Fund Fact sheet July 2021

High Yield Credit Fund

Business Information

Taquanta acquires the entire issued share capital of Ngwedi Investment Managers (NIM) in a transaction that fosters strategic transformation and consolidation in the South African black-owned asset manager universe.

Taquanta and Ngwedi are exceptionally please to announce the planned coming together of two formidable investment teams which will ultimately give rise to an even more transformed, scalable, dynamic, and sustainable business.

Taquanta Investment Holdings has acquired 100% of NIM's issued share capital from Ngwedi Capital Holdings (NCH). Under the terms of the transaction, NIM will be merged into Taquanta Asset Managers (TAM). The highly regarded Ngwedi in investment team of Moneimang Pudumo-Roos (Monei), Raphael Nkomo, Farzana Bayat and Teresa Lu, will, for the time being, continue to manage the affairs of NIM, whole- heartedly supported by Taquanta's various operational divisions. These investment professionals will likewise continue to diligently manage the NIM client assets throughout the merger process.

For Further information please contact Justin Kretschmar or Monei Pudumo-Roos (Monei) or your respective contact in either business.

Justin Kretzchmar
CEO - Taquanta

Monei Pudumo Roos
CEO - Ngwedi

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 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 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.

Outlook

In its latest World Economic Outlook statement, the IMF kept the global growth for 2021 unchanged at 6.0%, while the growth forecast for 2022 was increased to 4.9% from 4.4% previously. Growth forecasts for advanced economies was increased to 5.6% in 2021 and 4.4% in 2022 from 5.1% and 3.6% respectively. The main driver behind the improvement in the growth forecasts was a better growth outlook on the US economy. Contrary to advanced economies, emerging and developing economies growth was revised down to 6.3% in 2021 from 6.7% previously by the IMF. Preliminary estimates for GDP growth in the second quarter is showing a stronger recovery compared to the first quarter of 2021. Key reasons for the recovery are the low base from last year and a recovery in consumer demand.

Locally, the IMF raised its growth forecasts for South Africa to 4.0% in 2021 and 2.2% in 2022, from 3.1% and 2% respectively. The South African Reserve Bank (SARB) kept the repo rate unchanged at 3.5%. This was broadly in line with our, and analysts' consensus estimates. Furthermore, the policy decision was unanimous, however with a much-reduced hawkish undertone.

South Africa's CPI reduced to 4.9% y-o-y from 5.2% the previous month. Core inflation increased to 3.2% y-o-y from 3.1% the previous month. At the July MPC meeting, the SARB raised its inflation forecast to 4.3% for 2021 (from 4.2% in May) and lowered its inflation forecast for 2022 to 4.2% (from 4.4% previously). The Reserve Bank is forecasting inflation for 2023 to be 4.5%. Risks to the short-term CPI outlook still emanate from rising oil prices, escalating electricity costs, and above headline food price inflation figures. The amended implied policy path of the SARB's Quarterly Projection Model (QPM) currently indicates a repo rate increase of 25 bps in 2021 Q4 and in each quarter of 2022. South Africa's PPI (producer Price Inflation) increased by 7.7% y-o-y from 7.4% y-o-y, worse than market consensus of 7.3% y-o-y.

Private sector credit extension (PSCE) contracted 0.5% y-o-y from a contraction of 0.4% the previous month. This was the fourth consecutive contraction and was in contrast of the market expectation.

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Taquanta

High Yield Credit Fund

Fund Information

Portfolio Manager:
Taquanta Asset Managers (Pty) Ltd

Inception Date:
August 2015

Fund Size:
R184 million

Target Return:
STeFI Composite +4%

Minimum Rating:
BBB- (At time of purchase)

Target Average Rating:
BBB

Max Offshore Exposure:
40% (Hedged)

Lock in Period:
5 years

Risk Profile

Conservative	Moderate	Aggressive
	■	

Outlook

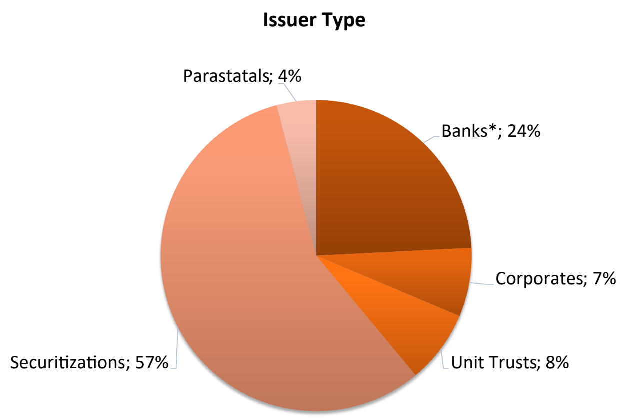
The main drivers of this were a sharp decline in investments and no growth in loan advances. Credit extended to households experienced no growth in June on a month of month basis and corporate credit demand was essentially flat for a second consecutive month, after contractions in both March and April.

Looking ahead, the market expectation is for short-term interest rates to recover from current levels. Key drivers to this interest rate outlook are underpinned by a recovery in the global inflation cycle as well as a narrowing output gap. Slow progress in reducing the debt burden of beleaguered SA State-Owned Enterprises (SOEs), the third COVID-19 wave, and increasing global inflation pressures are also expected to exert moderate pressure on yields.

Fund Outlook

The longer-term effects of the unrest on the broader economy are still expected to unfold with an estimated 40 000 businesses and 50 000 informal traders affected. We expect the supply and demand dynamics in the debt capital markets to drive issue spreads and we remain cautious of a disconnect between pricing and risk fundamentals. The funds' ability to participate in the public, private and unlisted debt market positions it well to continue to access opportunities that will support returns. We will continue to carefully select assets that provide the appropriate return for risk in this environment. We still remain cautious in these uncertain times with regards to credit and liquidity risk.

Fund Performance



***Includes 5.4% in Credit-linked Notes, which are bank issued notes referencing other entities.**

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Taquanta

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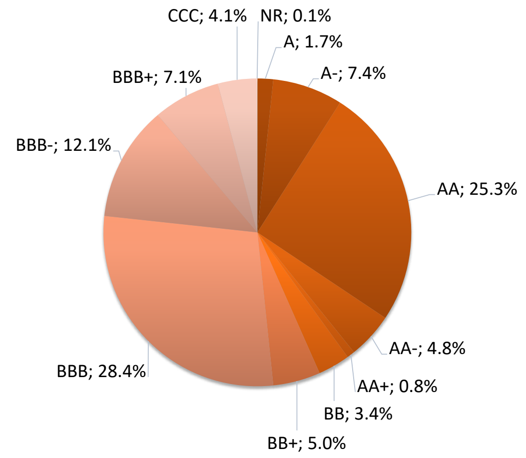
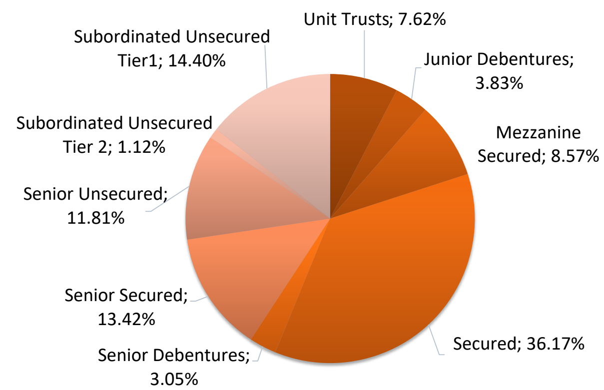
Fund Performance

Credit Rating



Capital Ranking



Fund performance

Period (naca)	CPI +5%	Fund Target	Fund Return
3 months	2.3%	1.9%	**2.2%**
6 months	5.2%	3.8%	**4.0%**
1 year	9.9%	7.9%	**10.1%**
2 years p.a	8.5%	9.3%	**10.2%**
3 years p.a	8.8%	10.0%	**11.3%**
3 year volatility	1.4%	0.4%	**1.1%**

Longest Maturity:
5.1 years

Average Term to Maturity:
2.8 years

Modified Duration:
<0.25 Years

Number of Counterparties:
29

Top 5 credit Exposures:

Issuer	Exposure
Amber House Fund Ltd	8.3%
TUHF Urban Finance	8.0%
SA Taxi Finance Solutions	6.9%
Thekwini Fund 16	6.1%
Firstrand Bank Ltd	5.7%

*Excluding unit trust exposure

TAQUANTA ASSET MANAGERS (PTY) LTD
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