

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

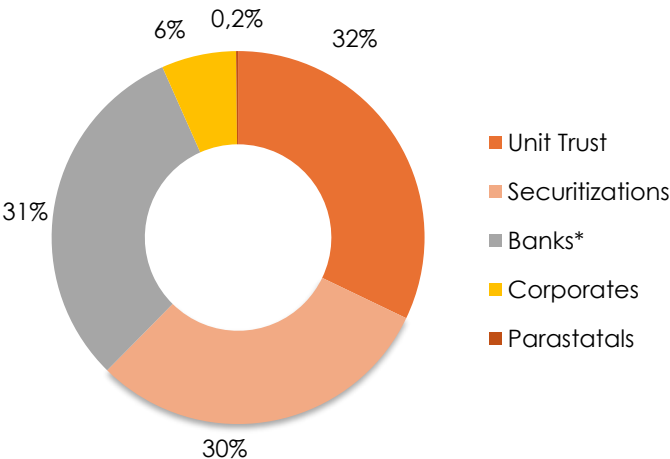
Employs a conservative approach to enhance yields through extracting the liquidity risk premium in longer dated and less liquid debt instruments, as well as an increased exposure to credit assets. Our fundamental credit review process is robust, combining qualitative and quantitative analysis, overlaid 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%	0,7%
3 months	2,7%	3,0%	2,8%
6 months	5,7%	6,0%	4,5%
1 year	8,3%	12,4%	7,8%
2 years p.a.	10,3%	12,6%	9,0%
3 years p.a.	10,8%	11,9%	9,9%
5 years p.a.	10,2%	10,4%	10,0%
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:

R435.8 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:

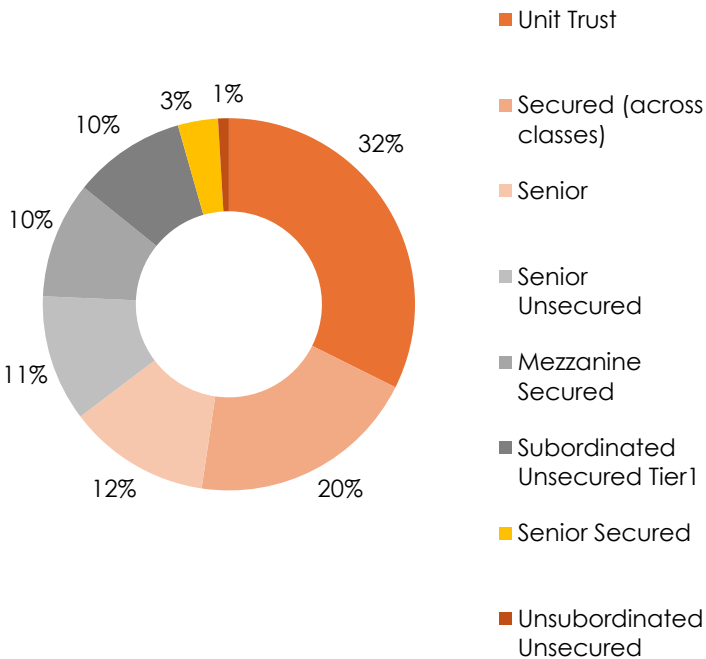
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Top 5 Credit Exposures (excluding unit trust exposure)

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

Source: Taquanta Asset Managers

Capital Ranking



Fund Outlook

The fund continues to maintain a low duration profile, with a moderate stance on both maturity and liquidity positioning. Issue spreads in the domestic primary listed debt capital markets are expected to remain contained. In this environment - shaped by prevailing market pricing dynamics - the fund is well-positioned to capitalise on selective opportunities across public, private, and structured debt markets. However, persistently low credit spreads, coupled with elevated local and global uncertainty, warrant a cautious approach to both credit and liquidity risk.

Market Commentary

During the month of May 2025 South Africa continued to face a challenging economic landscape with slower growth, fiscal tightening, some inflationary pressures driven by food costs, and a modest monetary easing cycle.

Recent developments in South Africa's economic outlook and geopolitical environment reflect a combination of domestic policy adjustments and global economic uncertainties. Moody's Ratings recently downgraded South Africa's real GDP growth forecast for 2025 to 1.5%, a downward revision of 0.2 percentage points from their February estimate, citing subdued domestic activity and external shocks (Moody's, 2025). This aligns with a broader global slowdown, as Moody's projections for worldwide economic growth have been cut to 1.9% in 2025 and 2.3% in 2026, from previous forecasts of 2.5%, mainly due to geopolitical tensions, rising trade barriers, and declining investor confidence.

On the diplomatic front, tensions between the United States and South Africa have escalated amid controversial remarks by former U.S. President Donald Trump, who accused South Africa of targeting White Afrikaners and launched a refugee resettlement initiative resulting in dozens of White Afrikaners relocating to the U.S. South African President Cyril Ramaphosa responded by engaging at the White House to mitigate perceptions of ethnic targeting and genocide, leading to some progress in restoring diplomatic ties and trade negotiations, according to South Africa's finance minister.

Domestically, South Africa's fiscal policy has seen notable adjustments. Finance Minister Enoch Godongwana introduced a revised national budget, dubbed "Budget 3.0," which projects lower revenue and includes modest expenditure cuts to maintain fiscal stability amid rising public debt, forecasted to reach 77.4% of GDP in 2025/26. The budget also marks the first increase in fuel levies in three years, with petrol and diesel levies raised by 16 and 15 cents per litre respectively, effective June 4.

Inflation dynamics remain modest but are showing signs of upward pressure. In April, South Africa's CPI increased marginally to 2.8% from 2.7% in March, with food and non-alcoholic beverages inflation reaching 4.0%, driven mainly by a 2.3% month-on-month rise in meat prices, especially beef cuts such as stewing beef, mince, and steak – a trend that could persist given ongoing supply chain issues. The household expenditure share for meat accounts for 5.1%, underscoring its influence on overall inflation.

The South African Reserve Bank (SARB) responded to these conditions by lowering the repo rate by 25 basis points to 7.25%, marking a shift away from its previously hawkish stance supported by five out of six MPC members. This rate cut aligns with the government's retreat from prior VAT increase proposals and reflects cautious easing to support economic growth. The rand experienced moderate volatility, with the USD/ZAR exchange rate fluctuating around 17.79 to 18.05 during late May, with a 0.4% peak change on May 30 (Exchange Rate Data, 2025).

Meanwhile, in the United States, inflation remains subdued. The U.S. Bureau of Labor Statistics reported a 0.2% increase in the CPI for April, bringing the annual rate to 2.3%, the lowest since February 2021, while core inflation held steady at 2.8%. These figures suggest a moderate inflation environment that could influence future monetary policy decisions.

In summary, South Africa faces a complex mix of internal fiscal adjustments, modest inflationary pressures, and external geopolitical tensions, all within the context of subdued global economic growth. While policy measures aim to stabilize and stimulate the economy, ongoing challenges such as rising public debt and inflationary trends will require continued vigilance. The evolving international environment, including U.S.-South Africa relations and global economic forecasts, will play a significant role in shaping South Africa's economic trajectory over the coming months.

Disclosures: FAIS

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	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

The appointed Information Officer is Mr Justin Kretzschmar and his contact details are as follows: Phone: (021) 681 5000 | e-mail: justink@taquanta.com

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