an indication of future performance. All returns are rand returns, unless otherwise stated.

Information disclosed to the FSP's will be treated as confidential unless written consent is obtained to disclose such information, or the disclosure of such information is required under a particular law

The appointed Compliance Officer is Mr Nick Howse and his contact details are as follows: Phone: (021) 681 5000 or | (021) 671 8162 | e-mail: nickh@taquanta.com

The appointed Information Officer is Mr Justin Kretschmar and his contact details are as follows: Phone: (021) 681 5000 | e-mail: justink@taquanta.com

The FSP's have Implemented a Data Privacy Policy in accordance with the Protection of Personal Information Act, 2013. Our Information Access & Privacy Statement and PAIA Manual is available at [www.taquanta.co.za](http://www.taquanta.co.za)

The authorized FSP's have implemented a Conflicts of Interest Management Policy in accordance with the General Code of Conduct issued in terms of the Financial Advisory and Intermediary Services Act 37, 2002. The Policy will be made available on written request to the Compliance Officer.

Complaints should be submitted to the compliance officer. Should your complaint not be resolved satisfactorily, you have the right to submit any complaints to the Ombud for Financial Services Providers who can be contacted at: Physical Address: Central, 125 Dallas Avenue Menlyn, Waterkloof Glen, Pretoria, 0010 | Postal Address: P.O. Box 74571, Lynnwood Ridge, 0040 | Customer Contact Division: Telephone: +27 12 762 5000 | Website: [www.faisombud.co.za](http://www.faisombud.co.za) | E-mail address: info@faisombud.co.za