



NAMIBIA ASSET MANAGEMENT

— Our expertise. Your advantage. —



NAM CORONATION MONEY MARKET FUND

QUARTERLY COMMENTARY Q2-22

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

30 June 2022 commentary

The NAM Coronation Money Market Fund generated a return (net of management fees) of 1.16% for the second quarter of 2022 (Q2-22) and 4.18% over a rolling 12-month period.

The Bank of Namibia (BoN) raised the repo rate to 4.75% at its monetary policy committee (MPC) meeting in June. The move was meant to safeguard the one-to-one link between the Namibian dollar and the South African rand and respond to inflationary pressure coming from geopolitical tensions in Europe. The hikes should safeguard the nation's currency peg, curb inflation, and bolster the attractiveness of local assets to offshore investors, but this is still underpinned by a fragile economic recovery.

Headline inflation came in at 5.42% year on year (y/y) in May, slower than the April print of 5.6% y/y. Prices for transport costs continue being the main contributor to high inflation (contributing 2.4% in May's print), followed by food and non-alcohol beverages (1.2%). While inflation will be running off a higher base going forward, inflation risks remain on the upside. Upside risk lies primarily in energy costs, which continue to soar, with petrol prices being 36.1% y/y higher in May and diesel prices being 51.4% y/y higher.

As at end of the quarter, local banks were offering a 98 basis-point (bps) spread above the 3-month South African Johannesburg Interbank Average Rate (Jibar) for one-year tenor floating rate notes. The one-year fixed rate NCD yield increased to 6.81% from 6.40% on offer in Q1-22. The increase is at the back of the rate hiking cycle, and while Namibia and South Africa had started their hiking cycles earlier, ahead of developed economies in 2022, hiking is expected to continue, and the market remains hawkish on the outlook for policy rates. Namibian T-bills still offer better returns across all tenors below one year in comparison to the NCD curve. 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 2022