

Taquanta Enhanced Income Fund

Factsheet



December 2024

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 Details

Risk Profile:



Portfolio Manager:

Taquanta Asset Managers

Currency:

ZAR

Fund Size:

R8.1 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

Fund Performance

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

Source: Taquanta Asset Managers

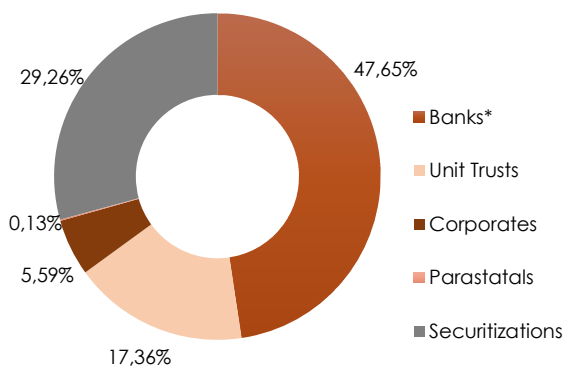
Top 5 Credit Exposures

Issuer Name	% Exposure
The Republic of South Africa	18%
Standard Bank SA Limited	9%
Nedbank Limited	8%
Standard Bank Group Ltd	6%
Firststrand Bank Limited	6%

excluding unit trust exposure

Source: Taquanta Asset Managers

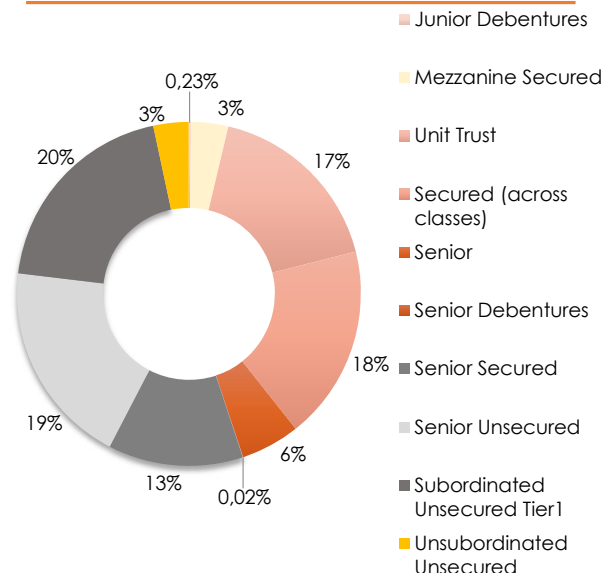
Issuer Type



*Includes 17% in Credit-linked Notes, which are bank issued notes referencing other entities.

Source: Taquanta Asset Managers (Pty) Ltd

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 primary listed debt capital markets is expected 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

Lower Interest Rates: On November 21, 2024, the South African Reserve Bank (SARB) reduced its primary interest rate by 25 basis points to 7.75%, reaching the lowest level since April 2023. This widely anticipated move aimed to balance weak economic growth with stable inflation expectations post the global monetary tightening cycle. While short-term inflation remains contained, the medium-term outlook suggests potential upward risks. The SARB revised its 2024 inflation forecast down to 4.5% (from 4.6%), maintained its 2025 projection at 4%, and raised the 2026 estimate to 4.6% (from 4.4%), driven by anticipated electricity price hikes.

In the United States, the Federal Reserve (Fed) reduced interest rates by 25 basis points in December 2024, setting the range at 4.25%-4.5%. This was the third consecutive cut, following reductions of 25 basis points in November and 50 basis points in September.

Volatile Exchange Rate: The South African rand came under pressure due to the Fed's hawkish tone on future rate policy. In the final week of December, the exchange rate against the US dollar fluctuated, with a low of 18.604 on December 26 and a high of 18.898 on December 31. This volatility underscores the sensitivity of emerging market currencies to external factors, such as US monetary policy shifts, which impact investor sentiment and capital flows.

Subdued Economic Performance: South Africa's GDP contracted by 0.3% in Q3 2024, following 0.3% growth in Q2. The contraction was driven by declines in the primary sector (mining and agriculture), while secondary and tertiary sectors experienced slower growth. Despite the quarterly setback, GDP in Q3 2024 was 0.3% higher compared to Q3 2023. For the full year, GDP growth is expected at approximately 0.8%, reflecting ongoing challenges such as electricity supply constraints, weak business confidence, and subdued private investment. Key sectors like mining and manufacturing were negatively impacted by global commodity price volatility and logistical inefficiencies, though resilience in agriculture and growth in renewable energy investments offered some support.

December 2024

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

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