Absolute Return
January 2019

Fund Information

Fund Objective: The Taquanta Absolute Return Fund targets 3% per annum above CPI over rolling 3 year periods. Constructed on a sound investment philosophy and process, an optimal combination of capital preservation and alpha seeking strategies, the fund aims to minimize the probablity of receiving negative returns over a 12 month period

Compliance: Medical Aid and Regulation 28

Benchmark: CPI + 3%

Inception Date: 01 June 2001

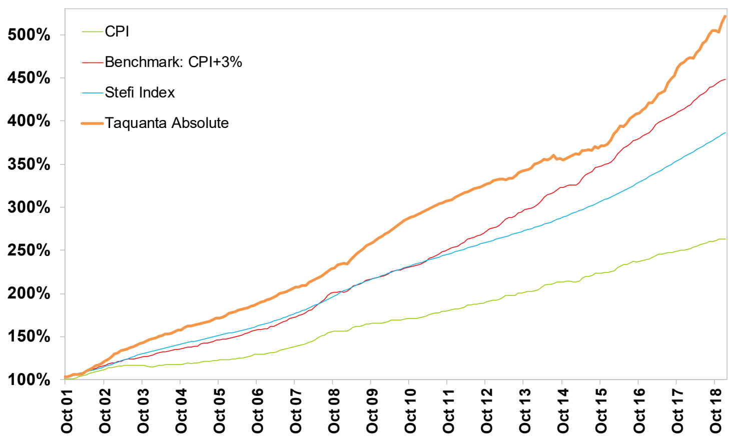
Risk Rating: Low

Valuation Method: Mark to Market

Fund Type: Segregated / Pooled

Fund Size: R270 Million

Fund Performance



Returns	Taquanta	CPI	CPI +3	STeFI Cash	All Share	All bond
1 year	10.4%	4.5%	7.5%	6.6%	-6.1%	8.8%
3years	11.3%	5.3%	8.3%	6.8%	6.4%	10.5%
5 years	8.3%	5.3%	8.3%	6.3%	6.9%	9.0%
7 years	7.5%	5.4%	8.4%	5.9%	10.2%	7.9%
Inception (17.7 yrs)	9.8%	5.6%	8.9%	7.5%	13.8%	9.8%
Volatility (Inception)	1.9%	1.5%	1.5%	0.6%	16.0%	7.2%

Fund Commentary

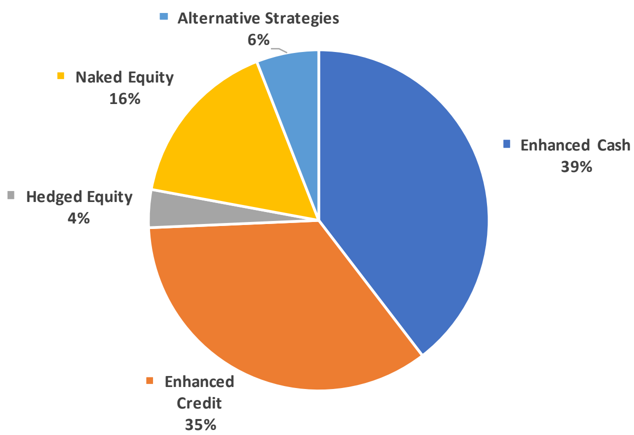
Investment Outlook

Post the December interest rate hike in the US, the US swap market suggested a 50% chance of an interest rate cut for 2019. The US Fed released a more dovish policy statement than the market expected, leading to a rally of all other economic indicators. Any improvement on US-China negotiations will be positive for global growth prospects. Theresa May won a small majority vote to try and negotiate an amendment on Brexit deal, this after her original deal suffered a 432 to 202 defeat. More still needs to be done to get Brexit sorted by the end March deadline.

Domestically, South Africa entered its election year with minimal GDP growth expected. CPI inflation fell to 4.5% y/y in December from 5.2% y/y in November. Analysts forecast a further dip in January due to moderate petrol prices in December. PPI decelerated to 5.2% y/y in December from 6.8% y/y in November 2018, also on the back of a significant decrease in fuel prices. The biggest trade surplus was recorded for December 2018 at R17.2bn, easing pressure on the country's current account. The SARB kept repo rates flat at the January MPC meeting in a unanimous vote – in line with market expectations. The SARB's inflation forecasts were revised downwards to average 4.8% in 2019 (down from 5.5%) and 5.3% in 2020 (down from 5.4%). This represents an improved inflation profile although risks to the upside remain. The key risks are upward pressure on food prices, a possible electricity tariff increase, changing investor sentiment towards emerging markets, and volatile oil prices. Vehicle sales contracted to -7.4% y/y in January in comparison to -1.8% y/y in December 2018; this was on the back of negative passenger vehicle sales. This is indicative of a continued subdued economy. Credit growth is expected to remain weak until the May 2019 elections, with the market projecting a modest pick-up in economic growth in the third quarter of 2019.

Public Enterprises Minister announced that plans pertaining to Eskom will be communicated in February, which could be key for financial markets given its fiscal and credit implications.

Effective Asset Allocation



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