High Yield Credit Fund

January 2019

Taquanta

Fund Information

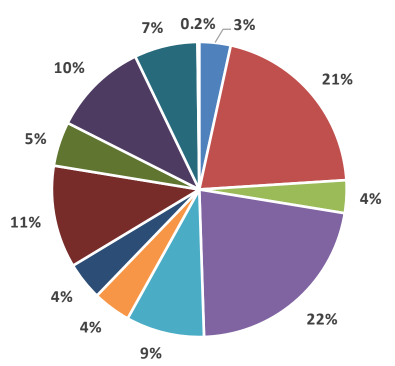
Fund Objective:	Generate returns in excess of a typical income fund.This fund is best suited for investors looking for enhanced income returns
Inception Date:	August 2015
Fund Size:	R146 million
Target Return:	STeFI Composite +4%
Minimum Rating:	BB-
Target Average Rating:	BBB -
Max Offshore Exposure:	40% (Hedged)
Lock in Period:	5 Years
Portfolio Manager:	Taquanta Fixed Income Team

Current Fund Profile

Period (naca)	CPI +5%	Fund Target	Fund Return
3 month	1.7%	2.7%	3.23%
6 moths	4.2%	5.51%	6.67%
1 year	9.5%	11.41%	13.45%
2 years	9.6%	11.63%	13.44%
3 years	10.3%	11.70%	13.08%
3 year volatility	1.2%	0.12%	0.37%

Longest Maturity:	6.01 years
Average Term toMaturity:	2.62 Years
Modified Duration:	0.10 Years
Floating Rate Instrumemts:	99%
Number of Counterparties:	26
Top 5 Issuers:	Standard Bank, ABSA, African Bank, Nedbank, Thekwini 13

Credit Rating Analysis



Fund Commentary

Investment Philosophy and Strategy

Employs a more aggresive approach to enhance yield 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 with 26 counterparties to further reduce risks.

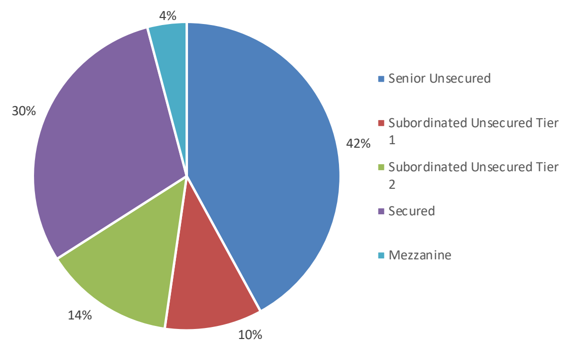
Performance

The Fund continues to outperform the targeted return of STeFI Com-posite +4%. The Fund has a high running yield whichis currently in excess of STeFI Composite +5%, delivering equity-like returns without the associated performance volatility of the equity and bond markets. We contine to see attractive risk adjusted assets given the elevated spread levels offered in the market.

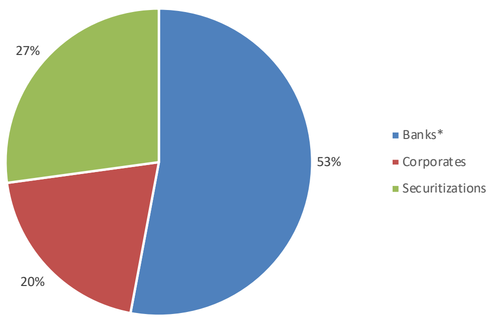
Outlook

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



Issuer Type Analysis



***Includes 24% in Credit-linked Notes, which are bank issued notes referencing other entities such as corporates and parastatals**

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