Cash Pooled Fund
January 2019

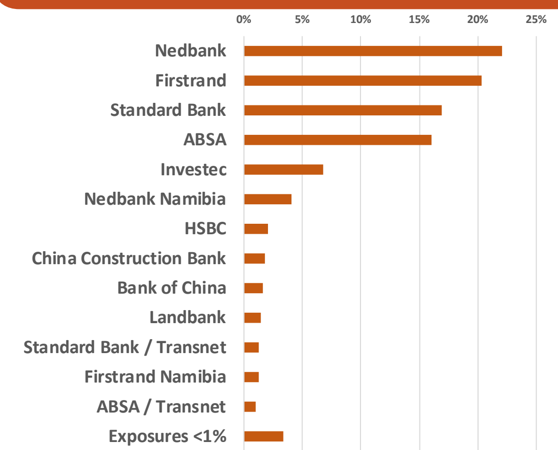
Fund Information

Fund Objective:	The Taquanta Cash Pooled Fund has a primary objective of achieving superior returns with an emphasis on capital preservation
Fund Classification:	Similar to Varied Specialist
Fund Size:	R4.9 billion
Compliance:	Medical Aid and Regulation 28, 29 and 30 Compliant
Benchmark:	STeFI Composite
Inception Date:	1 March 2005
Risk Rating:	Low
Valuation Method:	Accrual
Instrument Maximum Term:	5 Years
Maximum Weighted Average Duration:	120 Days
Portfolio Details:	The investement portfolio is a market-linked fund policy (in terms of the Long-Term Insurance Act) issued by the Nedgroup Structured Life Limited

Fund Performance

Period	Fund	Benchmark	Active Return
Month	0.77%	0.60%	0.16%
Quarter	2.18%	1.79%	0.38%
1 Year (naca)	8.85%	7.25%	1.60%
3 Years (naca)	8.92%	7.41%	1.51%
5 Years (naca)	8.12%	6.94%	1.17%
Inception (naca)	8.34%	7.32%	1.02%

Credit Exposures



Fund Commentary

Economic Overview

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 the 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.

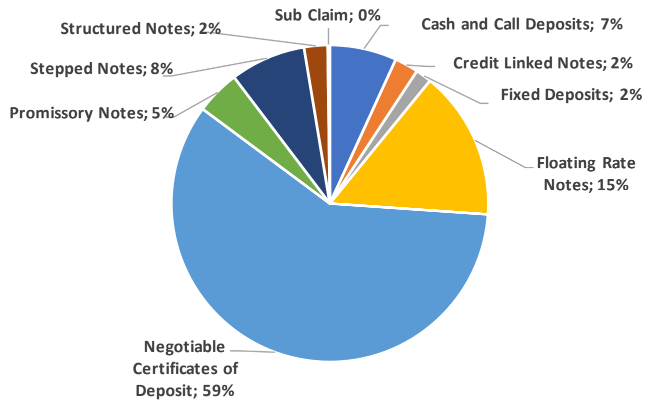
Domestically, South Africa entered its election year with minimal GDP growth expected. CPI inflation fell to 4.5% y/y in December from 5.2% y/y in November. Analysts forecast a further dip in January due to moderate petrol prices in December. PPI decelerated to 5.2% y/y in December from 6.8% y/y in November 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.

Investment Outlook

With the current transparency and focus on improving governance at SOEs, and the government's progress in restoring fiscal consolidation, the economy may experience a mild rebound post-election. The rand's outlook for 2019 remains uncertain given the domestic political volatility and policy uncertainty. The FRA curve has flattened substantially in the short end, driven by expectations of a hike in repo rates only in the third quarter of the year. The fund is well positioned for the current economic climate and to take advantage of a flat to rising interest rate cycle.

Instrument Type Breakdown



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