

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 with very low liquidity requirements.

Investment Strategy

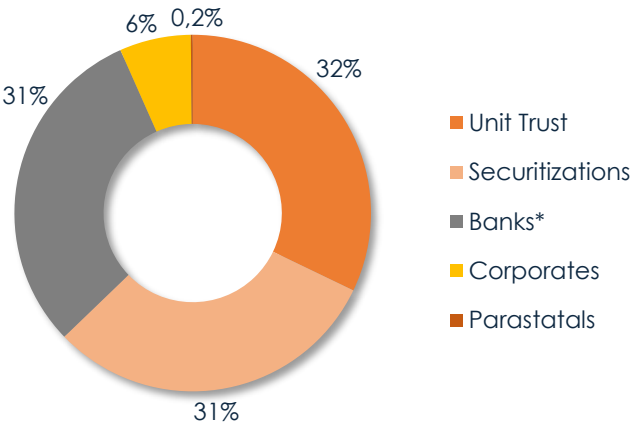
Employs a conservative approach to enhance yields through extracting the liquidity risk premium in longer dated and less liquid debt instruments, as well as an increased exposure to credit assets. Our fundamental credit review process is robust, combining qualitative and quantitative analysis, overlaid with institutional memory to question convention, operating within a strong risk and compliance framework. Our portfolio construction process builds a well-diversified fund targeting up to 30+ counterparties to further diversify risks.

Fund Performance

Period (naca)	Fund Return	Fund Target	CPI +5%
1 month	0,9%	1,0%	0,8%
3 months	2,7%	2,9%	2,9%
6 months	4,5%	6,0%	4,1%
1 year	7,7%	12,5%	7,7%
2 years p.a.	10,4%	12,6%	9,0%
3 years p.a.	10,8%	11,9%	10,0%
5 years p.a.	10,2%	10,4%	9,8%
3yr volatility	1,2%	0,3%	1,4%

Source: Taquanta Asset Managers

Issuer Type



*Includes 20% in Credit-linked Notes, which are bank issued notes referencing other entities.

Source: Taquanta Asset Managers

Fund Details

Risk Profile:



Portfolio Manager:

Taquanta Asset Managers

Currency:

ZAR

Fund Size:

R431.9 m

Inception date:

August 2015

Target Return:

STeFI Composite (Cash) +4%

Minimum Rating:

BB- (at time of purchase)

Max offshore exposure:

40% (Hedged)

Lock in Period:

5 years

Maturity Limit:

7 years

Modified Duration:

<0.25 Years

No. of Counterparties:

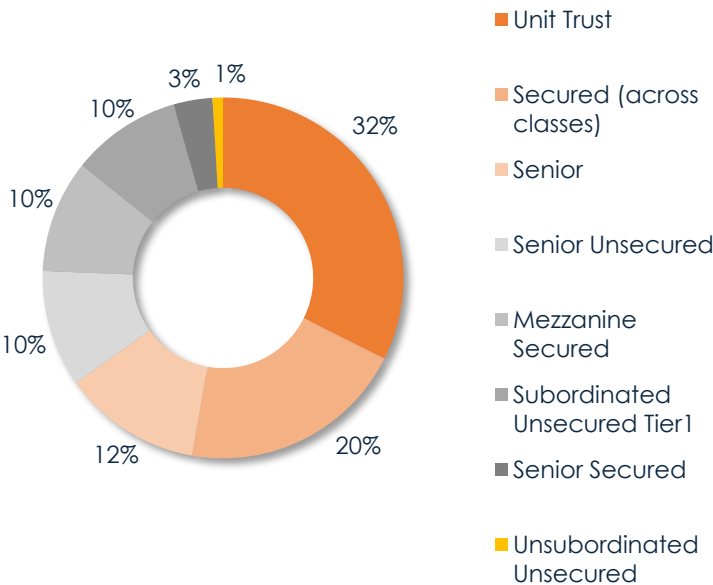
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Top 5 Credit Exposures (excluding unit trust exposure)

Issuer Name	% Exposure
The Republic of South Africa	22%
Standard Bank SA Ltd	13%
Obaro SPV (RF) Pty Ltd	5%
Nedbank Ltd	4%
Firstrand Bank Ltd	4%

Source: Taquanta Asset Managers

Capital Ranking



April 2025

Fund Outlook

The fund is maintaining a low duration, and a moderate maturity and liquidity position. Issue spreads in the domestic primary listed debt capital markets are expected to remain contained. In this environment and given the current market pricing drivers, the fund benefits from sourcing opportunities in both the public and private debt space, as well as the structured debt market. The low credit spreads, in an environment of local and global uncertainty, support a cautious outlook on credit and liquidity risk.

Market Commentary

In April 2025, global macroeconomic sentiment was shaped by moderating inflation in major economies, growing expectations of U.S. Federal Reserve rate cuts, and heightened volatility triggered by the announcement of new Trump-era tariffs on Chinese and Mexican imports.

Volatility returned to U.S. financial markets as tensions between the U.S. and China reignited, sending stocks, the dollar, and oil prices lower. Traditional safe havens like bonds offered little refuge. The International Monetary Fund (IMF) responded by slashing its global growth outlook: 2025 GDP is now forecast to expand by just 2.8%, down from 3.3% in January—its weakest pace since the COVID-driven contraction of 2020. The 2026 outlook was also cut to 3.0%.

In the U.S., inflation softened for a second straight month. March's annual inflation rate eased to 2.4%, down from February's 2.8% and below expectations of 2.6%. Energy costs, particularly gasoline (-9.8%) and fuel oil (-7.6%), fell sharply. Shelter, transportation, and used vehicle prices also decelerated. Food inflation was an exception, ticking up to 3%. Month-on-month, CPI dropped by 0.1%, its first decline since May 2020. Core inflation also cooled, easing to 2.8% annually and just 0.1% monthly, reinforcing bets on a more dovish stance from the U.S. Federal Reserve.

Global equity markets were choppy: early gains driven by dovish central bank expectations were partially offset by sharp risk-off moves following the tariff news. Bond yields declined on safe-haven demand, and gold surged to record highs amid geopolitical uncertainty and a weaker U.S. dollar. Oil prices fluctuated due to both Middle East tensions and concerns over global trade flows.

While the U.S. economy remained resilient—with tight labor markets and easing inflation—investors are cautious that trade tensions will resurface, reviving fears of supply chain disruptions and stagflation.

Early in the month, the South African equities suffered their sharpest one-day decline in three years as aggressive U.S. tariffs clouded earnings outlooks and economic prospects. The FTSE/JSE Africa All Share Index dropped 3.4% in early April, marking its worst fall since April 2022. The selloff was triggered by U.S. President Donald Trump's unexpected move to impose a 31% tariff on South African imports, part of a broader trade policy shift that rattled global markets. With the U.S. being South Africa's second-largest export destination - accounting for about 11% of exports - sentiment quickly turned negative. The rand sank to a record low of 19.9325 against the U.S. dollar in mid-April, before recovering to 18.5132 by month-end following Trump's announcement of a temporary 90-day suspension on some tariffs.

On the fiscal front, the South African government abandoned a controversial plan to raise value-added tax (VAT) after encountering strong political resistance that threatened coalition unity. Originally intended to increase VAT by one percentage point over two years, the proposal was shelved amid sluggish economic growth and widespread discontent over rising living costs. The VAT rate remains at 15%.

Meanwhile, South Africa's trade surplus grew to ZAR 24.8 billion in March - the largest in four months - up from a downwardly revised ZAR 20 billion in February. Exports increased by 5.7% to ZAR 172.48 billion, while imports also rose, albeit at a slower 3.2%, to ZAR 147.71 billion. South Africa's consumer price index (CPI) delivered a positive surprise in March, falling to 2.7% - the lowest since June 2020 and well below the Reserve Bank's 3–6% target range. The decline from February's 3.2% inflation prints boosts expectations for possible rate cuts, despite heightened market volatility. Analysts had anticipated a steadier reading around 3.1%.

Looking ahead, the announcement of aggressive Trump-era tariffs has added complexity to the U.S. interest rate outlook, as markets now balance the inflationary effect of rising import costs against slowing economic growth. While the Fed had been signaling possible rate cuts amid easing core inflation, renewed trade tensions may stall disinflation and prompt greater caution. Higher prices and softer global trade could dampen investment and consumption, increasing the risk of a growth slowdown. As such, current market expectations for 3 to 4 rate cuts in 2025 may prove optimistic. We anticipate a slower pace, with likely only 2 cuts in both the U.S. and South Africa over the remainder of the year.

Disclosures: FAIS

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Category Description	Taquanta			
	Cat I Advice	Cat I Intermediary	Cat II discretionary Intermediary	Cat IIA Hedge Fund FSP
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Long-term insurance subcategory B2				
Long-term Insurance subcategory B2-A				
Long-term Insurance subcategory B1-A				
Long-Term Insurance subcategory C	X	X	X	
Retail Pension Benefits				
Pension Funds Benefits				
Shares	X	X	X	
Money market instruments	X	X	X	
Debentures and securitised debt	X	X	X	
Warrants, certificates and other instruments	X	X	X	
Bonds	X	X	X	
Derivative instruments	X	X	X	
Participatory interests in CIS's	X	X	X	
Participatory interest in a Hedge Fund			X	X
Long-term Deposits	X	X	X	
Short-term Deposits	X	X	X	
Structured Deposits			X	X
Securities and instruments				
General Category IIA experience				X

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Information disclosed to the FSP's will be treated as confidential unless written consent is obtained to disclose such information, or the disclosure of such information is required under a particular law

The appointed Compliance Officer is Mr Nick Howse and his contact details are as follows: Phone: (021) 681 5000 or | (021) 671 8162 | e-mail: nickh@taquanta.com

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