

# Enhanced Income Fund

January 2019



## Fund Information

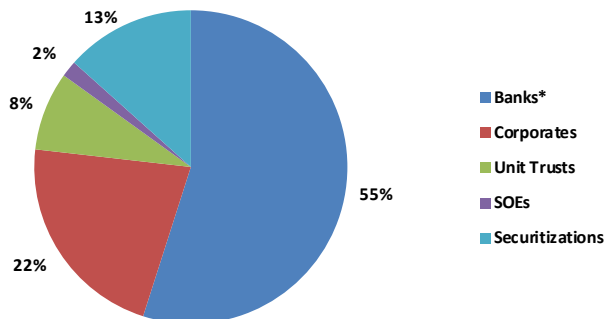
<b>Fund Objective:</b>	Generate returns well in excess of a typical core cash fund. This fund is best suited for investors looking for enhanced cash returns with low capital risk
<b>Inception Date:</b>	October 2013
<b>Fund Size:</b>	R2.1 Billion
<b>Target Return:</b>	STeFI Composite +2%
<b>Minimum Rating:</b>	BBB-
<b>Target Average Rating:</b>	A -
<b>Max Offshore Exposure:</b>	30% (Hedged)
<b>Notice Period:</b>	90 Days
<b>Portfolio Manager:</b>	Taquanta Fixed Income Team

## Fund Performance

Period (naca)	CPI +3%	Fund Target	Fund Return
1 year	7.07%	9.1%	12.26%
2 years	7.29%	9.3%	12.69%
3 years	7.35%	9.3%	12.51%
4 years	7.13%	9.1%	11.93%
5 years	6.90%	8.9%	9.94%
3 Year volatility	1.2%	0.10%	0.50%

<b>Longest Maturity:</b>	6.47 years
<b>Average Term to Maturity:</b>	3.06 years
<b>Modified Duration:</b>	0.09 years
<b>Number of Counterparties:</b>	37
<b>Top 5 issuers:</b>	Standard Bank, Nedbank, ABSA, African Bank, enX Corporation Limited

## Issuer Type Analysis



\*Includes 23% in Credit-linked Notes, which are bank issued notes referencing other entities such as corporates and parstatals

## Fund Commentary

### 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 30+ counterparties to further reduce risks.

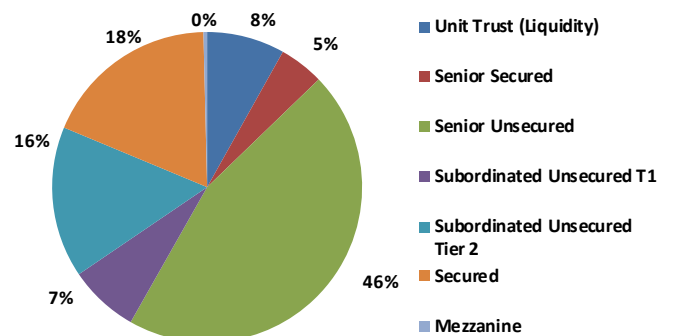
### Performance

The fund continues to outperform the targeted return of STeFI composite +2%. The fund has a high running yield which is currently in excess of STeFI Composite +3%, delivering equity-like returns without the associated performance volatility of the equity and bond markets. We continue to search for attractive risk adjusted assets, given the tightening spreads in the market.

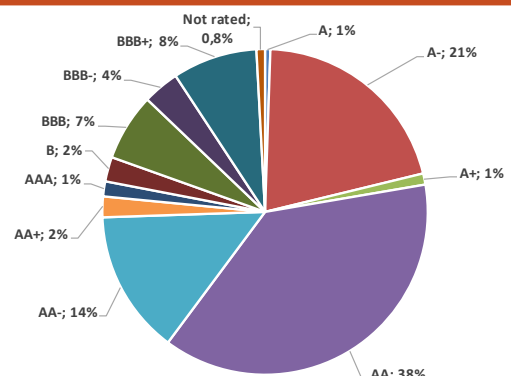
### Outlook

Focus is on the upcoming Budget in February. Expectations are for a deterioration in debt profile and tax revenue collections with subsequent upward pressure on yields and weakness in the currency. Without an improvement in the economic growth forecasts, the risk rises for a downgrade of the sovereign credit rating by Moody's rating agency. This will have negative ramifications on the real economy, economic growth and credit quality of issuers. The excess liquidity in the market has resulted in compression of credit spreads, the outlook for 2019 is for low spreads to persist given the challenges to growth. The fund is well positioned for the uncertainties in the economic climate and to take advantage of a flat to rising interest rate cycle.

## Capital Structure Analysis



## Credit Rating Analysis



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