Taquanta

Fund Fact sheet October 2020

Enhanced Income 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 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 Philosophy and 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.

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.

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Enhanced Income Fund

Fund Information

Portfolio Manager:
Taquanta Asset Managers (Pty) Ltd

Inception Date:
October 2013

Fund Size:
7.1 billion

Target Return:
STeFI Composite Index {Cash} +2%

Minimum Rating:
BBB- (At time of purchase)

Target Average Rating:
A -

Max Offshore Exposure:
30% (Hedged to Rands)

Notice Period:
90 Days

Risk Profile

Conservative	Moderate	Aggressive
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Fund Fact sheet **October 2020**

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 still see a high level of liquidity in market and anticipate that spreads will moderate for quality names as investors search for yield given the bidding volumes seen in auctions. The challenging economic environment however means we continue to carefully assess the operating environment for each issuer in forming our views on credit and liquidity risk. We anticipate more issuance activity to come and the market to continue placing a significant premium on any instruments outside of bank deposits. While we look for opportunities, we still remain cautious in these uncertain times with regards to credit and liquidity risk.

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Fund Positioning

Enhanced Income Fund

Fund performance

Period (naca)	CPI +3%	Fund Target	Fund Return
3 months	2.40%	1.6%	**2.5%**
6 months	2.5%	3.5%	**4.7%**
1 year	6.0%	7.9%	**8.4%**
2 years p.a	6.6%	8.6%	**10.1%**
3 years p.a	7.0%	8.8%	**10.9%**
5 years p.a	6.3%	9.1%	**11.4%**
3 year volatility	1.3%	0.2%	**1.0%**

Longest Maturity:
5.0 years

Weighted Average Term to Maturity:
2.9 years

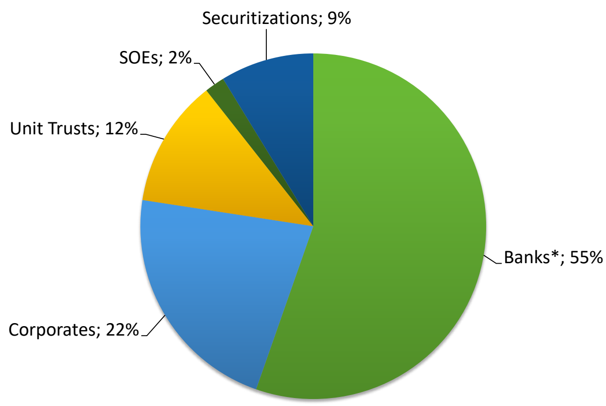
Modified Duration:
<0.25Years

Number of Counterparties:
43

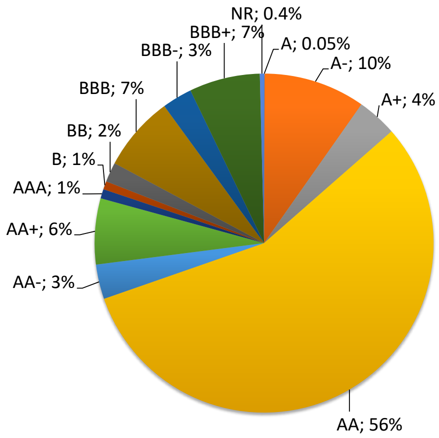
Top 5 credit Exposures:

Issuer	Exposure
ABSA Group Ltd	9.6%
Nedbank Group Ltd	9.4%
Standard Bank Group Ltd	8.4%
Nedbank Limited	6.6%
Bayport Securitisation	5.2%

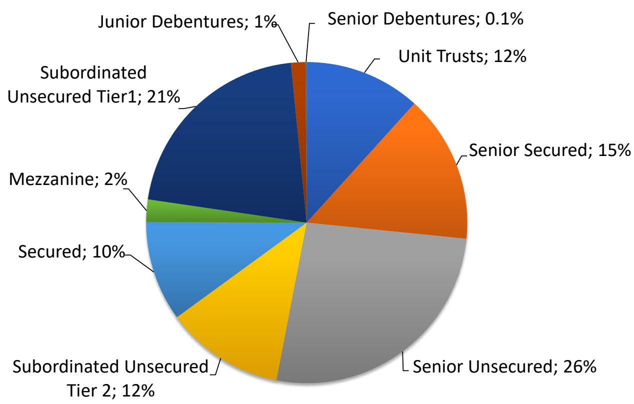
Issuer Type



Credit Rating



Capital Ranking



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