



# Taquanta

## Enhanced Cash Fund

### Covid-19 Contingency Measures

On 17 March 2020, the Department of Employment and Labour issued guidelines for all employers in relation to the Coronavirus Disease 2019, caused by the SARS-CoV-2 virus, generally known to us as COVID-19.

COVID-19 is complicated and poses personal and professional challenges to us all. Organisations are now faced with growing uncertainty as to how to remain compliant in the wake of a rapidly changing business environment.

To this end, the 29 April 2020 published Government Gazette delivered a draft of guidelines for employers of varying sizes to respect and apply COVID-19 Occupational Health and Safety Measures in Workplaces COVID-19 (C19 OHS).

Without implementation of COVID-19 Occupational Health and Safety Measures in Workplaces COVID-19 (C19 OHS), our business ran the risk of being in violation of the department's guidelines, which in turn may have led to dire consequences as severe as business closure and / or personal prosecution.

We utilised the services of a Health & Safety consultancy who conducted a COVID-19 Risk Assessment which included the following:

- 1) A walk-through Risk Assessment Survey of our premises
- 2) A comprehensive Risk Assessment & Safe Work-plan procedure
- 3) An employee briefing session

We are confident that with the above measures we've put in place we have ensured the safety of our most valuable assets, our people.

Kind Regards,  
Justin Kretzschmar  
Group Chief Executive Officer

## Fund Fact sheet

August 2020

### Fund Objective

The primary objective of the Taquanta Enhanced Cash Fund is to achieve consistent returns in excess of a generic money market fund with an emphasis on capital preservation and low performance volatility.

### Investment Philosophy and Strategy

Employs a conservative approach to enhance yields through extracting the liquidity risk premium primarily in longer-dated bank paper with a maximum maturity up to 5 years. 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. The fund is primarily invested in bank issued instruments that can be liquidated easily.

### Outlook

An apparent leveling out in the number of new infections and a possible coronavirus vaccine has brought about the much-needed positive tone worldwide. Earlier in the year the IMF and the World Bank revised global growth forecasts factoring in the expected impact of the coronavirus pandemic. A recovery may be on the horizon with Manufacturing PMI data in China and the United States (US) showing improvement. This is due to the easing of lockdown restrictions leading to the gradual re-opening of businesses and steady consumer demand.

The US Central Bank indicated changes in its monetary policy framework citing its role in aiding maximum employment and price stability. The Federal Open Market Committee (FOMC) will now follow a flexible form of average inflation targeting aimed at keeping inflation at an average of 2% over time. The FOMC Chair stated that these revisions were necessary considering that interest rates have fallen around the world including the US.

Locally, easing of lockdown regulations have improved economic activity but the full effects of the lockdown on GDP growth will only be seen on the 2Q2020 GDP data expected in September. Manufacturing production decreased by 16.3% in June 2020 compared to the same period in 2019 with the largest contribution from basic iron and steel, motor vehicles and transport equipment, and food and beverages. Inflation has however surprised on the upside over the past few months leading to suggestions that it may have bottomed and may continue to trend higher. The SA 5y breakeven inflation curve also supports the inflation bottoming suggestion. Demand-pull inflation is likely to remain weak because of the pandemic while cost-push inflation poses an upside risk to the inflation outlook. Headline CPI inflation increased to 3.2% y/y from 2.2% y/y in June. This was driven by a hike in fuel prices and an increase in electricity tariffs. PPI Inflation rose to 1.9% y/y in July from 0.5% y/y in June – economists however expect producer inflation to remain subdued due to weak domestic demand and reduced manufacturing capacity utilisation.

SA consumer confidence continues to plummet as private sector credit extension slows to 5.12% y/y in July from 5.63% y/y in June. Motor trade sales and retail trade sales declined in 2Q2020 compared to the same period in 2019.



# Taquanta

## Enhanced Cash Fund

### Fund Information

**Portfolio Manager:**

Taquanta Asset Managers (Pty) Ltd

**Fund Size:**

R3.7 billion

**Benchmark:**

STeFI Composite

**ASISA Fund Classification:**

Similar to Varied Specialist

**Inception Date:**

1 March 2005

**Valuation Method:**

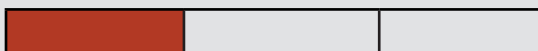
Mark-to-market

**Notice Period:**

24 Hours

### Risk Profile

Conservative    Moderate    Aggressive



### Outlook

The trade balance YTD improved to a surplus of R95 billion from a deficit of R8.6 billion in the same period last year. Economists expect the current account deficit to narrow in 2020 due to terms of trade support and weak domestic demand, but the capital account to remain under pressure in a global environment of elevated uncertainty.

### Fund Outlook

We remain cautious in these uncertain times, cognisant of the weakening spread environment because of a lack of economic activity and subdued borrowing requirements. The 3-month Jibar rate has continued to trend lower although the FRAs as at the end of August were suggesting a probability of a 25bps hike in the repo rate over the next 12 months. A decreasing Jibar premium and less steepening of the yield curve suggests that banks are extremely cash flush. The fund continues to be conservatively positioned around liquidity and credit given the current economic climate.

### Fund Performance

Returns	Fund Return	Benchmark	Active Return
Month	0.49%	0.39%	0.10%
Quarter	1.45%	1.25%	0.20%
1 Year (naca)	7.72%	6.44%	1.28%
3 Years (naca)	8.50%	7.02%	1.48%
5 years (naca)	8.59%	7.14%	1.45%
Inception (naca)	8.32%	7.27%	1.06%



## Fund Performance

# Enhanced Cash Fund

### Fund Information

**Compliance:**  
Regulation 28 & 30

**Instrument Maximum Term:**  
5 Years

**Weighted Term to Final Maturity:**  
2.5 years

**Portfolio Details:**  
The investment portfolio is a market-linked fund policy (in terms of the Long-Term Insurance Act) issued by the Nedgroup Structured Life Limited

**Floating Rate Assets:**  
99%

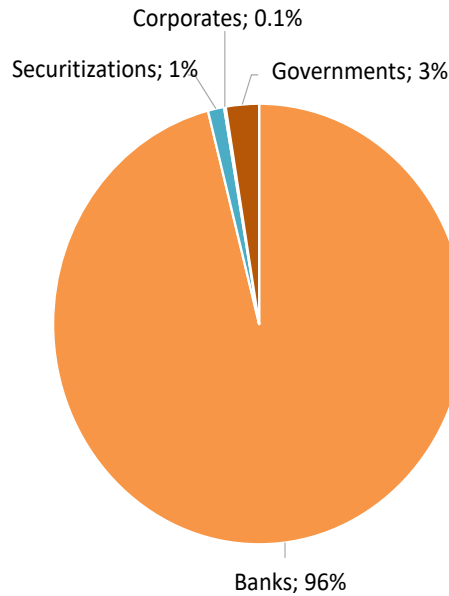
**Modified Duration:**  
<0.25 years

**Number of counter parties:**  
17

#### Top 5 Exposures:

Issuer	Exposure
ABSA	22.0%
Standard Bank	21.3%
Nedbank	20.5%
Firststrand	14.7%
Investec	10.0%

### Issuer Type Breakdown



### Instrument Type Breakdown

