INCOME RANGE

# Nedgroup Investments Money Market Fund

June 2011

## Risk rating

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|

## General information

**Sector**
Domestic FI Money Market

**Benchmark**
STeFI Call Rate

**Investment manager**
**Saleem Gamza**
Taquanta Asset Managers

**Appropriate term**
No minimum period

**Market value**
R4 654 million

**Inception date**
31 March 2000

**Minimum investments**
Lump sum: R10,000
Monthly debit order: R500

**Income distributions**
Monthly
June 2011 distribution: 0.43 cpu

**Fees (including VAT)**
Initial fee: 0%
Annual management fee: 0.57%

**Total expense ratio[2]**
0.58%

**Contact Client Service Centre**
Tel 0860 123 263 (RSA only)
+27 21 416 6011 (outside RSA)
Fax 0861 119 733 (RSA only)
+27 11 263 6067 (outside RSA)
Website www.nedgroupinvestments.co.za
Email info@nedgroupinvestments.co.za

2010 Fund Awards Winner South Africa

## Portfolio objective

The portfolio aims to maximise interest income while protecting the initial capital and providing immediate liquidity to investors by investing in short-term money market instruments.

## Investor profile

The portfolio is suitable for investors who require high levels of income and capital preservation.

The portfolio provides an attractive alternative to current and savings accounts and may be used to diversify away from equity assets or as a short-term investment for capital. The portfolio typically displays very little volatility.

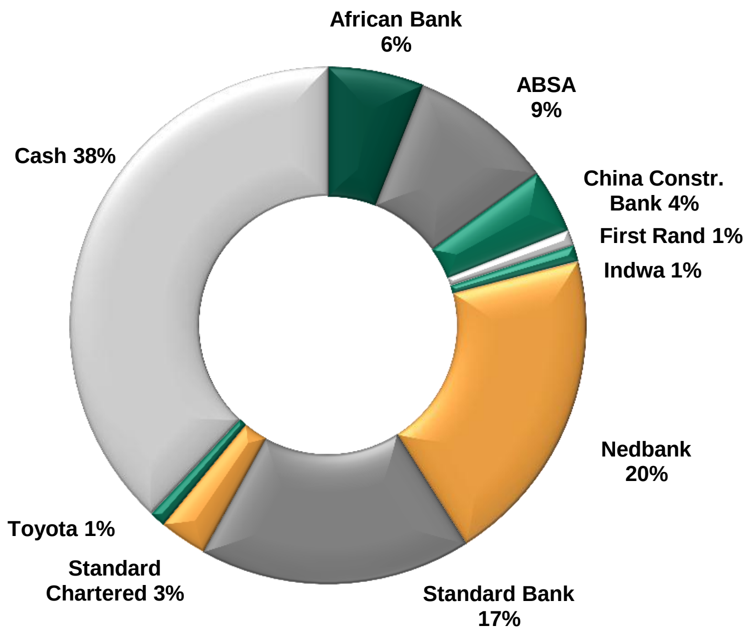
## Performance[1]

| Period | Portfolio | Benchmark |
|---|---|---|
| 1 year | **6.1%** | **5.6%** |
| 3 years p.a. | 8.4% | 7.7% |
| 5 years p.a. | 8.8% | 8.3% |
| 7 years p.a. | 8.3% | 7.8% |
| 10 years p.a. | 9.1% | 8.8% |

## Maturity spread

| Instrument | % |
|---|---|
| 0-3 months | 50.5% |
| 3-6 months | 18.8% |
| 6-12 months | 30.7% |

## Portfolio structure




**Please note:** Differences may exist due to rounding.



[1] **Data source:** © 2011 Morningstar Inc. All rights reserved. Based on a lump sum investment, using NAV-NAV prices with income distributions reinvested.
[2] **Total Expense Ratio (TER):** The annualised TER shown above is for the 12 month period to 31 March 2011. This percentage of the average Net Asset Value of the portfolio was incurred as charges, levies and fees related to the ma nagement of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER c annot be regarded as an indication of future TERs.

# Nedgroup Investments Money Market Fund



## Investment manager commentary

**Saleem Gamza**

Within the ‘soft patch’ – the pace of the global recovery has slowed amid increasing uncertainty in global markets and mixed results on the international front over the quarter. Risks to the continued recovery are from pending debt policy in the Eurozone and the West, as well as tighter monetary policies and austerity measures being implemented globally.

Local business confidence rebounded in June, backed by increased consumer spending although sustainability remains to be seen. With domestic growth numbers over the quarter showing a sturdy recovery, the Monetary Policy Committee is expected to leave the repo rate unchanged until the recovery proves to be more certain with its consequent inflationary pressures.

CPI inflation y-o-y came in at 4.60%, a 0.9% increase over the quarter driven largely by price increases in fuel and food. On the contrary, PPI was lower than expected, increasing to 6.9% y-o-y from 6.6% in the previous month. Although high energy and food prices were the main drivers of the increase, other commodity prices remain subdued and should contain the PPI figures as well as consumer inflation in the months ahead. Potential second round effects of inflation, however, threaten this inflation outlook.

Growth in the money supply was marginally higher at 6.1% y-o-y in May, against a consensus expectation for a continued decrease in money supply figures that has occurred since January. Private Sector Credit Extension (PSCE) decreased, coming in at 5.2% y-o-y unexpectedly, on the back of corporate credit contraction after improved figures last month. Corporate credit appears to have given way to constraints from increasing uncertainties in global growth, overcapacity in some sectors and inflationary pressures going forward. Households continue to be the main drivers for credit demand, although high debt levels and possible interest rate hikes pose risks to credit demand growth.

The portfolio continues to outperform its benchmark and is exposed largely to banks (98% in June), while the remaining 2% of the portfolio is in Government securities or short-term corporate debt.

Looking ahead, a rate hike by the end of the year seems likely given the domestic economic data over the quarter and increasing inflation figures, although there are threats to growth from debt crises in the developed markets. To this extent, the portfolio is well invested for a change in the rate cycle.

| Indicator | Current quarter | Previous quarter |
|---|---|---|
| CPI* | 4.60% | 3.70% |
| PPI* | 6.90% | 6.70% |
| M3 Money Supply* | 6.14% | 7.55% |
| PSCE* | 5.18% | 5.43% |
| Rand/Dollar | 6.76 | 6.75 |
| R 157 | 7.50% | 7.82% |
| Repo | 5.50% | 5.50% |
| Prime | 9.00% | 9.00% |

* Annualised

Money market yields ended as follows:

| Instrument | Current quarter | Previous quarter |
|---|---|---|
| 3-month NCD | 5.50% | 5.50% |
| 6-month NCD | 5.85% | 5.80% |
| 9-month NCD | 6.08% | 6.00% |
| 12-month NCD | 6.35% | 6.28% |
| 3-month JIBAR | 5.58% | 5.58% |