

RATING ANNOUNCEMENT

GCR assigns Nedgroup Investments Core Income Fund a national scale fund rating of AA_{(ZA)(f)}; Stable Outlook

Rating action

Johannesburg, 20 May 2025 – GCR Ratings (GCR) has assigned Nedgroup Investments Core Income Fund a national scale fund rating of AA_{(ZA)(f)} with a Stable Outlook.

Rated entity / issue	Rating class	Rating scale	Rating	Outlook/Watch
Nedgroup Investments Core Income Fund	Fund rating	National Scale	AA _{(ZA)(f)}	Stable Outlook

Fund data/summary

Fund inception date	1 July 2005
Fund currency	South African Rand
Assets under management (AUM)	ZAR57.97Bn(\$3.17Bn)*
Fund benchmark	SteFI Composite Index
Net asset value (NAV)	Market Value (Variable NAV)

*As at 31 March 2025

Rating rationale

Fund profile: The Nedgroup Investments Core Income Fund (NEDCIF) is a fixed income fund which aims to achieve returns in excess of those generated by money market funds. The fund seeks to maximise interest income, whilst preserving capital and offering sufficient liquidity, attracting primarily corporate and institutional investors.

Weighted Average Credit Quality (WACQ): The Nedgroup Core Income Fund has maintained a stable Weighted Average Credit Quality (WACQ) over time, with GCR's unadjusted twelve-month score standing at 17.25, reflecting the fund's consistently high-quality portfolio. As of 31 March 2025, the fund's holdings were primarily concentrated in money market instruments issued by South African banks. The country's top five banks made up 79.06% of total exposure, led by Standard Bank at 24.47%, followed closely by Nedbank and FirstRand Bank. The uplift in the WACQ score also reflects an increase in the funds' exposure to highly rated foreign banks, further enhancing overall credit quality.

Maturity & Duration: The fund maintains strict duration controls, with its Weighted Average Duration (WAD) capped at 180 days and its Weighted Average Maturity (WAM) limited to three and a half years. Additionally, no individual portfolio asset may have a final maturity exceeding seven years. Over the past 12 months, the fund reported an average WAD of 52 days and an average WAM of 1,051 days (approximately 2.88 years), both well within the prescribed limits. Based on these figures, the fund's average compliance score for WAM and WAD was assessed at -0.25, indicating a conservative positioning relative to the allowable thresholds.

Sustainability assessment: The sustainability assessment is neutral to the rating. The fund has constantly outperformed its benchmark. The investment management function is outsourced to Taquanta Asset Management (Taquanta), a specialist cash and fixed income asset manager with a stable management and investment team. GCR believes the fund is managed within a very strong control environment and the capacity, capability and competence of the Taquanta team facilitate achievement of performance objectives set within mandate constraints.

Liquidity: Liquidity management is a key strength of the Core Income Fund, supported by a high proportion of liquid instruments, including NCDs from the big four banks, which are easily redeemable and highly active in the secondary market. Although the fund carries longer-dated instruments compared to money market funds, it does so without compromising liquidity. The use of structured notes backed by government bonds, callable deposits, and extendable notes with clearly defined maturities ensures the portfolio remains liquid and flexible. Moreover, Taquanta leverages an internal market mechanism to transfer assets between portfolios when needed, providing a valuable secondary liquidity buffer. An uplift of 0.50 has been applied to the fund's liquidity rating to reflect its superior liquidity management relative to peers. While income funds generally employ less conservative liquidity strategies compared to money market funds, the adjustment acknowledges the fund's effective approach to liquidity, which exceeds typical standards observed within the income fund category.

Total score: Although the fund achieved a total score of 17.50, indicative of a potential AA⁺_{(ZA)(f)} rating, GCR has decided to assign the rating at AA_{(ZA)(f)}. This decision reflects the presence of certain risk factors that could lead to a reduction in the overall score. Notably, the fund's ability to invest in instruments with maturities of up to 3.5 years warrants a score of -2.0, which could impact the score should the fund's weighted average maturity increase. Additionally, the current level of foreign bank exposure, which contributes positively to the score, is not expected to remain at the same elevated levels. A decline in this exposure would result in a further decrease in the total score. Therefore, the assigned rating of AA_{(ZA)(f)} incorporates these potential downside risks.

Outlook statement

The Stable Outlook reflects our expectation that the fund will continue to maintain a weighted average credit quality (WACQ) supported predominantly by top-tier banks. We also anticipate continued growth in assets under management (AUM), strong performance relative to benchmarks, and the preservation of robust liquidity levels.

Rating triggers

An upgrade could be considered if the WACQ remains consistently high and/or the investment mandate is adjusted to reflect a more conservative approach to maturity risk. Conversely, a material deterioration in asset quality, a significant decline in liquidity, or an increase in the fund's duration and maturity profile could lead to a downward rating adjustment.

Analytical Contacts

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Related criteria and research

Criteria for Fund Ratings – May 2024

Criteria for the GCR Ratings Framework – May 2024

GCR Rating Scales Symbols and Definitions – May 2023

Ratings history

Nedgroup Investments Money Market Fund

Rating class	Review	Rating scale	Rating	Outlook/Watch	Date
Fund Rating	Initial	National Scale	AA _(ZA) (f)	Stable outlook	March 2016
Fund Rating	Last	National Scale	WD _(ZA) (f)	n.a.	March 2024

n.a.: Not applicable

Risk score summary

Fund Rating Factors	Risk Scores
Credit Quality	17.25
Weighted Average Credit Quality (WACQ)	17.25
Adjustments	0.00
Maturity and Interest Rate Risk (average)	-0.25
Weighted Average Maturity (WAM) Assessment	-1.5
Weighted Average Duration (WAD) Assessment	1.00
Sustainability Assessment	0.00
Franchise Strength and Manager Track Record	0.00
Performance	0.00
Liquidity	0.50
Liquidity Assessment	0.50
Adjustments	0.00
Total Score	17.50

Glossary

Asset Quality	Refers primarily to the credit quality of a bank's earning assets, the bulk of which comprises its loan portfolio, but will also include its investment portfolio as well as off balance sheet items. Quality in this context means the degree to which the loans that the bank has extended are performing (ie, being paid back in accordance with their terms) and the likelihood that they will continue to perform.
Asset	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
Assets	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
Bond	A long term debt instrument issued by either a company, institution or the government to raise funds.
Callable	A provision that allows an Issuer the right, not the obligation, to repurchase a security before its maturity at an agreed price. The seller has the obligation to sell the security if the call option holder exercises the option.
Capacity	The largest amount of insurance available from a company. In a broader sense, it can refer to the largest amount of insurance available in the marketplace.
Capital	The sum of money that is invested to generate proceeds.
Cash	Funds that can be readily spent or used to meet current obligations.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
Environment	The surroundings or conditions in which an entity operates (Economic, Financial, Natural).
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding. In insurance, it refers to an individual or company's vulnerability to various risks
Fix	The setting of a currency or commodity price for trade at a future date.
Income	Money received, especially on a regular basis, for work or through investments.
Index	An assessment of the property value, with the value being compared to similar properties in the area.
Institutional Investors	Financial institutions such as pension funds, asset managers and insurance companies, which invest large amounts in financial markets on behalf of their clients.
Interest Rate Risk	The potential for losses or reduced income arising from adverse movements in interest rates.
Interest Rate	The charge or the return on an asset or debt expressed as a percentage of the price or size of the asset or debt. It is usually expressed on an annual basis.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Mandate	Authorisation or instruction to proceed with an undertaking or to take a course of action. A borrower, for example, might instruct the lead manager of a bond issue to proceed on the terms agreed.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Portfolio	A collection of investments held by an individual investor or financial institution. They may include stocks, bonds, futures contracts, options, real estate investments or any item that the holder believes will retain its value.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.

Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Secondary Market	The secondary market is where securities are bought and sold once they have been issued in the primary markets.
Securitisation	A process of repackaging portfolios of cash-flow producing financial instruments into securities for sale to third parties.
Structured Finance	A method of raising funds in the capital markets. A Structured Finance transaction is established to accomplish certain funding objectives whilst reducing risk.
Upgrade	The rating has been raised on its specific scale.
Weighted Average	An average resulting from the multiplication of each component by a factor reflecting its importance or, relative size to a pool of assets or liabilities.
Weighted	The weight that a single obligation has in relation to the aggregated pool of obligations. For example, a single mortgage principal balance divided by the aggregated mortgage pool principal balance.



Salient points of accorded rating

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to the rated entity.

The ratings above were solicited by, or on behalf of, the rated entity.

The rated entity participated in the rating process via in person interaction and/or via online virtual interaction and/or via electronic and/or verbal communication and correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit ratings included:

- A breakdown of the fund investment portfolio from April 2024 to March 2025
- Details regarding the fund management, investment management and administration activities of the fund
- Exchange rate source: <https://www.bloomberg.com/quote/USDZAR:CUR> ZAR18.2548: \$1 as at 15/05/2025

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