

Taquanta Enhanced Income Fund

Factsheet



March 2025

Fund Objective

The objective of the Enhanced Income Fund is to generate returns well in excess of a typical core cash fund. This fund is best suited for investors looking for enhanced cash returns with low capital risk and low liquidity requirements.

Investment Strategy

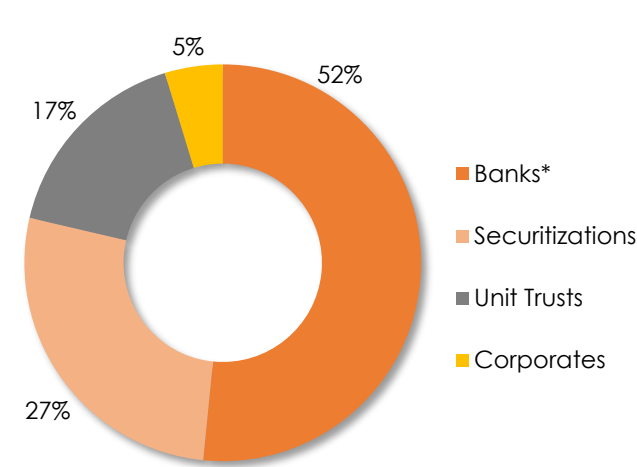
Employs a conservative approach to enhance yields through extracting the liquidity risk premium in longer dated and less liquid debt instruments, as well as a marginal increased exposure to credit assets. Our fundamental credit review process is robust, combining qualitative and quantitative analysis, 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 30+ counterparties to further diversify risks

Fund Performance

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

Source: Taquanta Asset Managers

Issuer Type



*Includes 25% in Credit-linked Notes, which are bank issued notes referencing other entities.

Source: Taquanta Asset Managers (Pty) Ltd

Fund Details

Risk Profile:



Portfolio Manager:

Taquanta Asset Managers

Currency:

ZAR

Fund Size:

R8.8 bn

Inception date:

October 2013

Target Return:

STeFI Composite (Cash) +2%

Minimum Rating:

BBB- (at time of purchase)

Max offshore exposure:

30% (Hedged to Rands)

Notice Period:

90 Days

Maturity Limit:

7 years

Modified Duration:

<0.25 Years

No. of Counterparties:

>30

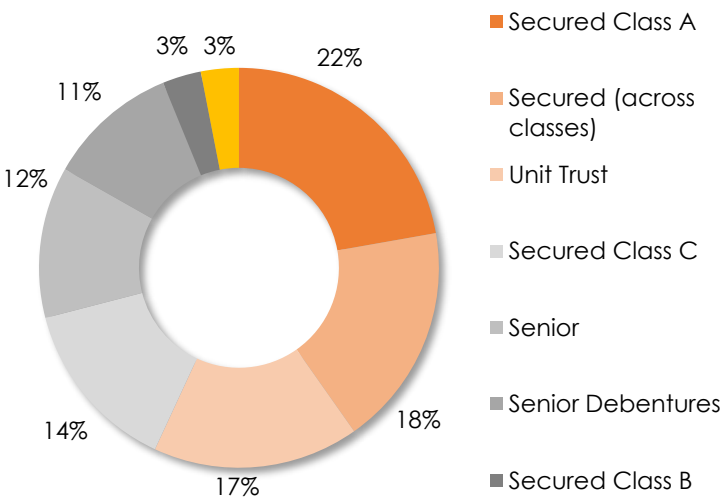
Top 5 Credit Exposures

Issuer Name	% Exposure
The Republic of South Africa	28%
Nedbank Ltd	16%
Standard Bank SA Ltd	12%
Firststrand Bank Ltd	5%
BNP Paribas	5%

Source: Taquanta Asset Managers

excluding unit trust exposure

Capital Ranking



Fund Outlook

The fund is maintaining 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 as the demand for assets continues to exceed the supply of assets, as evidenced by the bid cover ratios and despite the issuance volumes. In this environment and given the current market pricing drivers, the fund benefits from sourcing opportunities in both the public and private debt space, as well as the structured debt market. We remain cautious with regards to credit and liquidity risk.

Market Commentary

Domestic Macroeconomic and Market Overview

In March, the South African Reserve Bank (SARB) held the repo rate steady at 7.5%, citing persistent economic risks. While inflation remains contained, it edged higher due to rising services inflation. Projections were influenced by recent VAT hikes and the reweighting of the Consumer Price Index (CPI), though lower fuel prices and electricity tariffs helped ease overall pressure. Inflation remained unchanged at 3.2% in February, the highest level in four months. SARB expects headline inflation to average 3.6% in 2025 and 4.5% in 2026.

Growth figures remain subdued. GDP expanded by just 0.6% in 2024, falling short of expectations and slightly below 2023's performance. The growth outlook for 2025 has been revised downward to 1.7%, reflecting weak domestic demand and ongoing supply constraints. GDP growth for Q1 and Q2 is expected at 0.4% and 0.5%, respectively.

February's inflation rate of 3.2% was primarily driven by housing and utilities (4.4%, contributing 1.0 percentage point), food and non-alcoholic beverages (2.8%, 0.5 pp), and restaurants and accommodation (4.6%, 0.3 pp). Goods inflation rose slightly to 2.5% (from 2.4% in January), while services inflation eased to 3.8% (from 4.0%). SARB Governor Lesetja Kganyago highlighted the long-term costs of elevated inflation and called for lowering the inflation target range, which has remained at 3%–6% since 2000.

As part of fiscal consolidation efforts, the National Treasury will increase VAT for the first time since 2018. The rate will rise by 0.5 percentage points on May 1, 2025, and again on April 1, 2026, reaching 16% generating R42.5 billion over two years. To soften the blow for low-income households, the government will raise social grants above inflation, expand the list of VAT-exempt food items, and keep the fuel levy unchanged.

Global Perspective

The U.S. Federal Reserve kept interest rates on hold at 4.5% for the second consecutive meeting, following three rate cuts since September. New projections reflect slower economic growth and stickier core inflation, influenced by recent U.S. tariffs and corresponding retaliatory actions. The Fed also announced a further reduction in quantitative tightening beginning in April, lowering the cap on monthly U.S. Treasury redemptions from \$25 billion to \$5 billion.

In February, the U.S. Consumer Price Index (CPI-U) rose 0.2%, slowing from 0.5% in January, with annual inflation running at 2.8%. Shelter costs climbed 0.3%, accounting for nearly half of the monthly increase. This was offset by a 4.0% decline in airline fares and a 1.0% drop in gasoline prices. However, the energy index still rose 0.2%, driven by higher electricity and natural gas costs. Food prices increased modestly by 0.2%, with restaurant meals up 0.4%, while grocery prices remained flat.

Looking Ahead

Going forward we believe that the U.S. economy is entering a new macroeconomic regime characterized by elevated inflation, structurally higher interest rates, and more tempered growth prospects. Inflation, though down from its post-pandemic highs, is expected to remain persistently above the Federal Reserve's 2% target over the next decade. We anticipate average inflation in the range of 2.5% to 3%, driven by entrenched wage growth, the reconfiguration of global supply chains away from globalization, ongoing geopolitical disruptions, and elevated commodity prices. While short-term inflation volatility may occur, these structural factors suggest that price stability will be harder to achieve than in the previous disinflationary decades.

Given our expectation that inflation in the U.S. will remain above its historical average, we anticipate that interest rates will also stay considerably higher than in the pre-pandemic era. The federal funds rate is likely to average around 3.25%, while the 10-year U.S. Treasury yield is expected to settle near 4.5%.

Although the labor market remains resilient, it is expected to soften gradually as tighter financial conditions take hold. Unemployment may edge higher from current lows but is projected to remain within a steady range of 4% to 5%, supported by productivity gains and long-term demographic trends.

While US economic growth has been particularly resilient, we now expect GDP to slow compared to the exceptional expansion of the past decade. Real GDP growth is expected to average approximately 1.9% annually over the short to medium term with an outside chance that we could see a mild recession in the US.

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

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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 Kretzschmar 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

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 | E-mail address: info@faisombud.co.za