



Taquanta

Fund Objective

The objective of the Enhanced Income Fund is to 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 and low liquidity requirements.

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 a marginal 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 diversify risks.

Outlook

Trade tensions remain heightened impacting global market confidence and investment. The US Federal Reserve Bank ended their quantitative tightening cycle 2 months earlier than the market expected and opted to cut their target rate by 25bps. Although the US labour market remains strong, Jerome Powell described the US-China trade war and weak global growth as a threat to a favourable outlook and a rate cut justifiable to maintain the outlook.

The United Kingdom (UK) ushered in a new prime minister, Boris Johnson, following Theresa May's resignation. He is tasked with delivering an orderly Brexit and has made promises to make the UK 'the greatest place on earth' and deliver Brexit by October 2019. This however remains to be seen, it might bring much needed policy certainty but at what price?

Domestically, economic growth continues to remain muted and the Monetary Policy Committee (MPC) of the Reserve Bank unanimously decided to reduce the repurchase rate (repo rate) by 25bps, with the Governor adding that the committee had not discussed a 50bps cut as per market speculation. This suggests the committee might be a bit hawkish in their approach even with downside risks to the growth forecast and continued low business confidence. The SARB's composite leading business cycle indicator is reported as trending lower. Inflation has remained within the SARB's target range of 3% to 6%, with CPI for June increasing at the same rate as May at 4.5% y/y. PPI inflation eased to 5.8% y/y from 6.4% y/y in May marked by a moderation in inflationary pressure within the chemical and plastic products category.

A potential credit downgrade by the end of the year is now more seeming with heightened fiscal policy risks. The market is projecting a further rate cut before year end, in addition to the 25bps given at the July meeting. The fund is well positioned to take advantage of the current uncertain economic climate.

Enhanced Income Fund

Fund Information

Portfolio Manager:

Taquanta Asset Managers (Pty) Ltd

Inception Date:

October 2013

Fund Size:

R2.9 billion

Target Return:

STeFI Composite Index {Cash} +2%

Minimum Rating:

BBB-

Target Average Rating:

A -

Max Offshore Exposure:

30% (Hedged to Rands)

Notice Period:

90 Days

Risk Profile

Conservative Moderate Aggressive





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Fund performance

Period (naca)	CPI +3%	Fund Target	Fund Return
3 months	2.0%	2.3%	2.9%
6 months	4.2%	4.6%	5.7%
1 year	7.5%	9.3%	12.1%
2 years p.a	7.5%	9.3%	12.3%
3 years p.a	7.7%	9.4%	12.4%
5 years p.a	7.3%	9.1%	10.1%
3 year volatility	1.1%	0.1%	0.5%

Longest Maturity:
6.0 years

Weighted Average Term to Maturity:
2.9 years

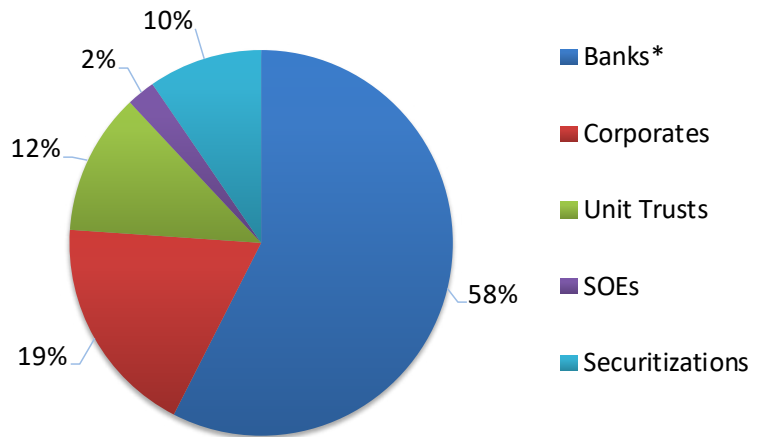
Modified Duration:
<0.25Years

Number of Counterparties:
39

Top 5 credit Exposures:

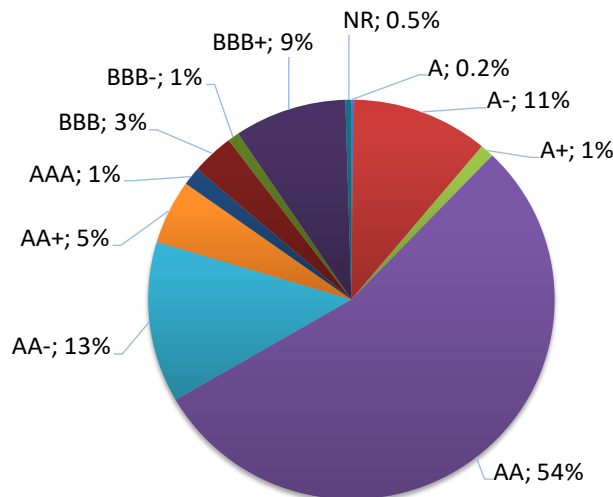
Issuer	Exposure
Standard Bank	10.0%
FirstRand	9.7%
Nedbank	8.2%
African Bank	7.4%
ABSA	7.2%

Issuer Type



*Includes 22.5% in Credit-linked Notes, which are bank issued notes referencing other entities such as corporates and parstatal

Credit Rating



Capital Ranking

