

November 2024

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

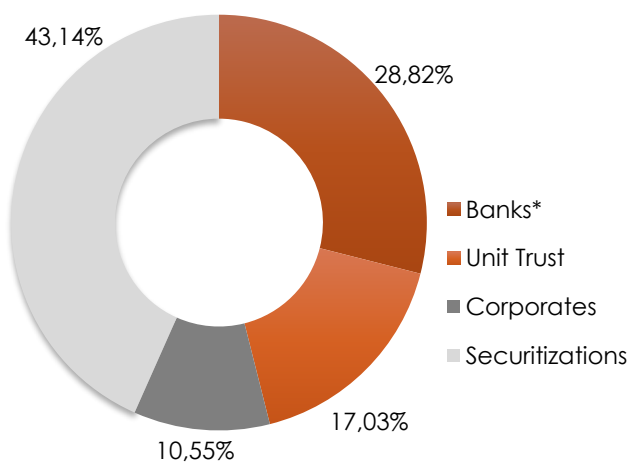
Employs a conservative approach to enhance yields through extracting the liquidity risk premium in longer dated and less liquid debt instruments, as well as an increased exposure to credit assets. Our fundamental credit review process is robust, combining qualitative and quantitative analysis, overlaid 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%
3 months	1,8%	3,1%	1,3%
6 months	2,4%	6,3%	3,3%
1 year	8,2%	12,7%	7,8%
2 years p.a.	10,6%	12,5%	9,4%
3 years p.a.	10,3%	11,3%	10,4%
5 years p.a.	10,0%	10,3%	9,9%
3yr volatility	1,2%	0,5%	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:

Low **Mid** High

Portfolio Manager:

Taquanta Asset Managers

Currency:

ZAR

Fund Size:

R244 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:

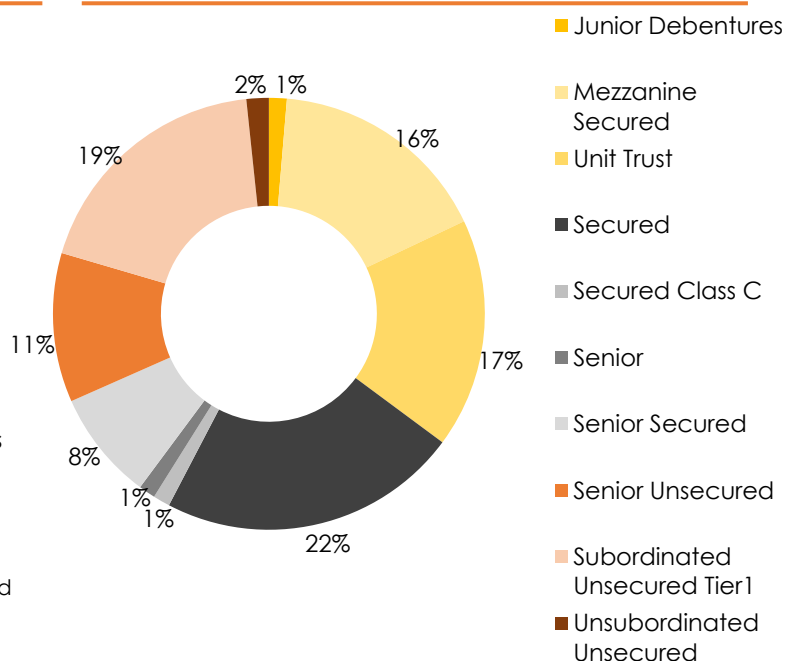
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Top 5 Credit Exposures (excluding unit trust exposure)

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

Source: Taquanta Asset Managers

Capital Ranking



Fund Outlook

The fund continues to maintain a low duration, and a moderate maturity and liquidity position. Downward pressure on issue spreads in the domestic listed debt capital markets continues due to the demand for assets despite the positive trend in issuance volumes. We continue to look for opportunities in both the public and private debt space. We remain cautious in these times with regards to credit and liquidity risk.

Market Commentary

In early November 2024, the Federal Open Market Committee (FOMC) reduced the federal funds rate by 25 basis points, setting the target range to 4.50%-4.75%. This decision followed a 50 basis point cut in September, marking a continued effort to support economic growth amid easing inflation and a softening labor market. The FOMC emphasized that future rate adjustments would be data-driven, with a potential for a more gradual pace of cuts in 2025 due to persistent inflation concerns.

Looking forward we believe that the recent election of President Donald Trump has introduced potential inflationary pressures, stemming from proposed policies such as massive deportation drive, increased tariffs and tax cuts. These policies could lead to higher consumer prices, prompting the Federal Reserve to adopt a cautious approach in its monetary policy. Market expectations have adjusted accordingly, with projections now indicating only 75 basis points of cuts by the end of 2025.

In South Africa the Reserve Bank (SARB) lowered the repo rate in November by 25 basis points to 7.75%, the lowest level since April 2023. This move was influenced by a significant decline in the consumer price index (CPI), which rose by 2.8% year-on-year in October, down from 3.8% in September—the lowest inflation rate since June 2020. Despite this rate cut the SARB Governor Lesetja Kganyago signaled a cautious approach to future cuts, citing global economic uncertainties and domestic price pressures.

Following the SARB's decision, the South African Rand strengthened, trading at 18.04 against the U.S. dollar, a 0.4% improvement. However, the Rand had previously depreciated sharply against the dollar after President Trump's election victory, reflecting market concerns over potential shifts in U.S. economic policy.

From a sovereign rating outlook, Fitch Ratings has recently indicated that South Africa's credit outlook could improve if the government successfully stabilizes its debt in line with its three-year fiscal plan. As such, a positive debt trajectory may lead to an upgrade in the SA sovereign rating, enhancing investor confidence and potentially strengthening the Rand further.

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Disclosures: FAIS

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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 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

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