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

Performance

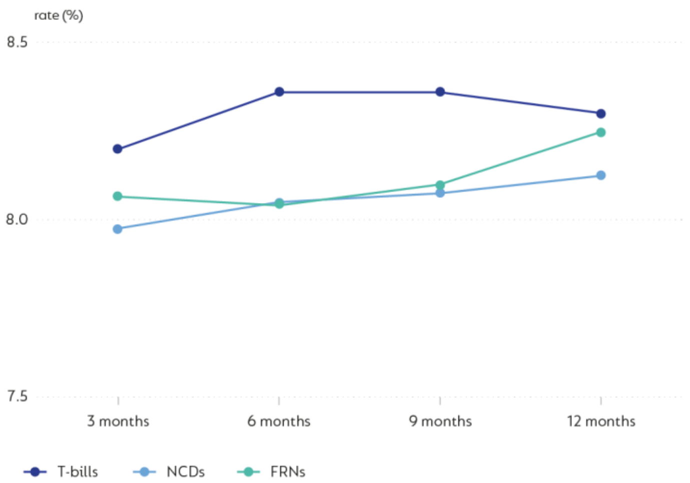
The Fund generated a return (net of management fees) of 2.22% for the third quarter of 2024 (Q3-24) and 8.98% over a rolling 12-month period. This return is ahead of the three-month Short-Term Fixed Interest (SteFI) benchmark return of 8.28% over the one year.

Positioning and outlook

The South Africa Reserve Bank (SARB) cut the repo rate by 25 basis points (bps), taking it to 8% from 8.25% at the September Monetary Policy Committee meeting. The tone of the after-meeting statement was dovish, acknowledging an improved inflation outlook, moderating inflation expectations, albeit, still too high, and some meaningful near-term downward revisions to the SARB inflation forecasts. Inflation in 2024 is now expected to average around 4.6% from the previous estimate of 4.9%. We believe the SARB will take a prudent approach in easing monetary policy and we expect it to cut the repo by 25bps in November.

During the last quarter, the 3-month Johannesburg Interbank Average Rate (Jibar) decreased by 30bps, decreasing from 8.35% to 8.05%. We have seen money market curves coming down, largely reflecting rate cut expectations and surplus liquidity in the market. We increased the Fund's position in two-year floating rate notes and six month T-bills given the attractiveness of the assets relative to other money market instruments. Given our lower interest rate expectations, the absolute yield of the Fund is expected to decrease, as the majority of the portfolio is invested in floating-rate instruments.

T-BILLs vs FIXED-RATE NCDs vs FRNs



Source: Bloomberg, SARB

Several corporates and banks accessed the debt capital markets in Q3-24, with corporates raising debt mainly for refinancing purposes and banks opting to issue senior paper and capital instruments. A few corporate issuers opted to raise funding via private placements instead of public auctions. The spread compression in the credit market continues, albeit, at a gradual pace. 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 Ndaleni
as at 30 September 2024