SBM Yield Fund

30 June 2021

NAV per share **MUR 11.67**

Fund Objective

The Fund seeks to achieve its investment objective by investing in fixed income and fixed income-related instruments across different geographies, issuers, maturities and currencies. It uses a combination of top-down and bottom-up approach in its investment selection process. It may invest in bonds, term deposits, ETFs, preferred stocks, convertible bonds, structured products and mortgage backed securities, amongst others.

Risk Profile

Low	**Low to Moderate**	Moderate	Moderate to High	High

Fund Profile

Inception Date	Jun-06
Fund Size	MUR 216.9M
Issue / Redemption	10th, 20th and end of each month
Distribution	Quarterly
Management Fee	0.85% p.a
Entry Fee:	0.50%
Exit Fee:	0.50%

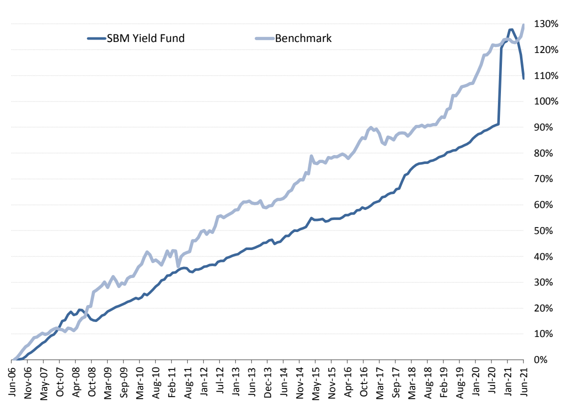
Fund Facts

Fund Manager	SBM Mauritius Asset Managers Ltd
Benchmark	60% GOM 3Y Notes + 40% Barclays Agg Bond Index
Fund Administrator	SBM Fund Services Ltd
Auditors	Deloitte
Custodian	SBM Bank (Mauritius) Ltd

Top 10 Holdings

	% Net Assets
Government of Mauritius Bond 08/02/39	9.4%
Government of Mauritius Bond 25/01/28	8.2%
Government of Mauritius Bond 12/06/22	6.0%
Government of Mauritius Bond 07/09/38	5.8%
Government of Mauritius Bond 11/05/38	5.3%
IBL Ltd Series 2 Notes 08/09/22	4.7%
Government of Mauritius Bond 22/07/36	4.5%
iShares Core US Aggregate Bond ETF	4.5%
CIM Financial Services Ltd Notes 31/07/25	4.2%
Government of Mauritius Bond 09/11/33	3.7%
TOTAL	**56.3%**

Cumulative Performance



Note: Change in valuation of GoM securities from hold-to-collect to fair value under IFRS 9

Risk Adjusted Metrics

Volatility p.a.	**1Y**	**3Y**	**5Y**
SBM Yield Fund	16.75%	9.46%	7.35%
Benchmark	2.31%	2.33%	1.83%

Fund vs Benchmark	**1Y**	**3Y**	**5Y**
Tracking error	17.53%	10.09%	7.84%
Correlation	-27.63%	-15.73%	-15.32%

Cumulative Return

	1M	3M	6M	YTD	1Y	3Y	5Y	Launch	Annualized
Fund	-4.2%	-7.3%	-6.5%	-6.5%	10.2%	18.7%	33.4%	108.8%	5.0%
Benchmark	2.0%	3.1%	2.4%	2.4%	4.7%	20.3%	27.1%	129.5%	5.7%

**All returns are calculated assuming dividends are reinvested.*

Financial Year Return

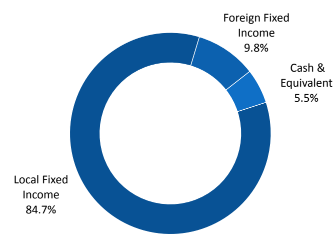
	2013	2014	2015	2016	2017	2018	2019	2020	2021
Fund	3.7%	3.4%	4.3%	1.4%	4.8%	7.3%	2.9%	4.6%	10.2%
Benchmark	3.4%	1.6%	8.3%	2.1%	3.1%	2.5%	6.0%	8.5%	4.7%

**Financial year as at June*

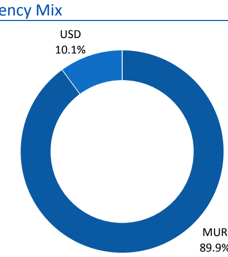
Distributions

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Dividend per unit	0.41	0.15	0.30	0.32	0.33	0.33	0.25	0.31	0.23
Dividend Yield	4.0%	1.5%	2.9%	3.1%	3.2%	3.0%	2.3%	2.9%	2.0%

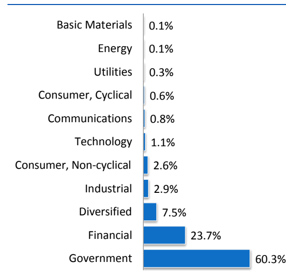
Asset Allocation



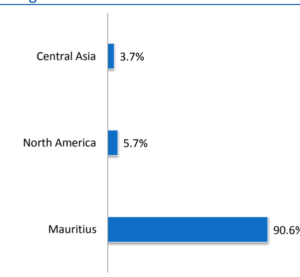
Currency Mix



Sector Allocation



Regional allocation



Market Commentary

The Net Asset Value per unit (NAV) of the Fund fell from MUR 12.19 in May to MUR 11.67 in June, equivalent to a return of -4.2 % compared to its benchmark which yielded 2.0%.

Yields on the domestic bond market were on the uptrend during the month. The GOM auctioned MUR 2.0Bn of 91D Treasury Bills and the average weighted yield increased by 50bps to 1.13%. The yield on 182D Treasury Bills rose by 32bps to 1.21% the auction of MUR 3.0Bn while that of the 364D Treasury Bills increased from 1.05% to 1.51% following a tender amount of 4.0Bn. A 3Y GOM Note for MUR 3.7Bn was issued at an average weighted yield of 1.95%, equivalent to a rise of 54bps from the previous issuance while the yield on the 5Y GOM Bond surged by 94bps to 3.20% following a new tender of MUR 5.75Bn. For longer-term bonds, the yield on the 10Y GOM Bond rose from 2.41% in May to 4.56% in June following an auction of MUR 2.5Bn. A 15Y GOM Bond for MUR 2.15Bn was issued at an average weighted yield of 4.65%, 215bps higher than the previous issuance. There was no new issuance of the 20Y GOM Bond during the month.

On the secondary market, the corresponding yields on 91D Treasury Bills, 182D Treasury Bills and 364D Treasury Bills rose by 45bps, 42bps and 46bps to reach 1.01%, 1.22% and 1.48%, respectively. The 3Y GOM Note traded at 2.54% in June, 97bps higher than the previous month while the 5Y GOM Bond traded at a weighted average yield of 3.12% against 2.30% in the preceding month. The 10Y GOM Bond yields rose by 137bps to 4.34% in June. The 20Y GOM Bond traded at a weighted average yield of 5.14% against 4.08% in the previous month.

The headline inflation rate was 2.2% in June 2021 against a reading of 1.8% in the preceding year. Excess liquidity stood at MUR 69.9Bn as at 17 June 2021 with MUR cash holdings increasing from MUR 20.3Bn on 20 May 2021 to MUR 26.3Bn on 17 June 2021.

The Barclays Global Aggregate Bond index registered -0.9% in June as the Federal Reserve (Fed) shifted to a more hawkish outlook on policy rates. The Fed left the target Fed Funds rate unchanged at 0%-0.25% and maintained the monthly bond purchase of USD 120 billion. However, the Federal Open Market Committee (FOMC) anticipates two interest-rate hikes by the end of 2023 – sooner than expected – and raised its projections for inflation and economic growth. The yield on 10-year US Treasuries tumbled by 12 bps from 1.59% in May to 1.47% in June; primarily on account of an appreciation of the USD boosted by the Fed's slightly hawkish stance.

The Bank of England's Monetary Policy Committee (MPC), at its meeting held on 22 June 2021, voted unanimously to maintain the Bank Rate at 0.1% and keep the stock of sterling non-financial investment-grade corporate bond purchases unchanged at GBP 20 billion. UK's 12-month CPI inflation surged from 1.5% in April to 2.1% in May, above the MPC's 2% target. Following the BoE's dovish stance, 10-year UK Gilt yields tumbled by 8 bps to 0.72% in June.

The European Central Bank (ECB) kept the interest rate unchanged on the main refinancing operations and the marginal lending facility and the deposit facility at 0.00%, 0.25% and -0.50%, respectively. The Governing Council expects net purchases under the pandemic emergency purchase programme (PEPP) to continue to be conducted at a significantly higher pace than during the first months of the year. Bond yields were generally on the downtrend mainly on account of dovish comments from the ECB. The corresponding yields on 10-year German and Italian bonds fell by 2 bps and 9 bps to -0.21% and 0.82%. The yield on 10-year Spanish bonds declined by 5 bps to 0.41%.

The Bank of Japan (BoJ), at its MPC meeting held on 18 June, decided to leave the short-term interest rate unchanged at -0.1% and decided to extend the duration of the Special Program to Support Financing in Response to Covid-19 by six months until the end of March 2022. 10-year Japanese bond traded at 0.06% in June, 3 bps below the preceding month's reading; remaining well within the BOJ's target range of 0% +/- 25bps under its Yield Curve Control policy.

Among larger emerging economies, the People's Bank of China (PBoC) maintained the 1-year and 5-year loan prime rates at 3.85% and 4.65%, respectively. The yield on 10-year Chinese bonds surged from 3.07% to 3.09% in June; mainly on account of rising default risks in China's most economically fragile provinces. In India, the Reserve Bank of India (RBI) at its Monetary Policy Committee (MPC) meeting held on 4 June, unanimously voted in favour of keeping rates unchanged. The repo rate remained at 4.0% under the liquidity adjustment facility (LAF). Retail inflation spiked to 6.30% in May, breaching the RBI's tolerance ceiling of 6%. The US Fed's hawkish commentary combined with falling new Covid-19 cases and higher inflation expectations resulted in 10-year Government of India bond yields rising by 3 bps to 6.05% in June.

Investment options & Contact details

Lump Sum	Minimum MUR 1000	Telephone	202-1111 / 202-3515 / 202-1260
Monthly Savings Plan	Minimum MUR 500	Fax	210-3369
Address	SBM Mauritius Asset Managers Ltd	E-mail	sbm.assetm@sbmgroup.mu
	Level 12, Hennessy Tower	Website	nbfc.sbmgroup.mu/mam
	Pope Hennessy Street, Port Louis		