Factsheet Jun 2023

# SBM Yield Fund

NAV per share **MUR 11.51**

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 and 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 and 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

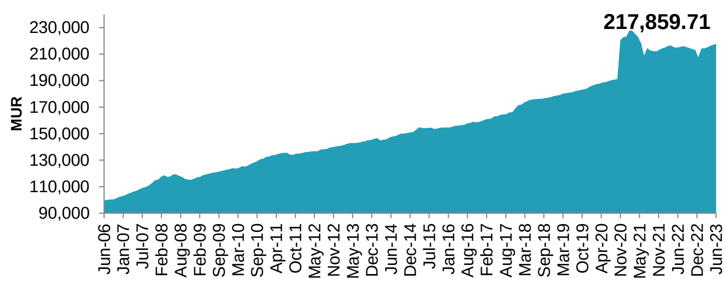
**Inception date:** 30 Jun 2006
**Fund size:** MUR 129.5Mn
**Base currency:** MUR
**Minimum one-off investment:** MUR 1,000
**Monthly investment plan:** MUR 500
**Management fee:** 0.85% p.a.
**Entry fee:** 0.50%
**Exit fee:** 0.50%

## Performance

| Period | 1M | 3M | YTD | 1Y | 3Y | 5Y | Launch | Annualised | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fund | 0.4% | 1.3% | 4.9% | 1.1% | 14.9% | 23.8% | 117.9% | 4.7% | 1.1% | 3.2% | 10.2% | 4.6% | 2.9% | 7.3% |
| Benchmark | 0.2% | 0.1% | 3.8% | 2.1% | 4.2% | 19.7% | 128.4% | 5.0% | 2.1% | -2.6% | 4.7% | 8.5% | 6.0% | 2.5% |

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

## Growth of MUR 100,000 since inception



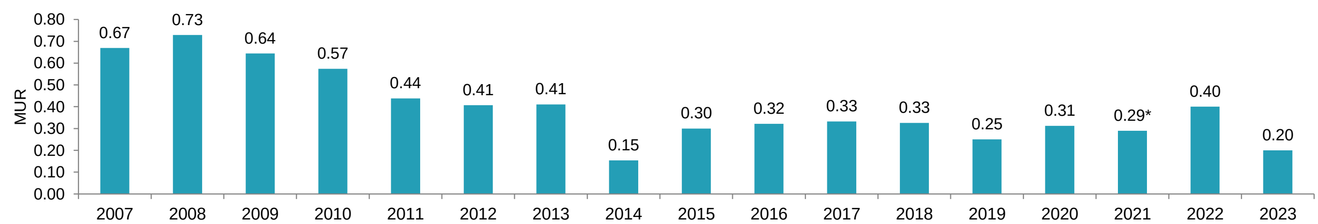

## Fund statistics

| Period | 1Y | 3Y | 5Y | Launch |
|---|---|---|---|---|
| Correlation | 0.50 | 0.06 | 0.05 | 0.06 |
| Regression alpha (%) | 0.19 | 4.75 | 4.29 | 5.90 |
| Beta | 0.44 | 0.16 | 0.12 | 0.14 |
| Annualised volatility | 4.3% | 9.9% | 7.7% | 4.4% |
| Annualised tracking error | 4.7% | 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) | 8.54 |
| Gross yield to maturity | 4.85% |
| Duration (yrs) | 6.21 |

## Dividend per Share




**Quarterly dividend distribution as from FY21*

## Asset allocation

| Asset class | % Fund |
|---|---|
| Domestic Fixed Income | 59.8% |
| International Fixed Income | 36.6% |
| Cash | 3.6% |
| **Total** | **100.0%** |

| Top regions | % Fund |
|---|---|
| Mauritius | 59.8% |
| North America | 26.8% |
| Europe | 3.2% |
| Asia Pacific | 0.5% |
| Others | 6.1% |
| **Total** | **96.4%** |

| Top currency | % Fund |
|---|---|
| Mauritian Rupee | 59.2% |
| US Dollar | 40.7% |
| Euro | 0.1% |
| **Total** | **100.0%** |

## Asset allocation (continued)

| Sector | % Fund |
|---|---|
| Government | 49.0% |
| Financial | 19.7% |
| Others | 7.3% |
| Industrial | 5.2% |
| Consumer, Non-cyclical | 3.8% |
| Technology | 2.7% |
| Investment | 2.4% |
| Communications | 1.9% |
| Consumer, Cyclical | 1.7% |
| Energy | 1.1% |
| Utilities | 1.1% |
| Basic Materials | 0.5% |
| Property | 0.0% |
| Diversified | 0.0% |
| **Total** | **96.4%** |

| Top 10 Holdings | % Fund |
|---|---|
| iShares Core Global AGG Bond | 10.5% |
| iShares Core US Aggregate Bond ETF | 10.3% |
| Fidelity US Dollar Bond "A" (USD) Acc | 8.9% |
| Government of Mauritius Bond 22/01/33 | 4.6% |
| Government of Mauritius Bond 24/06/42 | 4.5% |
| Government of Mauritius Bond 20/08/36 | 4.3% |
| Vanguard Long-Term Bond ETF | 4.2% |
| Government of Mauritius Bond 15/01/36 | 4.1% |
| CIM Financial Services Ltd Notes 31/07/25 | 4.0% |
| Inflation Indexed Bond 22/05/30 | 4.0% |
| **Total** | **59.4%** |

## Market comments

The Net Asset Value per unit (NAV) of the Fund rose from MUR 11.46 in May to MUR 11.51 in June, equivalent to a return of 0.4% while the benchmark posted a return of 0.2%.

On the primary market, the yield on the 91D Treasury Bills surged by 17bps to 4.72% following an auction of MUR 600M. The yield on 182D Treasury Bills fell by 22bps to 4.58% following an issuance of MUR 600M. The BoM auctioned MUR 1.6B of 364D Treasury Bills in two tranches at corresponding weighted average yields of 4.90% and 4.82%. A 3Y GoM Note worth MUR 3.1B was issued at a weighted yield of 4.84%, 19bps lower than the previous one while a 7Y GoM Bond worth MUR 1.8B was issued at a yield of 5.30%, increasing marginally by 2bps. The 20Y GoM Bond yield shed 48bps to 5.71% post an issuance of MUR 3.1B. There were no fresh auctions of 5Y, 10Y and 15Y GoM Bonds during the month. Yields on the secondary market generally trended downwards during the month. While the 91D Treasury Bills traded at 3.90%, 7bps above the preceding month's yield, the corresponding yield on the 182D and 364D Treasury Bills declined by 10bps and 15bps to 4.34% and 4.55%. The 3Y GoM Note and 5Y GoM Bond traded lower by 22bps and 7bps to reach 4.69% and 5.10%, respectively. The 10Y GoM Bond traded at 5.32%, 4bps higher than the previous month, while the yield on 15Y GoM Bond stood at 5.46%, decreasing by 18bps. The 20Y GoM Bond traded at 5.53% against 5.92% in May.

The Barclays Global Aggregate Bond index remained flat in June, as initial expectations of a pause in the rate hiking cycle were offset by the resolute hawkish stance of major central banks amid persistent inflation pressures and robust economic conditions. The US Federal Reserve (Fed) decided to leave the target Fed Funds rate unchanged at the 5.00%-5.25% range at its June 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 95B for June. The Fed Chairman noted that Fed is not done hiking rates and did not rule out the possibility of rate hikes being announced at consecutive policy meetings. The 10-year US Treasury yield surged by 20bps from 3.64% in May to 3.84% in June on expectations that the Fed is likely to continue its interest rate hiking cycle.

The Bank of England's Monetary Policy Committee (MPC), at its meeting ending on 21 June 2023, voted by a majority to increase the Bank Rate by 50bps to 4.50%. The BoE acknowledged that domestic price and wage inflation generated by external shocks are expected to take longer to dissipate amid a tight labour market and continued resilience in demand. UK CPI inflation remained unchanged at 8.7% in May, while core inflation rose by 0.3 percentage points to 6.5%, the highest rate since November 1991. The 10-year UK Gilt yields increased by 21bps to 4.39%.

The European Central Bank (ECB) raised key ECB interest rates by 25bps at its June meeting. Accordingly, the interest rate on the main refinancing operations, the interest rates on the marginal lending facility and the deposit facility stood at 4.00%, 4.25% and 3.50%, respectively. The asset purchase programme (APP) portfolio declined by EUR 15B in June 2023. According to the Eurostat, Eurozone's annual core inflation increased by 0.1 percentage point to 5.4% in June 2023. European bond yields generally trended higher as the ECB is expected to continue its monetary tightening cycle amid stubbornly high core inflation levels. The corresponding yield on 10-year German and Spanish bonds increased by 11bps and 5bps to 2.39% and 3.39%, respectively. The yield on 10-year Italian bonds declined by 1bps to 4.07% in June.

The Bank of Japan (BoJ) maintained the short-term interest rate unchanged at -0.1% and did not alter its yield curve control scheme in June 2023. The core inflation rate in Japan tumbled to 3.2% in May from 3.4% in April but remained well above the BoJ's 2% target. The BoJ expects to maintain its ultra-easy monetary policy until there is clear evidence of a more demand-driven, sustained price surge. 10-year JGBs traded at 0.40% in June, 4bps below the preceding month's reading as the BoJ reiterated its dovish stance.

Among larger emerging economies, the People's Bank of China (PBoC) cut the 1-year and 5-year loan prime rates by 10bps to 3.55% and 4.20%, respectively. China implemented its first key lending rate cuts in 10 months to support the post-pandemic economic rebound, which is showing signs of losing its initial momentum observed during the first quarter. The yield on 10-year Chinese government bonds decreased by 7bps to 2.64% in June. In India, the Reserve Bank of India (RBI), at its Monetary Policy Committee (MPC) meeting ending on 8 June 2023, maintained the policy repo rate under the liquidity adjustment facility (LAF) at 6.50%. Consequently, the standing deposit facility (SDF) rate stood at 6.25% and the marginal standing facility (MSF) rate and the Bank Rate stood at 6.75%.10-year Government of India bond yields increased from 6.99% to 7.12% in June as the RBI signalled tightened monetary conditions in order to clamp down inflation to its 4% target.

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