

RATING ANNOUNCEMENT

GCR assigns Nedgroup Investments Money Market 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 Money Market 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 Money Market Fund	Fund rating	National Scale	AA+(ZA)(f)	Stable Outlook

Fund data/summary

Fund inception date	31 March 2000
Fund currency	South African Rand
Assets under management (AUM)	ZAR22.27Bn(\$1.22 Bn)*
Fund benchmark	SteFI Call Deposit Index
Net asset value (NAV)	Targeted constant price of R1.00

*as at 31 March 2025

Rating rationale

Fund profile: The Nedgroup Investments Money Market Fund (NEDMMF) is a traditional, conservative South African unit trust managed by Taquanta Asset Managers. The fund aims to preserve capital, provide high liquidity and generate competitive interest income. It invests in a diversified portfolio of high-quality, short-term money market instruments issued by banks, corporates, and government entities.

Weighted Average Credit Quality (WACQ): GCR's twelve-month WACQ score for the fund stands at 17.00, reflecting a high-quality portfolio composition. As of 31 March 2025, the fund was primarily invested in exposures to South Africa's top five banks. The largest individual exposures were to Nedbank, FirstRand Bank, and Standard Bank. Additional holdings included foreign banks and South African government Treasury Bills, further supporting the fund's credit quality. Concentration in top-tier South African banks is typical for money market funds, given their systemic importance and strong liquidity profiles; no negative adjustment has been made for this exposure pattern.

Maturity & Duration: The fund is subject to a Weighted Average Duration (WAD) limit of 90 days and a Weighted Average Maturity (WAM) limit of 120 days, with a maximum tenor of 13 months for any individual portfolio asset. Over the twelve months to March 2025, the fund's WAD averaged 76 days, consistently remained within the prescribed 90-day limit each month. However, the WAM exceeded the 120-day limit in eight out of the 12 months under review. These breaches were promptly addressed and rectified at the beginning of the subsequent month, in line with regulatory requirements.

The fund's average WAM of 123 days technically falls within a lower scoring band of +0.5, however GCR has applied a +1 score in recognition of the unique liquidity dynamics of its investor base. The fund primarily serves corporate investors, whose end-of-month liquidity requirements often lead to temporary withdrawals that artificially elevate the WAM. These periodic spikes are understood to reflect client behaviour rather than structural or operational deficiencies in portfolio management. GCR notes that, based on available information, the WAM would consistently fall within acceptable bounds if assessed at points other than month-end.

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 core strength of the Nedgroup Money Market Fund. The fund is structured to handle significant cash flow volatility brought on by corporate investors. This is supported by a portfolio heavily weighted towards Negotiable Certificates of Deposit (NCDs) issued by major South African banks, which are highly liquid and can be liquidated same-day in large volumes. In addition, the fund benefits from Taquanta's internal secondary market, allowing repositioning within the firm's broader fund ecosystem to avoid forced sales and minimize transaction costs.

Total Score: Although the fund's total score stands at 18.00 which could map to a AAA_{(ZA)(f)} rating, its sensitivity to fluctuations in foreign bank exposures and government treasury bills remains a key consideration. These exposures, while beneficial to the fund's overall credit quality, are not currently governed by a formal mandate or minimum allocation threshold. As a result, the WACQ may be subject to variability depending on changes in portfolio composition, particularly regarding foreign bank holdings. To mitigate potential rating volatility arising from this sensitivity, GCR has assigned the fund's rating at AA⁺_{(ZA)(f)}. Should the fund formalise a mandate that includes a defined minimum exposure to government treasury bills or similarly highly rated instruments, GCR would reassess the rating and consider an upgrade to AAA_{(ZA)(f)}, reflecting the enhanced stability and predictability in credit quality.

Outlook statement

The stable outlook reflects our expectation that the fund will continue to maintain a WACQ supported predominantly by top-tier banks, alongside growing sovereign exposure.

Rating triggers

An upgrade could be considered if the Weighted Average Credit Quality (WACQ) increases and is consistently maintained above 18.25, along with the introduction of an explicit minimum exposure mandate to highly rated instruments such as treasury bills and foreign bank paper. Conversely, a material deterioration in asset quality or a significant decline in liquidity could result in a downward rating adjustment.

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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	17.00
Weighted Average Credit Quality (WACQ)	17.00
Adjustments	0.00
Maturity and Interest Rate Risk (average)	1.00
Weighted Average Maturity (WAM) Assessment	1.00
Weighted Average Duration (WAD) Assessment	1.00
Sustainability Assessment	0.00
Franchise Strength and Manager Track Record	0.00
Performance	0.00
Liquidity	0.00
Liquidity Assessment	0.00
Adjustments	0.00
Total Score	18.00

Glossary

Agency	An insurance sales office which is directed by an agent, manager, independent agent, or company manager.
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.
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 Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Cash	Funds that can be readily spent or used to meet current obligations.
Credit Rating Agency	An entity that provides credit rating services.
Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
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
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
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.
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.
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.
Reserve	(1) An amount representing actual or potential liabilities kept by an insurer to cover debts to policyholders. (2) An amount allocated for a special purpose. Note that a reserve is usually a liability and not an extra fund. On occasion a reserve may be an asset, such as a reserve for taxes not yet due.
Risk Management	Process of identifying and monitoring business risks in a manner that offers a risk/return relationship that is acceptable to an entity's operating philosophy.
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.
Security	One of various instruments used in the capital market to raise funds.
Short Term	Current; ordinarily less than one year.
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.
Tenor	The time from the value date until the expiry date of an instrument, typically a loan or option.
Transaction	A transaction that enables an Issuer to issue debt securities in the capital markets. A debt issuance programme that allows an Issuer the continued and flexible issuance of several types of securities in accordance with the programme terms and conditions.
Treasury Bill	Short-term obligation backed by the government that bears no interest and is sold at a discount.
Trust	A third party that acts in the best interest of another party, according to the trust deed, usually the investors. Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
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.
Yield	Percentage return on an investment or security, usually calculated at an annual rate.

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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