

# MONEY MARKET FUND



January 2010

Portfolio Manager *Adré Smit*

**BENCHMARK**  
**INCEPTION DATE**

STeFi  
01 Oct 00

**PERIOD RETURNS ENDING**

**31 January 2010**

## FUND OBJECTIVES

The Cadiz Asset Management Money Market product range encompasses both segregated and pooled portfolios. These low risk money market mandates focus on delivering strong consistent returns over the medium to longer term, benchmarked against the STeFi. Core money market mandates are managed on a fully discretionary best house view basis. This mandate is ideally suited as a core money market investment for both pension and provident funds, as well as a money market investment option for retirement funds which offer member investment choice. Our money market products have consistently outperformed the STeFi since its inception in 2000.

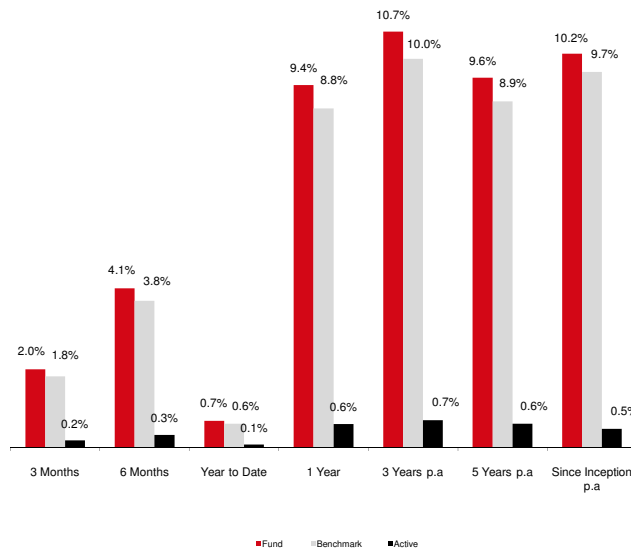
## FUND COMMENTARY

Monetary Policy Committee (MPC) of the Reserve Bank left the repo rate unchanged and sent a dovish message to the market at its meeting. This resulted in short term interest rates declining immediately after the meeting. The MPC believes that inflation should remain inside the inflation target over the next two years. Eskom remains the major upside risk to their forecast and they believe the 2nd round effects could be underestimated.

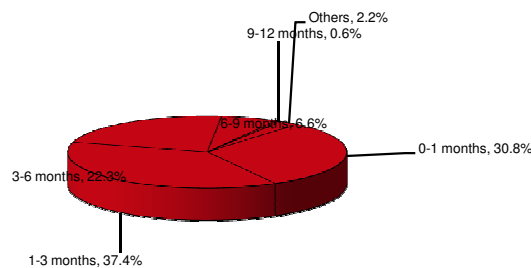
Global risk appetite, as measured by the emerging market bond index, deteriorated by 28 bps over the month to 308 bps. South Africa's sovereign bond spread performed even worse increasing by 32 bps to 196 basis points. The bond market was very mixed over the month with the 12+ area of the yield curve having a negative return of 0.97%, while the rest of the curve having a positive return of around 0.66%.

The All Bond Index had a positive return of only 0.22% over the period. The R157 government bond (2015) declined by 3 bps to 8.38% and the R186 (2026) rose by 12.5 bps to 9.165%. With the dovish tone coming from the MPC meeting, money market rates declined over the month. The three-month NCD rate declined by 5 bps to 7.1% and the 12-month NCD rate declined by 28 bps to 7.80%.

We still believe that there has been sufficient stimulus to the economy from the 5% in interest rate cuts over the past 12 months. We therefore believe that the next move in interest rates will be up, but that it is unlikely to happen before the latter part of this year or early next year. The money market yield curve remains fairly steep, which makes it attractive to invest in the longer end of the curve. We will keep the portfolio as fully invested as possible to take advantage these higher rates.



## SECTOR ALLOCATION



## RISK STATISTICS (3 YEARS)

	FUND	BENCHMARK	ACTIVE
Standard Deviation	0.5%	0.4%	0.1%
Tracking Error	0.2%		
Information Ratio	3.1		

## FUND CHARACTERISTICS

Maximum duration of the portfolio	90 days
Maturity of longest dated instrument	289.99

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