

Please note that the commentary is for the retail class of the Fund.

Performance

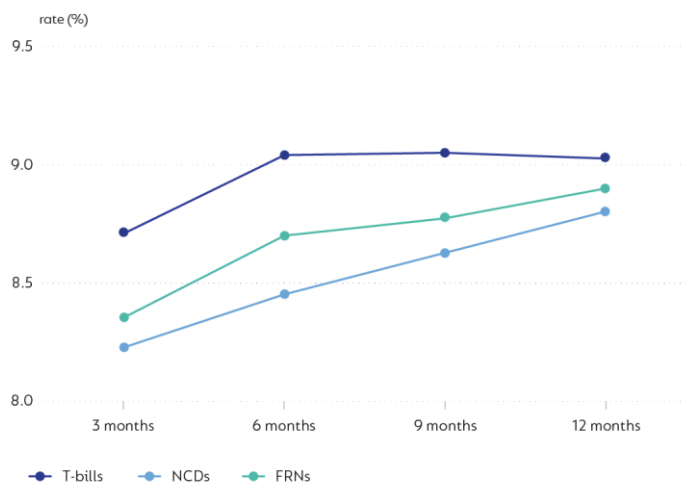
The Fund generated a return (net of management fees) of 2.11% for the second quarter of 2024 (Q2-24) and 8.69% over a rolling 12-month period. This return is ahead of the 3-month Short-Term Fixed Interest (SteFI) benchmark return of 8.29% over the one year.

Positioning and outlook

The South African Reserve Bank (SARB) left the repo rate unchanged at 8.25% at the May MPC meeting. The post-meeting statement's tone was less cautious than before, with the SARB acknowledging the easing in near-term inflation forecasts and improvement in energy and logistics constraints being supportive of economic growth. Headline inflation is expected to reach 4.5% in the second quarter of 2025 and to remain within range until the end of 2026. We are expecting the SARB to implement a 25 basis points (bps) rate cut in November.

During the last quarter, the 3-month Johannesburg Interbank Average Rate (Jibar) remained unchanged at 8.35%. The T-bill curve increased, on average, by 25bps during the quarter, rendering this asset class more attractive relative to fixed-rate negotiable certificates of deposit (NCDs). We reinvested some of the matured T-bill exposure into new 9-months T-bills during the quarter. In addition, the Fund has increased its position in short-dated inflation-linked bonds as valuation levels became attractive relative to other asset classes.

T-BILLs vs FIXED-RATE NCDs vs FRNs



Source: Bloomberg, SARB

Several corporates and banks accessed the debt capital markets in Q2-24, with corporates raising debt mainly for refinancing purposes and banks opting to issue capital instruments. Most primary auctions cleared at the tighter end of price guidance as demand-supply dynamics continue to drive credit market pricing. The Fund continues to source its credit holdings in the secondary market.

We remain cautious by investing only in instruments that are attractively priced relative to their underlying risk profiles. Capital preservation and liquidity remain a key focus for this Fund.

Portfolio managers

Nishan Maharaj, Mauro Longano and Sinovuyo Ndleni
as at 30 June 2024