30 SEPTEMBER 2021

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Portfolio Manager and Quantitative Analyst

10 years of investment experience
B.Com, CIPM

MARKET COMMENTARY

Disclosure of FSP: Futuregrowth Asset Management (Pty) Ltd ("Futuregrowth") is a licensed discretionary financial services provider, FSP 520.

MARKET OVERVIEW

The market momentum that built up during the second quarter of 2021 was put to an abrupt halt as concerns around global inflationary pressures and a slow-down in Chinese GDP growth injected fresh doses of uncertainty into the global recovery. Global supply chains have begun feeling the strain of the cumbersome freedom of movement restrictions enforced by governments. This has, in turn, led to shortages of essential goods such as fuel and food, resulting in a persistent increase in input prices globally. Second round effects, in the form of de-anchored higher inflation expectations, could see an earlier start to interest rate normalisation, despite the lack of any signs of accompanying GDP growth. Central banks around the world have, as a result, begun shedding their dovish feathers in favour of a more hawkish stance, given the signs of persistent higher headline inflation. Additionally, concerns around weaker Chinese growth (and its implications on potentially unsustainable levels of Chinese corporate credit debt levels) came back to spook markets during the latter part of third quarter, as the possibility of a default by Chinese construction firm Evergrande triggered a wave of global market de-risking.

The abovementioned global events overshadowed positive local developments, with rebased national account data leading to a revised higher South African GDP level and a unanimous decision by the South African Reserve Bank to leave the repo rate unchanged. As a result, bond yields drifted higher, with long-dated bonds taking the brunt as the yield curve bear steepened. Inflation-linked bonds, on the other hand, remained relatively more resilient - giving rise to stronger returns relative to nominal bonds and cash over the period.

PERFORMANCE REVIEW

The Fund returned 12.17% for the 12-month period ending 30 September 2021, underperforming the benchmark by 0.29%. Although the Fund's overweight position in the 7-to 20- year area of the curve gives it a strong combination of base accrual, roll-down return and capital gain potential, the combination of gains in these return factors were not enough to outperform the benchmark over the period on a net of fee basis.

FUND POSITIONING

The Fund continued to maintain minimal exposure to cash, given the elevated opportunity costs of cash relative to higher yielding nominal and inflation-linked bonds. The Fund also reduced longer-dated bond exposure into bouts of market strength throughout the quarter. The proceeds of the sale were used to roll down into the 7- to -12-year area of the yield curve, specifically the R2030 and R2032 nominal bonds. Coupon receipts distributed during the period were also allocated to the R2030 and R2032 bonds. The Fund seeks to continue balancing high base accrual and yield curve roll-down potential with capital risk. In doing so, the Fund maintains underweight positions in the very long end (+20 year) and short end (1-7 year) of the yield curve. These underweight positions are offset by an overweight position in the preferred 7- to 20-year area of the nominal bond yield curve.

SOURCE: OLD MUTUAL INVESTMENT GROUP AS AT 30 SEPTEMBER 2021.

FUND INFORMATION

RISK PROFILE

LOW	LOW TO MODERATE	**MODERATE**	MODERATE TO HIGH	HIGH

FUND OBJECTIVE

To maximise this fund's total returns through a balance of capital growth and a high level of income. To invest funds into longer term, fixed interest instruments with an emphasis on institutions and projects than contribute to the development of South Africa through meaningful social impact, commitment to development, community participation and support.

INVESTMENT MANDATE

The fund invests in interest-bearing securities and money market instruments. All investments in interest-bearing securities must be approved by Unity Corporation.

CHARACTERISTICS OF THE FUND AND RISKS

This fund is suited to astute investors who have a particular view on a single asset class whilst investing in socially responsible investments. The investor understands the impact of the interest rate cycle and accepts this risk in exchange for moderate capital growth. The Fund is exposed to both interest rate risk and credit risk. In terms of interest rate risk, the risk to the Fund is moderate as the mandate allows for limited positioning relative to benchmark and in terms of credit risk; the Fund's investments are limited to listed credit assets with a credit rating of investment grade or better.

COMMUNITY GROWTH GILT FUND

30 SEPTEMBER 2021

FUND INFORMATION

FUND CATEGORY	South African - Interest Bearing - Variable Term
FUND BENCHMARK	BEASSA All Bond Index
LAUNCH DATE	14 July 1998
FUND SIZE	R12.6 million
FUND CODE	CGMI
DEALING PRICE	NAV
DISTRIBUTIONS	Declared: August 2021. Distributed 1 business day after declaration. February 2020: 5.74c per unit. August 2020: 5.65c per unit. February 2021: 5.82c per unit.
MINIMUM INVESTMENT	R5000 lump sum. Monthly debit order R500.
INITIAL CHARGE	No initial administration charge. Initial adviser fee will be between 0% to 0.68% (incl. VAT).
SERVICE FEE	0.5% p.a.
NAV PRICE (cents/unit)	143.55c
TOTAL EXPENSE RATIO (TER)*	1.52% (Annualised)

FUND PERFORMANCE % Performance (annualised)

YEARS	FUND %	FUND BENCHMARK %	CATEGORY RANKINGS
1	12.2	12.7	26/35
3	7.7	8.2	25/28
5	7.6	7.7	20/24
7	7.5	7.5	13/17
10	7.9	8.1	8/14

*Past performance is no indication of future performance.

FUND (since Inception)	HIGHEST %	AVERAGE %	LOWEST %
12-month return	14.65%	0.72%	-14.13%

PORTFOLIO COMPOSITION

TEN LARGEST HOLDINGS	%		MARKET VALUE
RSA	8.25	31032032	3 105 236
RSA	8.50	31012037	2 296 995
RSA	8.875	28022035	1 719 947
RSA	9.00	31012040	1 001 723
RSA	8.00	31012030	887 041
ESKOM HOLDINGS LTD	8.5	25042042	389 384
TRANSNET LIMITED	8.9	14112027	303 440
TN30	10.50	09102030	294 309
ES33	7.5	150933	226 070
DEVELOPMENT BANK OF SA	9.6	1802	212 972

NET ASSET VALUE (NAV) 143.55

MATURITY BANDS	YEARS	%	MARKET VALUE
	0-3	10.8	1 361 051
	3-7	5.0	626 498
	7-12	36.4	4 602 005
	12+	45.9	5 801 156
	CASH	1.9	245 198
	NET ASSET VALUE	100	12 635 909

MATURITY BANDS

STATUTORY INFORMATION

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