

# Cadiz Money Market Fund

## Quarterly Fund Manager Commentary – Second Quarter 2018

The first quarter saw our Bond market end up quite strongly with the global risk on supporting the ALBI. However all the non-resident inflows were erased in Q2 as the risk on trade failed to hold its momentum and we saw foreigners end net sellers in the SA bond market bringing the year to date number close to - R38 billion. This caused yields to sell off and saw the R186 get to a high of 9.20 before rallying to close the quarter at 8.835 with the ALBI returning -3.78% for Q2. Short term rates followed the bond market with the 12 month NCD rate selling off by 37.5bps to close at 8.05 from 7.675.

The Monetary Policy Committee (MPC) kept the repo rate unchanged at 6.50% in May. The SARB revised their inflation outlook marginally up for the outer 2020 to 5.2% from 5.1% but kept 2018 & 2019 unchanged at 4.9% and 5.2% respectively. We have a House View for rates to remain flat over the next few months. Inflation has surprised on the downside over the past three months coming in below consensus. The upside risks factors remain currency volatility and the outcome of the ongoing wage negotiations. We will monitor these to determine the impact on inflation going forward to ascertain if the rate cutting cycle will continue.

The Fund benefitted by being long duration before the March rate cut, during June we've taken The Fund shorter duration as we look to invest as yields move higher. The Fund generated 1.98% for the quarter and the STeFI returned 1.76%, the fund outperformed by 0.22% for Q2 2018.

### PERFORMANCE COMMENTARY

The Fund has generated positive levels of income in excess of returns made available through deposits and call accounts offered by banks. Since inception, the Fund has outperformed its benchmark, whilst providing capital protection and liquidity for investors. The Fund rarely experiences periods of underperformance but does ultimately have a long term emphasis. A long term view and capital losses can result in short term underperformance. However, the long term performance, net of fees, is indicative of the reduced downside risk that the fund offers.

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