



# Taquanta

## Fund Objective

The objective of the High Yield Credit fund is to generate returns in excess of a typical income fund. This fund is best suited for investors looking for enhanced income returns.

## 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

Moody's again opted not to change South Africa's credit rating, following the same stance from October 2018. They remain the only rating agency that has SA on investment grade (with a stable outlook). The National Energy Regulator of South Africa approved electricity hikes of 9.41% and 5.2% for the next three financial years, this was below Eskom's tariff increase application. This could put more pressure on consumers and companies, and needless to say Eskom -bringing in to question if Moody's will not downgrade in November.

Spreads continue to tighten with trading in the secondary market moving market spreads to new lows. SOE issuance has also picked up in the last quarter with issuance from Denel, IDC, DBSA and Landbank. A return of the SOE's to the market should see some upward pressure return to credit spreads. The market awaits the election in May, with the outlook on interest rates, credit spreads and growth remaining flat. The fund is well positioned to take advantage of the current economic climate.

# High Yield Credit Fund

## Fund Information

**Portfolio Manager:**  
Taquanta Fixed Income Team

**Inception Date:**  
August 2015

**Fund Size:**  
R1.49 million

**Target Return:**  
STeFI Composite +4%

**Minimum Rating:**  
BBB

**Target Average Rating:**  
BBB-

**Max Offshore Exposure:**  
40% (Hedged)

**Lock in Period:**  
5 years

## Risk Profile

**Conservative    Moderate    Aggressive**





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## High Yield Credit Fund

### Fund performance

Period (naca)	CPI +5%	Fund Target	Fund Return
3 months	1.7%	2.5%	3.1%
6 months	4.1%	5.3%	6.4%
1 year	9.1%	11.3%	13.3%
2 years p.a	9.0%	11.5%	13.4%
3 years p.a	9.8%	11.7%	13.2%
3 year volatility	1.1%	0.2%	0.3%

**Longest Maturity:**  
5.84 years

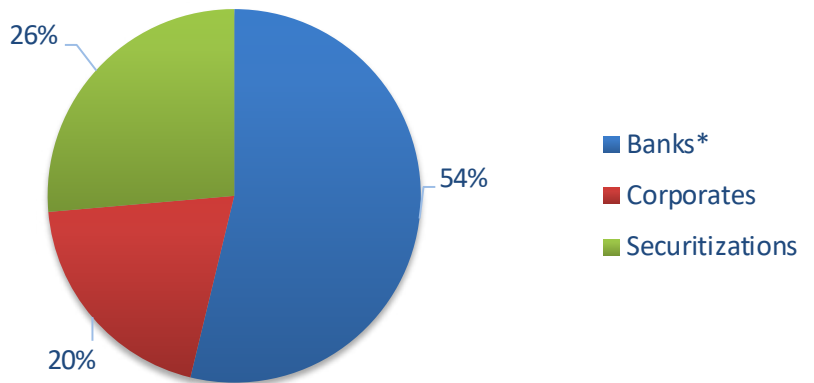
**Average Term to Maturity:**  
2.79years

**Modified Duration:**  
<0.11 Years

**Number of Counterparties:**  
31

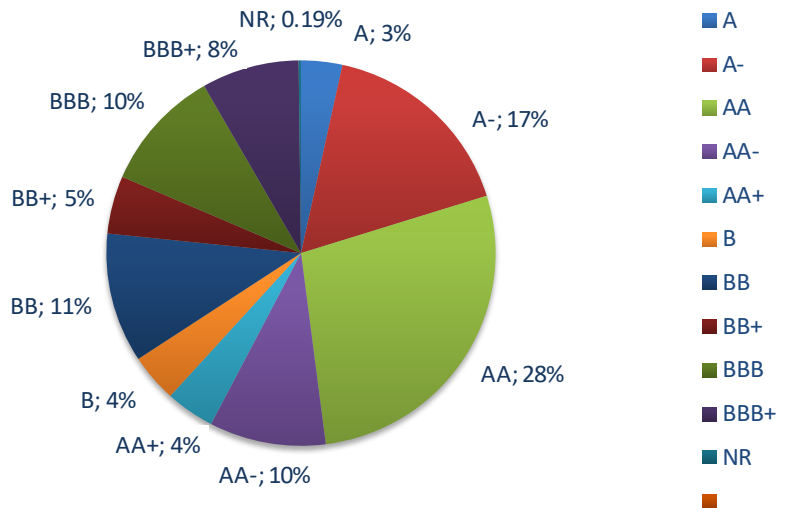
**Top 5 credit Exposures:**  
Standard Bank, ABSA, African Bank, Thekiwini 13, Nedbank

### Issuer Type



\*Includes 25.68% in Credit-linked Notes, which are bank issued notes referencing other entities such as corporates and parstatal

### Credit Rating



### Capital Ranking

