Factsheet Sep 2023

SBM Yield Fund

NAV per share **MUR 11.46**

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

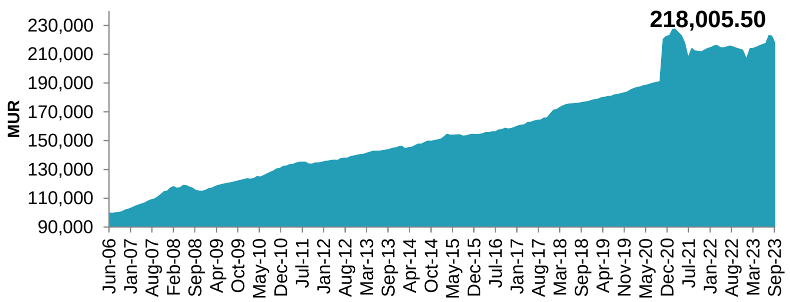
Inception date: 30 Jun 2006
Fund size: MUR 125.5Mn
Base currency: MUR
Minimum one-off investment: MUR 1,000
Monthly investment plan: MUR 500
Management fee: 0.85% p.a.
Entry fee: 0.50%
Exit fee: 0.50%

Performance

Period	1M	3M	YTD	1Y	3Y	5Y	Launch	Annualised	2023	2022	2021	2020	2019	2018
Fund	-2.2%	0.1%	5.0%	1.6%	14.0%	23.2%	118.0%	4.6%	1.1%	3.2%	10.2%	4.6%	2.9%	7.3%
Benchmark	-1.9%	-1.8%	1.9%	3.9%	1.1%	17.6%	124.2%	4.8%	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



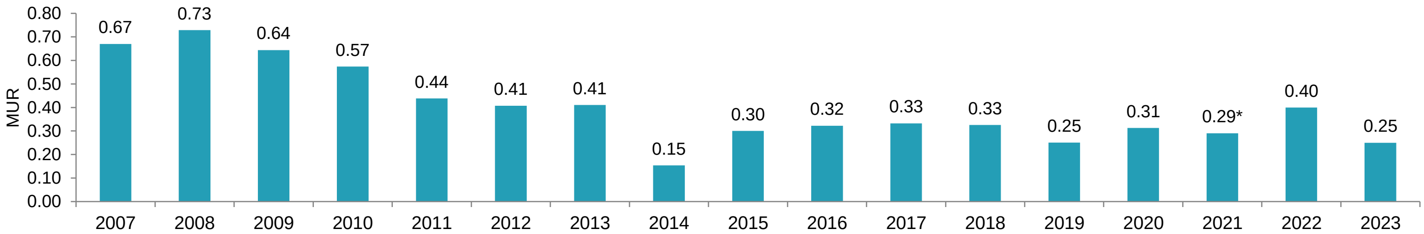
Fund statistics

Period	1Y	3Y	5Y	Launch
Correlation	0.61	0.12	0.10	0.10
Regression alpha (%)	-1.41	4.56	3.84	5.15
Beta	0.77	0.31	0.23	0.23
Annualised volatility	5.6%	10.1%	7.8%	4.5%
Annualised tracking error	4.5%	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)	8.78
Gross yield to maturity	4.83%
Duration (yrs)	6.47

Dividend per Share



**Quarterly dividend distribution as from FY21*

Asset allocation

Asset class	% Fund
Domestic Fixed Income	61.9%
International Fixed Income	35.8%
Cash	2.3%
Total	**100.0%**

Top regions	% Fund
Mauritius	61.9%
North America	26.2%
Europe	5.1%
Asia Pacific	3.0%
Others	1.4%
Total	**97.6%**

Top currency	% Fund
Mauritian Rupee	60.4%
US Dollar	39.5%
Euro	0.1%
Total	**100.0%**

Asset allocation (continued)

Sector	% Fund
Government	52.5%
Financial	22.3%
Industrial	5.2%
Consumer, Non-cyclical	3.3%
Technology	3.1%
Investment	2.5%
Others	2.5%
Communications	2.1%
Consumer, Cyclical	1.7%
Energy	1.0%
Utilities	1.0%
Basic Materials	0.4%
Property	0.0%
Diversified	0.0%
Total	**97.6%**

Top 10 Holdings	% Fund
iShares Core Global AGG Bond	10.0%
iShares Core US Aggregate Bond ETF	9.9%
Fidelity US Dollar Bond "A" (USD) Acc	8.7%
Government of Mauritius Bond 22/01/33	5.1%
Government of Mauritius Bond 24/06/42	5.1%
Government of Mauritius Bond 20/08/36	4.7%
Government of Mauritius Bond 15/01/36	4.5%
Vanguard Long-Term Bond ETF	4.4%
Inflation Indexed Bond 22/05/30	4.2%
Government of Mauritius Bond 20/05/37	4.1%
Total	**60.7%**

Market comments

The Net Asset Value per unit (NAV) of the Fund fell from MUR 11.77 in August to MUR 11.46 in September, equivalent to a return of -2.2% while the benchmark posted a return of -1.9%.

On the primary market, the yield on the 91D Treasury Bills increased by 11bps to 3.26% post a net issuance of MUR 1B. The yields on the 182D Treasury Bills and 364D Treasury Bills both surged by 25bps to reach 3.43% and 3.59%, respectively, following corresponding auctions of MUR 1.1B and MUR 850M. A 3Y GoM Note worth MUR 2.1B was issued at a weighted yield of 3.79%, 16bps above the preceding rate. The 10Y GoM Bond yield fell by 84bps to 4.41% following an issuance of MUR 2.3B. There were no fresh auctions of 5Y, 7Y, 15Y and 20Y GoM Bonds during the month. Yields on the secondary market maintained an upward trajectory during the month. The 91D Treasury Bills and the 182D Treasury Bills both traded higher by 13bps to reach 3.24% and 3.32%, respectively. The 364D Treasury Bills traded at a yield of 3.48%, 17bps above the preceding month's close. The corresponding yield on the 3Y GoM Note and 5Y GoM Bond rose by 10bps and 9bps to reach 3.73% and 3.95%. The 10Y GoM Bond traded at 4.37%, 6bps higher, while the yield on 15Y GoM Bond reached 4.65%, up by 11bps. The 20Y GoM Bond traded at a yield of 4.98% against 4.71% in August.

The Barclays Global Aggregate Bond index registered -2.9% in September as the market adjusted to a higher interest rate regime amid tight labour markets and surging oil prices. The US Federal Reserve (Fed) decided to maintain the target Fed Funds rate at the 5.25%-5.50% range at its September meeting yet preserved the prospect of an additional rate hike at the forthcoming meeting. In the September 2023 Summary of Economic Projections, the Fed lowered its unemployment and core inflation projections for 2023 but increased its 2024 rate projection 2024 by 0.5 percentage points to 5.1%. 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 September. The 10-year US Treasury yield surged by 46bps 4.11% in August to 4.57% in September following a sharp repricing towards a higher for longer regime for US rates.

The Bank of England's Monetary Policy Committee (MPC), at its meeting ending on 20 September 2023, voted by a majority of 5-4 to maintain the Bank Rate at 5.25%. According to the latest MPC projections, CPI inflation is expected to return to the 2% target by Q2 2025. The BoE agreed to reduce the stock of UK government bond purchases held for monetary policy purposes by GBP 100B over the next year. The BoE anticipates that the lags in monetary policy effects imply that significant impacts from previous rate hikes are yet to materialise. The 10-year UK Gilt yields increased by 8bps to 4.44% in September, primarily on account of the Europe-wide bond sell-off.

The European Central Bank (ECB) decided to raise key ECB interest rates by 25 bps at its September meeting. Accordingly, the interest rate on the main refinancing operations, the interest rates on the marginal lending facility and the deposit facility stood at 4.50%, 4.75% and 4.00%, respectively. The asset purchase programme (APP) portfolio is declining steadily as the Eurosystem has stopped reinvesting the principal payments from maturing securities. The ECB is considering measures to drain the excess liquidity during its next monetary policy tightening phase, aiming to enhance monetary policy transmission. According to the Eurostat, Eurozone's annual core inflation declined by 0.8 percentage points to 4.5% in September 2023. European bond yields generally trended higher due to concerns over Italy's fiscal sustainability following its revision of fiscal targets. The corresponding yield on 10-year German and Spanish bonds increased by 37bps and 45bps to 2.84% and 3.93%. The yield on 10-year Italian bonds surged by 66bps to 4.78% in September.

The Bank of Japan (BoJ) decided to maintain the short-term interest rate unchanged at -0.1%. Since the BoJ tweaked its yield curve control policy in July 2023, market participants expect the central bank to exit its ultra-loose monetary policy gradually. The inflation rate in Japan edged down by 0.1 percentage point to 3.2% in August but remained well above the BoJ's 2% target. 10-year JGBs traded at 0.77% in September, 11bps above the preceding month's reading amid the upward pressure in global interest rates.

Among larger emerging economies, the People's Bank of China (PBoC) maintained the 1-year and 5-year loan prime rates at 3.45% and 4.20%, respectively. The PBoC reduced the reserve requirement ratio (RRR) by 25bps for all banks, excluding those already complying with a 5% reserve ratio. The yield on 10-year Chinese government bonds increased by 10bps to 2.68% in September, mainly on account of better-than-expected economic data. In India, no Monetary Policy Committee (MPC) meeting was held during the month. The policy repo rate under the liquidity adjustment facility (LAF) stood at 6.50%. 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 7.16% to 7.22% in September amid the surge in oil prices.

Contact

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