NAM CORONATION MONEY MARKET FUND
QUARTERLY COMMENTARY Q2-23

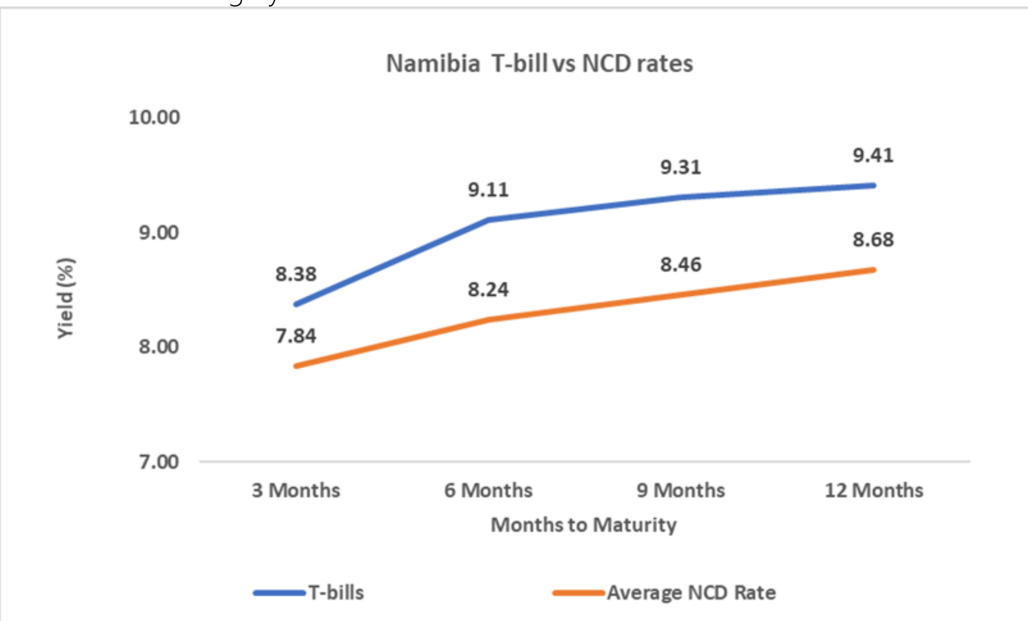
Please note that the commentary is for the retail class of the Fund.

30 June 2023 commentary

The NAM Coronation Money Market Fund generated a return (net of management fees) of 1.98% for the second quarter of 2023 (Q2-23). Over the rolling 12-month period, it returned 7%, which is ahead of the benchmark (IJG 3-month NCD Index) return of 6.42%.

The Bank of Namibia (BoN) raised the repo rate by 50 basis points (bps) at the June Monetary Policy Committee (MPC) meeting, moving it to 7.75% from 7.25%. The rate hike was implemented to continue anchoring inflation expectations and safeguard the currency peg between Namibia and South Africa. The MPC also stated the rate increase is aimed at containing inflationary pressures stemming from second-round effects and anchoring inflation expectations. The BoN further mentioned key downside risks to its global economic outlook include the escalation of geopolitical tensions, tighter financial conditions, and persistent high inflation. Headline inflation slightly increased to 6.3% year on year (y/y) in May from 6.1% y/y in April. The increase was largely driven by food, non-alcoholic beverages, and housing inflation. For 2023, BoN expects inflation to average at 6.1%.

During Q2-23, the 3-month Johannesburg Interbank Average Rate (Jibar) increased by 54bps to 8.50%, factoring in the increases in the South African repo rate. As at the end of Q2-23, local banks were offering a spread of 60bps above the 3-month Jibar index one-year tenor floating-rate notes. The one-year fixed rate NCD yield marginally increased to 8.68% in Q2-23 from 8.6% offered in the first quarter of 2023. Treasury Bills (T-Bills) remain attractive relative to fixed-rate NCDs; however, floating rate notes offer reasonable returns without taking the duration risk. The Fund increased its T-bills holdings in the six- and nine-months tenors to lock in the high yields.



Source: IJG Research

We remain cautious and continue to invest only in instruments that are attractively priced relative to their underlying risk profile. Capital preservation and liquidity remain our key focus areas for the Fund.

Portfolio manager
Nishan Maharaj as at 30 June 2023