

NAM CORONATION MONEY MARKET FUND QUARTERLY COMMENTARY Q4-21

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

30 December 2021 commentary

The NAM Coronation Money Market Fund generated a return (net of management fees) of 0.99% for the fourth quarter of 2021 (Q3-21) and 3.73% over a rolling 12-month period.

The Bank of Namibia (BoN) left its benchmark interest rate unchanged at 3.75% at its last meeting. The Monetary Policy Committee (MPC) stated that economic growth remains a concern given the outbreaks of the new covid-19 variant coupled with an introduction of new restrictions which may hamper economic activity. The MPC considers the repo rate appropriate to safeguard the one-to-one link between the Namibia Dollar and the South African Rand. Namibia's repo rate is now on par with the South African repo rate, which was increased to 3.75% at the South African Reserve Bank's last MPC meeting.

Headline inflation increased to 4.1% year-on-year (y/y) in November from 3.6% y/y in October. The inflation uptick was driven by increases in prices for transport, food and non-alcoholic beverages. The driving force if the uptick in transport costs has been an ongoing increase in global energy prices due to supply shortages. Inflation risks remain on the upside as energy costs continue to soar and further supply shortages are introduced in the other sectors.

As at end of the quarter, local banks were offering 80 basis-point (bps) spread above the 3-month South African Johannesburg Interbank Average Rate (Jibar) for 1-year tenor floating rate notes. The one-year fixed rate NCD yield increased to 5.32% from 5% offer in the third quarter of 2021. The T-bill market is still offering better returns in comparison to the NCD market; with the 9months T-bill now offering 5.85% yield. 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 31 December 2021