

## VUNANI ACTIVE BOND COMPOSITE

December 2020

**Inception Date** 30 September 2007

**Benchmark** BEASSA All Bond Index (ALBI)

**Fund Size** R 7,228,689,414

**Risk Profile** cons mod aggr

### FUND INFORMATION

#### OBJECTIVE

The objective of this fund is to outperform the All Bond Index, at lower risk, through steady accretion of alpha.

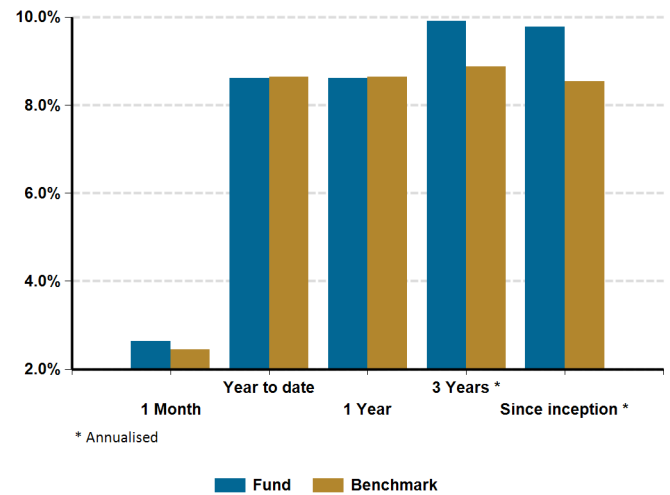
#### APPLICATION

The Vunani Active Bond Fund is suitable for institutional investors with an investment horizon of two or more years.

#### DESCRIPTION

This actively managed fund seeks to outperform the All Bond Index by utilizing strategies involving active duration, yield curve and credit spread management, as well as occasional convexity optimization. Inference is always preferred to forecasting; for this purpose, we have developed several proprietary measures of fair value.

#### GROWTH OF YOUR INVESTMENT



### FUND MANAGEMENT



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### FUND MANAGEMENT COMMENT

December was a good month for you fund, measured as both beta and alpha.

The All Bond Index returned 2.44%, to bring its return for 2020 to 8.65%, far ahead of the latest inflation print of 3.2%.

Over the calendar year, short bonds performed best (R2023 = 13%), propelled by the SARB's aggressive interest rate cuts. Long bonds languished (R2048 = 4.2%) as an already precarious fiscal position deteriorated sharply under lockdown measures implemented. Conversely, in December, long bonds were the star performers (R2048 = 3.5%, whereas R2023 = 0.2%). We can only surmise that the extraordinarily good value in long bonds became more widely apparent.

Bonds have now outperformed equities for more than seven years, at roughly half the volatility. This is largely on account of the dismal earnings growth of SA listed companies (1.1% nominal and -3.4% real, per annum) over those seven years. Bonds have suffered plenty of headwinds on news-flow, but as we have asserted before, the bond market is far better at pricing in bad news. Pessimists are seldom disappointed; optimists always are.

In December, the biggest contributor to alpha was moderate further flattening of the yield curve, followed by yield enhancement. Being underweight in the 4-8 year segment of the yield curve resulted in a small detractor from alpha through the roll factor.

**RISK AND RETURN STATISTICS TO 31 December 2020**

**PERFORMANCE**

	FUND	BENCHMARK
1 Month	2.6%	2.4%
Year to date	8.6%	8.7%
1 Year	8.6%	8.7%
3 Years *	9.9%	8.9%
Since inception *	9.8%	8.5%

\* annualised

**CALENDAR YEAR RETURNS**

Year	FUND	BENCHMARK
2020	8.6%	8.7%
2019	12.0%	10.3%
2018	9.2%	7.7%
2017	11.2%	10.2%
2016	16.9%	15.5%

**MONTHLY PERFORMANCE RETURNS**

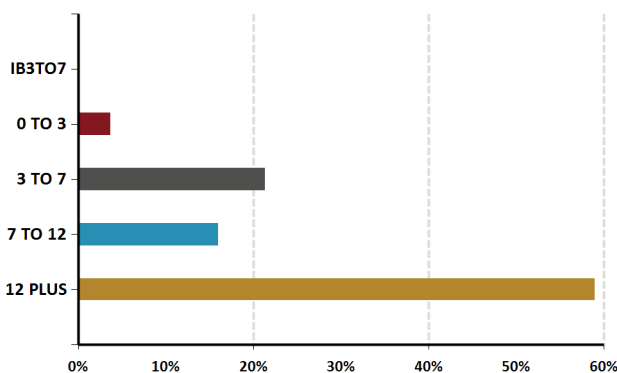
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2020	1.2%	0.0%	-9.5%	2.3%	6.9%	-1.0%	0.7%	1.1%	0.2%	0.6%	3.9%	2.6%
2019	3.0%	-0.4%	1.6%	0.7%	0.8%	2.3%	-0.6%	1.1%	0.8%	-0.1%	0.2%	2.1%
2018	1.9%	4.1%	2.1%	-0.4%	-1.8%	-1.0%	2.4%	-1.8%	0.3%	-1.5%	4.0%	0.7%
2017	1.4%	0.7%	0.4%	1.3%	1.2%	-0.7%	1.5%	1.2%	1.2%	-2.1%	-0.9%	5.7%
2016	4.5%	-0.8%	2.6%	2.5%	-1.2%	3.9%	2.4%	-1.6%	3.0%	0.8%	-1.8%	1.7%

**RISK MEASURES AND FUND SUMMARY**

	FUND
Tracking error	1.3%
Downside risk	0.9%
Sharpe ratio	0.4
Sortino ratio	1.3
Information ratio	0.9
% Positive months	69.2%
% Negative months	30.8%
Best month	6.9%
Worst month	-9.5%
Maximum drawdown	-9.5%
Maximum drawdown period (months)	1.0

**PORTFOLIO STRUCTURE AS AT 31 December 2020**

**SA BOND SECTOR ALLOCATION**



**TOP 10 SA HOLDINGS**

Instrument	% OF FUND
R2048 8.75% 02/48	16.1%
R2044 8.75% 01/44	14.6%
R2040 9.000% 01/40	5.0%
TN40 10.75% 10/40	4.9%
ES42 8.50% 04/42	4.8%
R2037 8.50% 01/37	4.7%
R2032 8.25% 03/32	3.9%
BAYA72 12.18% 03/26	3.9%
R2030 8.00% 01/30	3.5%
R186 10.50% 12/26	3.4%

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