



# Taquanta

Fund Fact sheet

October 2020

## 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 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

October was characterized by the World Bank/ IMF Annual Meeting with this year's theme centered around the coronavirus pandemic and global recovery plans. The pandemic, which has resulted in the largest global economic contraction in decades, has impacted developing, emerging, and developed economies. The IMF's latest World Economic Outlook Growth Projections see GDP growth for 2020 at -4.4%, this is 0.8% higher than the July forecast. The upwards revision is on the back of stronger growth rebounds in the United States (US), China and some parts of the Euro-area. Risks to this forecast however remain high due to assumptions made on the containment of the coronavirus, treatment, and the ability to re-stimulate the economy.

Locally, Statistics South Africa released the latest Quarterly Labour Force Survey which reported a loss of 2.2 million jobs in the second quarter of 2020. This is the largest decline from quarter 1 to 2 since 2008. This decline indicates the severity of the impact felt by the business sector despite the nation's efforts in containing the economic fallout. The South African President released the National Economic Recovery Plan which details plans to increase infrastructure investment by unlocking R 1 trillion in fixed investment spending, improve energy supply and creating massive employment opportunity. The challenge to these plans however is implementation.

The Medium-Term Budget Policy Statement was tabled a week later than originally scheduled by the Minister of Finance. The Budget reiterated government's plans to reduce spending, shift spending patterns and stabilize the debt-GDP ratio in the medium term. The budget deficit is forecast at 14.6% of GDP for FY20/21 and 10.1% for FY21/22. Spending cuts are largely centered around the wage bill, which many analysts see as an execution risk. Government's FY20/21 revenue is estimated at R312.8 billion, R8.7 billion lower than was tabled at the Supplementary Budget.

CPI inflation was 3.0% in September, down from 3.1% in August. The main contributor was food and non-alcoholic beverages; housing and utilities; and miscellaneous goods and services.



# Taquanta

## Enhanced Cash Fund

### Fund Information

**Portfolio Manager:**

Taquanta Asset Managers (Pty) Ltd

**Fund Size:**

R3.5 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

Headline producer price inflation (PPI) lifted marginally in September to 2.5% y/y from 2.4% y/y in August. This marginal increase was again driven by food products, beverages and tobacco products, and transport equipment.

Manufacturing production decreased by 10.8% y/y in August 2020, with the biggest detractor being motor vehicles, parts, and accessories. Retail trade sales decreased by 4.2% y/y in August 2020, with contributors to the decline being retailers in food, beverages and tobacco in specialized stores and general dealers. Tourism was one of the hardest hit sectors in the current environment with the total income for the tourist accommodation industry decreasing by 82.4% in August 2020 compared to August 2019.

### 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 by the banks. The 3-month Jibar rate has continued to trend lower, although the Forward Rate Agreement (FRA) still suggests a low probability of a 25bps hike in the repo rate over the next few months. 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            | 0.42%       | 0.34%     | 0.09%         |
| Quarter          | 1.36%       | 1.08%     | 0.29%         |
| 1 Year (naca)    | 7.21%       | 5.94%     | 1.27%         |
| 3 Years (naca)   | 8.30%       | 6.84%     | 1.46%         |
| 5 years (naca)   | 8.51%       | 7.06%     | 1.44%         |
| Inception (naca) | 8.29%       | 7.23%     | 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:**  
97%

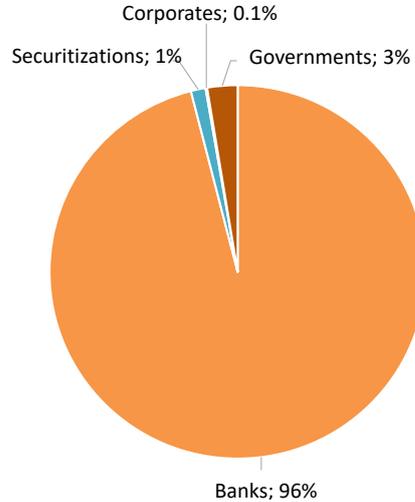
**Modified Duration:**  
<0.25 years

**Number of counter parties:**  
18

**Top 5 Exposures:**

| Issuer        | Exposure |
|---------------|----------|
| ABSA          | 22.6%    |
| Standard Bank | 19.7%    |
| Nedbank       | 18.5%    |
| Firststrand   | 15.7%    |
| Investec      | 9.4%     |

**Issuer Type Breakdown**



**Instrument Type Breakdown**

