Taquanta High Yield Fund
Factsheet

Taquanta

August 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 Details

Risk Profile:	Low / **Mid** / High
Portfolio Manager:	Taquanta Asset Managers
Currency:	ZAR
Fund Size:	R231 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

Fund Performance

Period (naca)	Fund Return	Fund Target	CPI +5%
3 months	**0.6%**	3.1%	1.9%
6 months	**3.2%**	6.2%	5.2%
1 year	**9.6%**	12.6%	9.6%
2 years p.a.	**11.1%**	11.9%	9.7%
3 years p.a.	**10.4%**	10.7%	10.7%
5 years p.a.	**10.2%**	10.1%	10.0%
3yr volatility	**1.0%**	0.5%	1.3%

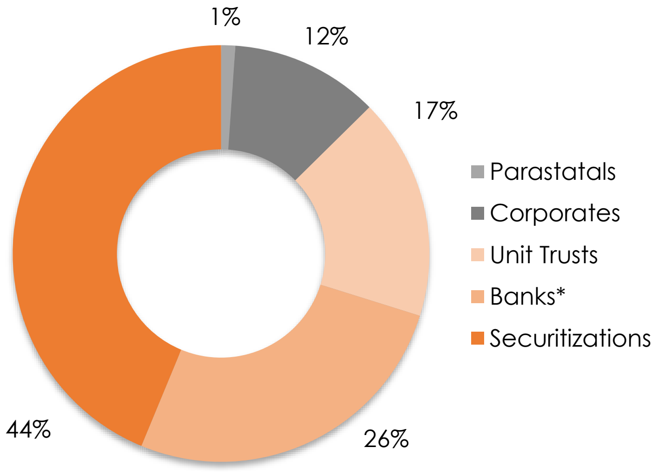
Source: Taquanta Asset Managers

Top 5 Credit Exposures (excluding unit trust exposure)

Issuer Name	% Exposure
The Republic of South Africa	8.0%
Amber House Fund 7	6.5%
Standard Bank Group	5.9%
Nedbank Group	5.4%
Capital Harvest Finance	4.8%

Source: Taquanta Asset Managers

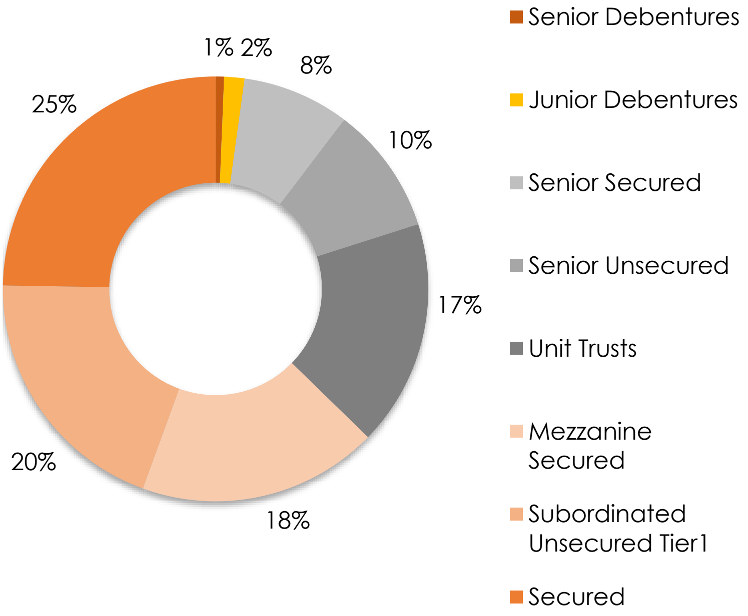
Issuer Type



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

Source: Taquanta Asset Managers

Capital Ranking



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Fund Outlook

The fund continues to maintain a low duration, and a moderate maturity and liquidity position. Issue spreads in the domestic listed debt capital markets overall remain contained due to the demand for assets despite the pace of issuance. We continue to look for opportunities in both the public and private debt space. The fund is well positioned for the current interest rate outlook. We remain cautious in these times with regards to credit and liquidity risk.

Market Commentary

The South African economy grew by 0.4 percent quarter-on-quarter in the second quarter of 2024, up from a revised 0.0 percent quarter-on-quarter growth rate in the previous quarter. The finance, real estate and business services industries were the largest contributors, adding 0.3 percent to the gross domestic product (GDP). On the other hand, the transport, agriculture and mining sectors recorded second consecutive declines, marred by bouts of strike action, reduced rainfall and muted demand for commodities.

While second quarter GDP figures may have benefitted from no power outages, labour absorptions rates continue to remain subdued. Our assessment of the former is underpinned by the country's sub-investment rating, a volatile currency and falling corporate profitability levels. These factors collectively pose challenges to the future widening of credit spreads, where companies will be forced to either cut capital spending, undergo debt stress or reduce labour force.

According to the quarterly labour force surveys, the official unemployment rate increased by 0.6 percent in the second quarter of 2024 to 33.5 percent. Increasing levels of unemployment continue to curtail demand-pull inflationary pressures. After holding steady for ten consecutive months in the 5 to 6 percent range, annual consumer prices in South Africa slowed to 4.6 percent in July from 5.1 percent in the previous month. The July inflation print is the lowest in three years and reflective of the global disinflationary trend.

Similarly in the U.S., the Federal Reserve Bank's preferred measure of inflation slowed to 2.5 percent in July. Core PCE, which strips out volatile food and energy costs, came in at 2.6 percent, below the median forecast of 2.7 percent. Furthermore, the ISM manufacturing index remained in contraction territory at 47.2 index points, below market expectations of 47.5. These figures succeed the Fed's forward guidance on policy rate reductions, inspired by falling inflation and slowing labour market activity.

On a conspectus of the above, the domestic interest rate market is now pricing in two rate cuts in 2024, with the probability of additional interest rate cuts gradually rising over the medium term.

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Disclosures: FAIS

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

	Taquanta			
Category Description	**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

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