

July 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

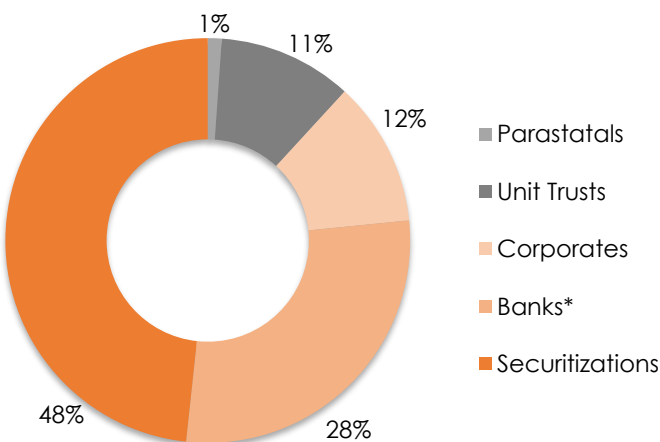
Employs a conservative approach to enhance yields through extracting the liquidity risk premium in longer dated and less liquid debt instruments, as well as an increased exposure to credit assets. Our fundamental credit review process is robust, combining qualitative and quantitative analysis, overlaid 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	0.1%	3.1%	1.8%
6 months	3.4%	6.2%	4.9%
1 year	9.9%	12.6%	10.1%
2 years p.a.	11.1%	11.8%	10.2%
3 years p.a.	10.3%	10.6%	11.0%
5 years p.a.	10.3%	10.1%	10.0%
3yr volatility	1.0%	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:

R229 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:

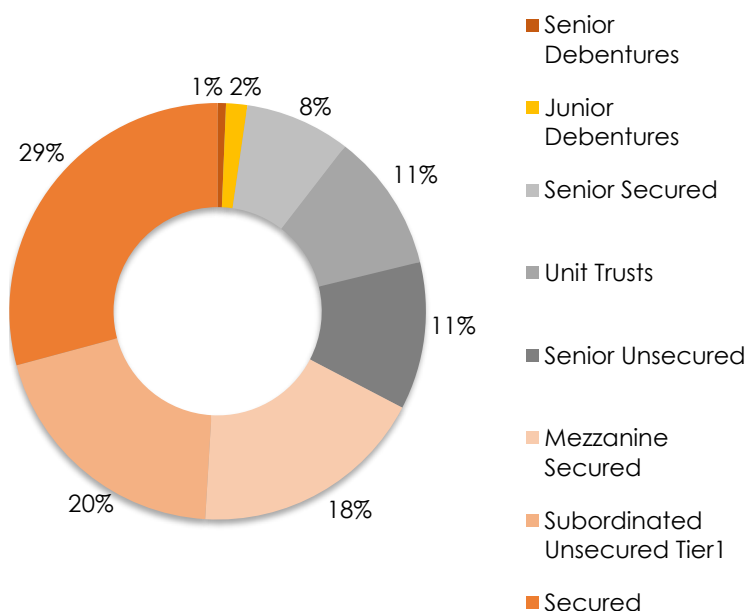
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Top 5 Credit Exposures (excluding unit trust exposure)

Issuer Name	% Exposure
The Republic of South Africa	7.1%
Amber House Fund 7	6.7%
Standard Bank Group	5.9%
Nedbank Group	5.4%
Firststrand Bank	4.9%

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 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

On the 18th of July, the South African Reserve Bank's (SARB) Monetary Policy Committee (MPC) decided to leave the repo rate unchanged at 8.25 percent. The decision to pause was not unanimous, with two of the six MPC members in favour of a 25-basis point (bps) reduction, signaling a shift towards easing as early as September 2024. Policymakers maintain that reigning in price growth is not yet achieved. Despite inflation expectations gradually waning, they do, however, remain above the central bank's midpoint target as well as the policymaker's medium-term forecasts.

According to the central bank's quarterly projection model (QPM), the inflation outlook has marginally improved since the last MPC meeting. Headline consumer price inflation (CPI) for this year is now projected to average 4.9 percent, compared to 5.1 percent at the previous MPC meeting. Over the next few quarters, headline inflation is further anticipated to dip below 4.5 percent, while stabilising at midpoint over the medium term. The improved outlook comes on the back of falling food, fuel and energy prices.

In the first half of 2024, cumulative load shedding, measured in terms of Gigawatts per hour (GWh), fell by 72 percent compared to the first half of 2023. This improvement in the availability of electricity, if sustained, is expected to bode well for future administered price inflation. Moreover, fuel prices have in recent months maintained a downward trend, despite the ongoing conflict in the Middle East. The tepid demand for oil is mainly driven by a slowing macroeconomic backdrop across both emerging and developed market regions.

Similarly, global labour markets continue to capitulate to this benign macroeconomic setting, thereby muting risks associated with future demand-pull inflation. To this end, total employment in South Africa decreased by 67 000 quarter-on-quarter, from 10 731 000 in December 2023 to 10 664 000 in March 2024. Layoffs were mainly pronounced across the trade, business services, and mining sector. As a result, gross earnings paid to employees fell by R35.1 b from R993 b in December 2023 to R957.9 b in March 2024.

Since the start of the year, four central banks overseeing the 10 most heavily traded currencies have reduced their policy rates. The divergence in monetary policy is also prevalent among emerging market economies, with Latin American countries reducing their policy rates as inflation continues to fall in line with receding macroeconomic 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:

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