

31 DECEMBER 2022

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10 years of investment experience

B.Com, CIPM



## MARKET COMMENTARY

*Disclosure of FSP: Futuregrowth Asset Management (Pty) Ltd ("Futuregrowth") is a licensed discretionary financial services provider, FSP 520.*

South Africa's Headline Consumer Price Index (CPI) accelerated by 7.4% year-on-year in November from 7.6% the previous month. This confirms the peak at 7.8% in the third quarter of the year and we expect a further moderate receding of inflation pressures in the coming months. In contrast to the turn in domestic headline consumer inflation, albeit very slowly, Core CPI remained sticky at its recent peak of 5.0% in November.

The South African Reserve Bank (SARB) hiked the repo rate by 75bps at its final Monetary Policy Committee (MPC) meeting of 2022, delivering a cumulative 325bps of hikes for the year and a consequent year-end repo rate of 7.0%. While the 3:2 vote split by the 5-person MPC in favour of a 75bps policy hike relative to 50bps increments points to the nearing peak in the cycle, Governor Kganyago highlighting the committee's bias to over-tighten in the post MPC Q&A serves as a warning of the SARB's hawkish bias in the current interest rate cycle – and its intent to decidedly rein in inflation.

The tabling of the Medium-Term Budget Policy Statement (MT-BPS) in October 2022 confirmed the general market expectations of a stronger fiscal position for the current year. A continuation on strong corporate income tax revenue collection steamed ahead of previous conservative budget estimates. In contrast, forward-looking fiscal estimates are particularly optimistic, with expectations of the first primary surplus in 15 years expected for the 2023/24 fiscal year and the consolidated budget deficit to narrowing to 3.2% of GDP in 2025/26. Given South Africa's many structural economic growth constraints, we continue to caution against the significant fiscal execution risk in the medium term.

Globally, monetary policy hawks continue to rule the roost, but growing evidence of softening global inflation has resulted in the incorporation of words like "slowing", "pause" and "cut" in central bank communique. This bears acknowledgement to the growing risk to macroeconomic growth in the coming years. Central banks are now tasked with finely balancing the need to fend off inflation pressure while not unduly choking their respective economies of its growth potential.

### PERFORMANCE REVIEW

The Fund returned 2.60% for the 12-month period ending 31 December 2022, underperforming the benchmark by 1.6%. Underperformance was primarily due to the Fund's significant overweight

position in + 12-year area of the nominal yield curve, which has been the weaker performing sector of the yield curve on over the 12-month period.

### FUND POSITIONING

Considering the combination of stable or at worst limited potential monetary policy tightening, stable-to-downward pressure on global bond yields and the challenging fiscal backdrop, the most appropriate risk-adjusted area of the yield curve remains the 12- to 20-year maturity band.

SOURCE: OLD MUTUAL INVESTMENT GROUP AS AT 31 DECEMBER 2022.

## FUND INFORMATION

### RISK PROFILE



### FUND OBJECTIVE

To maximise this fund's total returns through a balance of capital growth and a high level of income. To invest funds into longer term, fixed interest instruments with an emphasis on institutions and projects than contribute to the development of South Africa through meaningful social impact, commitment to development, community participation and support.

### INVESTMENT MANDATE

The fund invests in interest-bearing securities and money market instruments. All investments in interest-bearing securities must be approved by Unity Corporation.

### CHARACTERISTICS OF THE FUND AND RISKS

This fund is suited to astute investors who have a particular view on a single asset class whilst investing in socially responsible investments. The investor understands the impact of the interest rate cycle and accepts this risk in exchange for moderate capital growth. The Fund is exposed to both interest rate risk and credit risk. In terms of interest rate risk, the risk to the Fund is moderate as the mandate allows for limited positioning relative to benchmark and in terms of credit risk, the Fund's investments are limited to listed credit assets with a credit rating of investment grade or better.

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## FUND INFORMATION

FUND CATEGORY	South African – Interest Bearing – Variable Term
FUND BENCHMARK	BEASSA All Bond Index
LAUNCH DATE	14 July 1998
FUND SIZE	R10 million
FUND CODE	CGMI
DEALING PRICE	NAV
DISTRIBUTIONS	Declared: August 2022. Distributed 2 business days after declaration. August 2022: 136.74c per unit. February 2022: 5.80c per unit.
MINIMUM INVESTMENT	R5000 lump sum. Monthly debit order R500.
INITIAL CHARGE	No initial administration charge. Initial adviser fee will be between 0% to 0.68% (incl. VAT).
SERVICE FEE	0.5% p.a.
NAV PRICE (cents/unit)	139.54c
TOTAL EXPENSE RATIO (TER)*	1.72% (Annualised)

## FUND PERFORMANCE % Performance (annualised)

YEARS	FUND %	FUND BENCHMARK %	CATEGORY RANKINGS
1	2.6	4.0	41/43
3	5.5	6.8	33/33
5	6.6	7.2	26/28
7	8.4	8.3	19/23
10	6.5	7.0	12/15

\*Past performance is no indication of future performance.

FUND (since Inception)	HIGHEST %	AVERAGE %	LOWEST %
12-month return	14.65	0.72	-14.13

## PORTFOLIO COMPOSITION

TEN LARGEST HOLDINGS	%		MARKET VALUE
RSA	8.50	31012037	2 405 635
RSA	9.00	31012040	2 071 874
RSA	8.875	28022035	1 895 235
RSA	8.75	31012044	856 570
ESKOM HOLDINGS LTD	8.5	25042042	363 445
TN30	10.50	09102030	288 671
TRANSNET LIMITED	8.9	14112027	279 566
ES33	7.5	150933	223 379
DEVELOPMENT BANK OF SA	9.69	1802	207 265
SA NATIONAL ROADS AGENCY	9.25		173 429

NET ASSET VALUE (NAV) 139.54

MATURITY BANDS	YEARS	%	MARKET VALUE
	0-3	8.3	837 030
	3-7	7.3	734 892
	7-12	5.2	663 766
	12+	74.1	7 491 527
	CASH	3.8	387 594
NET ASSET VALUE		98.6	10 114 809

MATURITY BANDS	%
12+ YEARS	74.1%
7-12 YEARS	5.2%
3-7 YEARS	7.3%
0-3 YEARS	8.3%

## STATUTORY INFORMATION

Collective Investment Schemes in Securities (unit trusts) are generally medium- to long-term investments. Past performance is no indication of future growth. Unit trusts may engage in scrip lending and may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Unit trust prices are calculated on a net asset value (NAV) basis, which is the total market value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio divided by the number of units in issue. Each fund's total expense ratio (TER) reflects the percentage of the average Net Asset Value of each portfolio that was incurred as charges, levies

and fees related to the management of the portfolio. Instructions to withdraw must reach Community Growth Management Company (RF) (Pty) Ltd (COMANCO) before 15h00 to ensure same day value.

The portfolio performance is calculated on a NAV-NAV basis and does not take any initial fees into account. Income is reinvested on the ex-dividend date NAV price. Actual investment performance will differ based on the initial fees applicable, the actual investment date and the date of reinvestment of income. Additional information is available free of charge and you could email: [invest@comanco.co.za](mailto:invest@comanco.co.za).

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Community Growth Management Company (RF) (Pty) Ltd (COMANCO) is a licensed Management Company approved by the Registrar of Collective Investment Schemes (Registration no. 1992/002327/07).  
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