Factsheet December 2022

# SBM Yield Fund

NAV per share **MUR 11.16**

SBM Mauritius Asset Managers Ltd

## Investment objective

The Fund seeks to achieve its investment objective of long-term capital growth and regular income by investing in fixed income & fixed income-related instruments across different geographies, issuers, maturities and currencies. It may invest in bonds, term deposits, ETFs, preferred stocks, convertible bonds, structured products & mortgage backed securities, amongst others.

## Fund facts

**Investment Manager:** SBM Mauritius Asset Managers Ltd
**Fund Administrator:** SBM Fund Services Ltd
**Registry and Transfer Agent:** SBM Fund Services Ltd
**Custody:** SBM Bank (Mauritius) Ltd
**Auditor:** Deloitte Mauritius
**Benchmark:** 60% GOM 3Y Notes + 40% Barclays Agg Bond Index*
**Distribution:** Quarterly subject to distributable income
**Investor profile:** Moderately Conservative

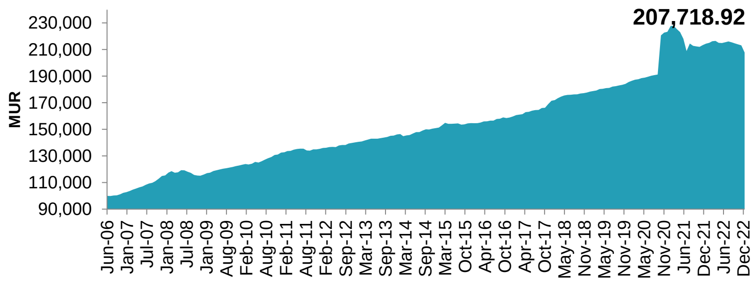
**Inception date:** 30 Jun 2006
**Fund size:** MUR 185.6Mn
**Base currency:** MUR
**Minimum one-off investment:** MUR 1,000
**Monthly investment plan:** MUR 500
**Management fee:** 0.85% p.a.
**Entry fee:** 0.50%
**Exit fee:** 0.50%

## Performance

| Period | 1M | 3M | YTD | 1Y | 3Y | 5Y | Launch | Annualised | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fund | -2.5% | -3.2% | -3.1% | -3.1% | 11.9% | 21.1% | 107.7% | 4.5% | 3.2% | 10.2% | 4.6% | 2.9% | 7.3% | 4.8% |
| Benchmark | 0.4% | 2.0% | -4.6% | -4.6% | 6.3% | 17.3% | 120.0% | 4.9% | -2.6% | 4.7% | 8.5% | 6.0% | 2.5% | 3.1% |

Note: Fund performance is calculated on indicative NAV to NAV. The performance of the index is based on a blended benchmark comprising of 60% GOM 3Y Notes and 40% Bloomberg Barclays Global Aggregate Bond Index (MUR), and rebalanced monthly. Past performance is not indicative of future results. The benchmark return is computed in MUR terms. Annual returns are for the financial year of the Fund, that is, June.

## Growth of MUR 100,000 since inception



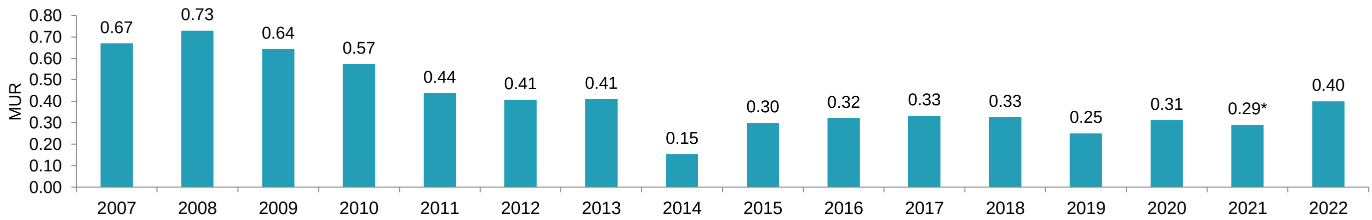

## Fund statistics

| Period | 1Y | 3Y | 5Y | Launch |
|---|---|---|---|---|
| Correlation | 0.04 | -0.02 | -0.02 | 0.00 |
| Regression alpha (%) | -3.00 | 4.11 | 4.38 | 6.50 |
| Beta | 0.03 | -0.06 | -0.04 | 0.00 |
| Annualised volatility | 2.8% | 9.8% | 7.6% | 4.4% |
| Annualised tracking error | 5.2% | 10.4% | 8.2% | 4.7% |

Relative metrics such as alpha, beta and tracking error are computed against the composite index.

| | |
|---|---|
| Average term to maturity (yrs) | 6.34 |
| Gross yield to maturity | 4.76% |
| Duration (yrs) | 4.79 |

## Dividend per Share




**Quarterly dividend distribution as from FY21*

## Asset allocation

| Asset class | % Fund |
|---|---|
| Domestic Fixed Income | 76.8% |
| International Fixed Income | 14.3% |
| Domestic Equity | 0.0% |
| Cash | 8.9% |
| **Total** | **100.0%** |

| Top regions | % Fund |
|---|---|
| Mauritius | 76.8% |
| North America | 11.5% |
| Europe | 1.7% |
| Asia Pacific | 0.7% |
| Others | 0.3% |
| **Total** | **91.0%** |

| Top currency | % Fund |
|---|---|
| Mauritian Rupee | 76.8% |
| US Dollar | 23.2% |
| Euro | 0.0% |
| **Total** | **100.0%** |

## Asset allocation (continued)

| Sector | % Fund |
|---|---|
| Government | 45.4% |
| Financial | 23.0% |
| Diversified | 5.5% |
| Investment | 3.9% |
| Consumer, Cyclical | 3.2% |
| Industrial | 3.1% |
| Property | 2.7% |
| Others | 1.1% |
| Consumer, Non-cyclical | 1.0% |
| Technology | 0.8% |
| Communications | 0.6% |
| Energy | 0.4% |
| Utilities | 0.2% |
| Basic Materials | 0.1% |
| **Total** | **91.0%** |

| Top 10 Holdings | % Fund |
|---|---|
| Government of Mauritius Bond 25/01/28 | 8.6% |
| CIM Financial Services Ltd Notes 31/07/25 | 5.1% |
| iShares Core US Aggregate Bond ETF | 4.5% |
| Fidelity US Dollar Bond "A" (USD) Acc | 3.9% |
| Government of Mauritius Bond 22/01/33 | 3.1% |
| Inflation Indexed Bond 22/05/30 | 2.9% |
| Ciel Notes 02/02/25 | 2.8% |
| Ciel Finance Notes 25/11/31 | 2.7% |
| Gamma Civic Notes 18/06/31 | 2.7% |
| Government of Mauritius Bond 24/06/42 | 2.7% |
| **Total** | **39.0%** |

## Market comments

The Net Asset Value per unit (NAV) of the Fund fell from MUR 11.45 in November to MUR 11.16 in December, equivalent to a return of -2.5% compared to its benchmark return of 0.4%.

On the primary market, the yield on the 91D Treasury Bills remained unchanged at 0.63% as there was no fresh issuance. The 182D Treasury Bills yield surged by 164bps to 4.65% following a net issuance of MUR 750Mn. 364D Treasury Bills worth MUR 500Mn were auctioned at a weighted average yield of 3.25%. The yield on the 3Y GOM Note increased by 127bps to 5.17% following an issuance amount of MUR 1.4Bn. A 10Y GOM Bond worth MUR 2.3Bn was issued at a weighted average yield of 5.93%, 114bps above the previous month's reading. There were no fresh auctions of 5Y, 15Y and 20Y GOM Bonds during the month. On the secondary market, the corresponding yield on the 91D Treasury and 182D Treasury Bills rose by 119bps and 180bps to 3.58% and 4.28% in December, while the yield on the 364D Treasury Bills surged by 157bps to 4.76%. The 3Y GoM Note yield rose by 128bps to 5.09% and the 5Y GOM Note traded at 5.48%, 104bps higher than the earlier month. The yields on the 10Y GOM Bond and 15Y GOM Bond advanced by 65bps and 121bps to reach 5.90% and 6.54%, respectively. The yield on the 20Y GOM Bond surged by 146bps to 6.77%.

The Barclays Global Aggregate Bond index surged by 0.5% in December amid expectations that inflation has peaked, signalling a slower pace of rate hikes by major central banks. The US Federal Reserve (Fed) raised the target Fed Funds rate by 50bps to the 4.25%-4.50% range at its December meeting. The Federal Open Market Committee (FOMC) continued reducing its holdings of Treasury securities, agency debt, and agency mortgage-backed securities, with the cap set at USD 95Bn for December. The 10-year US Treasury yield increased by 27 bps from 3.61% in November to 3.87% in December as the Fed raised its projection for the peak Fed Funds rate by 50 bps to 5.00-5.25% amid a strong labour market.

The Bank of England's Monetary Policy Committee (MPC), at its meeting ending on 14 December 2022, voted by majority to increase the Bank Rate by 50bps to 3.50%. CPI inflation eased to 10.7% in November from 11.1% in October while core inflation tumbled by 0.2 percentage points to 6.3%. The 10-year UK Gilt yields surged by 51 bps to 3.67% in December as the labour market remains tight and inflationary pressures in wages could signal stickier inflation.

The European Central Bank (ECB) decided to raise key ECB interest rates by 50 bps at its December meeting. Accordingly, the interest rate on the main refinancing operations, the interest rate on the marginal lending facility and the deposit facility increased to 2.50%, 2.75% and 2.00%, respectively. The Governing Council announced that from the beginning of March 2023 onwards, the asset purchase programme (APP) portfolio will decline by EUR 15Bn per month on average until the end of Q2 2023. European bond yields were generally on the uptrend as the inflation outlook was revised substantially upward, and quantitative tightening is expected to raise long-term borrowing costs. The corresponding yield on 10-year German and Spanish bonds increased by 64bps and 72bps to 2.57% and 3.66%, respectively. The yield on 10-year Italian bonds surged by 84bps to 4.72 % in December.

The Bank of Japan (BoJ), at its December meeting, left the short-term policy rate unchanged at -0.1% but surprised the markets by widening its yield curve control (YCC) target range. The BoJ expanded the range of 10-year JGB yield fluctuations from the target level of +/- 0.25bps to +/-50bps. The BoJ announced that it will considerably increase its quantitative easing, signalling that the YCC tweak was intended to improve bond market functioning rather than tighten monetary policy. The 10-year JGB yield increased by 17 bps to 0.42% in December.

Among larger emerging economies, the People's Bank of China (PBoC) maintained the 1-year and 5-year loan prime rates at 3.65% and 4.30%, respectively. Headline consumer price inflation fell to 1.6% in November from 2.1% in October, while core inflation remained steady at 0.6%. China reversed its zero-Covid policy by abolishing its lockdowns and quarantine rules. The yield on 10-year Chinese bonds tumbled by 8bps to 2.84%.

In India, the Reserve Bank of India (RBI), at its Monetary Policy Committee (MPC) meeting ending on 7 December 2022, decided to increase the policy repo rate under the liquidity adjustment facility (LAF) by 35bps to 6.25%. Consequently, the standing deposit facility (SDF) rate increased to 6.00% and the marginal standing facility (MSF) rate and the Bank Rate surged to 6.50%. Consumer price inflation eased to 5.9% in November from 6.8% in October, falling below the RBI's upper tolerance limit of 6% for the first time in ten months. India bond yields decreased by 17bps to 7.28% in November as the RBI maintained its hawkish stance.

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