

Fixed income

Investment management capabilities

Fixed income refers to investments where a business or government pays a specified interest amount into the investment regularly. Fixed income investments give you access to the interest-bearing markets in South Africa. They can vary from low-risk cash investments to medium-risk bond investments. These markets are an integral part of the South African financial system, as they provide the money necessary for government, state-owned enterprises and businesses to function effectively.

The aim of fixed income investments is to generate a high level of interest for investors at a lower level of risk. The instruments we invest in are liquid and have defined dates of maturity. A good investment manager will make sure there is diversification across different interest rates and terms to maturity to deliver the best outcome for you.

	Portfolio outcomes Capital protection Liquidity Income
	Investment horizon 1 to 3 years
	Risk Low to moderate

Rules and regulations

Fixed income portfolios are managed in accordance with many acts and regulations controlled by the Financial Sector Conduct Authority (FSCA). The FSCA is the regulator for all financial institutions. In addition, our governing body, the Association for Savings and Investment South Africa (Asisa), provides best practice guidelines to make sure the investor is the focal point of everything we do.

The role of fixed income in a client's investment portfolio

Fixed income investments are suitable for investors who want access to cash or capital protection with moderate capital growth. In an investment portfolio, fixed income, firstly, serves to generate income for a portfolio and, secondly, is a good diversification away from more risky investments like equities.

Investment horizons for the different fixed income portfolios

Money market (cash): Six months to a year

Credit and income: Two years

Inflation-linked bonds and nominal bonds: Three years

Understanding the risk profile

There are two major risks to understand, namely:

Interest rate risk: We buy fixed income instruments at specific prices and, when interest rates go up or down, this affects the value of the investment.

Default risk: Because businesses or governments pay a specified interest amount into the fixed income investments, if they aren't able to make this payment at the agreed time, this is a default, and it will affect the investment.

Our investment philosophy and process

We always compare the risk with opportunity in our investments and we follow a valuation-based investing philosophy, meaning we look for instruments we believe have high value but are undervalued by the market. These investments must meet our strict criteria of generating income when interest rates go up or down so that we maximise compounding through the income accrual process.

Consistency is key and we believe in the value of diversification. We don't chase higher interest payments for the sake of it, as we don't want to shoot the lights out today but be last tomorrow. We want our portfolios' outcomes to match our clients' outcomes.

Our measure of success is when we can deliver on client outcomes over the appropriate investment horizons at low levels of risk.

Fixed income benchmarks

Money market	Short-term Fixed Interest Composite Index (Stefi)
Enhanced yield	Stefi plus 0,5% per year
Flexible Income	Consumer Price Index (CPI) plus 2% per year
Inflation-linked Bond	Composite Inflation-linked Index (Cili)
Bond	JSE Actuarial Society of South Africa All Bond Index (Albi)
Absolute Income	Albi
Diversified Bond	Albi 1 to 3 years

Benchmarks should reflect the asset class and risk exposure the investors are taking. It should also represent the appropriate investment horizon for investors.

Responsible investing

Environmental, social, and governance (ESG) investing is integral in our investment process. Although we are lenders and not owners in businesses, we see ESG as part of our duty to protect your money. We actively engage investment management teams on ESG issues and support green bonds, where the valuation meets our criteria. We have and will in future decline investment opportunities where our criteria for ESG are not met.

Fixed income team



Ian Scott
 Head: Fixed income
 BCom (Hons) Investment management
 Industry experience: 23 years



Thami Lesito
 Portfolio manager
 BSc (Mathematical Statistics)
 Industry experience: 12 years



Zisanda Gila
 Portfolio manager
 BCom, Financial Mathematics
 Industry experience: 15 years



Kgothatso Moremedi
 Dealer & risk manager
 BCom (Hons)
 Industry experience: 6 years



Ivan Koekemoer
 Fixed income analyst
 BCom (Hons) Investment Management, CFA
 Industry experience: 9 years



Marli Penzhorn
 Senior credit analyst
 BAcc, Bcom (Hons), CA (SA)
 Industry experience: 10 years



Moleboheng Matsoele
 Credit analyst
 BCom (Hons), CA (SA)
 Industry experience: 1 year

Portfolio	Portfolio manager	Benchmark Target	Risk	Time horizon
Bond	Ian Scott Thamage Lesito	Albi plus 1%	Medium	3 years
Flexible Income	Ian Scott Thamage Lesito	CPI plus 2%	Low to Medium	2 years
Inflation-Linked Bond	Thamage Lesito Ian Scott	Cili plus 1%	Medium	3 years
Enhanced Yield	Zisanda Gila	Stefi plus 1%	Low	2 years
Money Market	Zisanda Gila	Stefi	Low	6 to 12 Months

In addition to the above portfolios, we also offer the following multi-strategy and multi-mandate solutions:

Portfolio	Portfolio manager	Benchmark Target	Risk	Time horizon
Diversified Bond	Neill Maree	Albi	Medium	3 years
Absolute Income	Neill Maree	Albi 1 to 3 years	Low to Medium	1 to 3 years



Neill Maree
Investment analyst and portfolio manager
BCom (Hons), CIS
Industry experience: 29 years

momentum

investments

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