Factsheet Oct 2023

SBM Yield Fund

NAV per share **MUR 11.25**

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

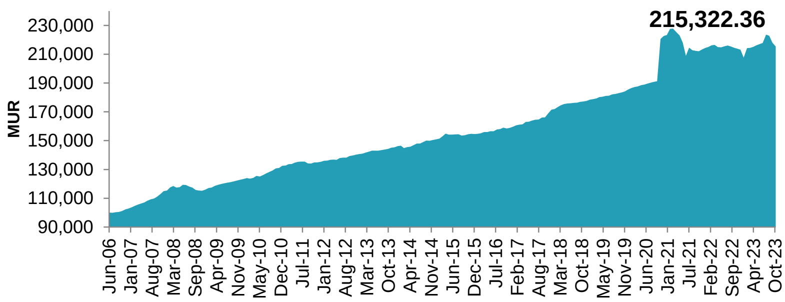
Inception date: 30 Jun 2006
Fund size: MUR 123.3Mn
Base currency: MUR
Minimum one-off investment: MUR 1,000
Monthly investment plan: MUR 500
Management fee: 0.85% p.a.
Entry fee: 0.50%
Exit fee: 0.50%

Performance

Period	1M	3M	YTD	1Y	3Y	5Y	Launch	Annualised	2023	2022	2021	2020	2019	2018
Fund	-1.2%	-3.7%	3.7%	0.7%	-2.4%	21.5%	115.3%	4.5%	1.1%	3.2%	10.2%	4.6%	2.9%	7.3%
Benchmark	-0.5%	-2.9%	1.4%	3.9%	0.4%	16.8%	123.2%	4.7%	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



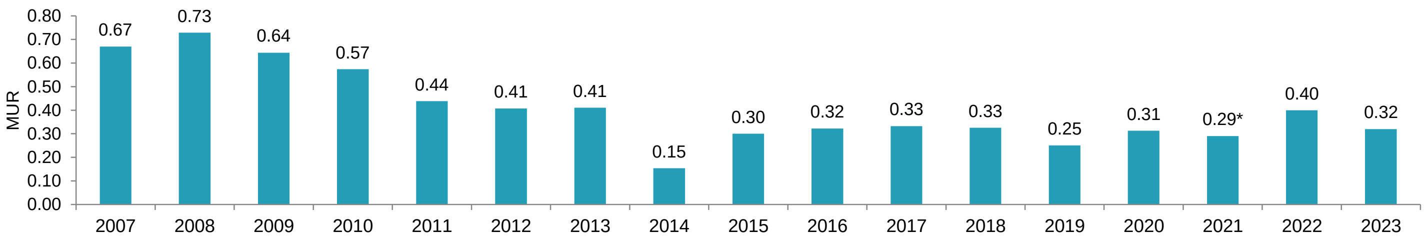
Fund statistics

Period	1Y	3Y	5Y	Launch
Correlation	0.63	0.20	0.11	0.11
Regression alpha (%)	-2.44	-0.84	3.48	4.85
Beta	0.80	0.25	0.25	0.25
Annualised volatility	5.7%	4.9%	7.9%	4.5%
Annualised tracking error	4.6%	5.6%	8.2%	4.7%

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

Average term to maturity (yrs)	8.71
Gross yield to maturity	4.80%
Duration (yrs)	6.37

Dividend per Share



**Quarterly dividend distribution as from FY21*

Asset allocation

Asset class	% Fund
Domestic Fixed Income	62.6%
International Fixed Income	32.6%
Cash	4.8%
Total	**100.0%**

Top regions	% Fund
Mauritius	62.6%
North America	23.1%
Europe	5.0%
Asia Pacific	3.1%
Others	1.4%
Total	**95.2%**

Top currency	% Fund
Mauritian Rupee	60.7%
US Dollar	39.3%
Euro	0.0%
Total	**100.0%**

Asset allocation (continued)

Sector	% Fund
Government	56.0%
Financial	15.9%
Investment	8.1%
Industrial	4.9%
Others	2.3%
Consumer, Non-cyclical	2.1%
Technology	1.6%
Communications	1.3%
Consumer, Cyclical	1.1%
Utilities	0.8%
Energy	0.8%
Basic Materials	0.3%
Property	0.0%
Diversified	0.0%
Total	**95.2%**

Top 10 Holdings	% Fund
iShares Core Global AGG Bond	10.0%
Fidelity US Dollar Bond "A" (USD) Acc	8.7%
Government of Mauritius Bond 22/01/33	5.2%
Government of Mauritius Bond 24/06/42	5.1%
iShares Core US Aggregate Bond ETF	4.9%
Government of Mauritius Bond 20/08/36	4.8%
Government of Mauritius Bond 15/01/36	4.5%
Inflation Indexed Bond 22/05/30	4.3%
Vanguard Long-Term Bond ETF	4.2%
CIM Financial Services Ltd Notes 31/07/25	4.2%
Total	**55.9%**

Market comments

The Net Asset Value per unit (NAV) of the Fund fell from MUR 11.46 in September to MUR 11.25 in October, equivalent to a return of -1.2%, after declaring a dividend of MUR 0.07 per unit. As a comparison, the benchmark posted a return of -0.5%.

On the primary market, the yield on the 91D Treasury Bills marginally declined by 1bp to 3.25% following an auction of MUR 700M. The yield on 182D Treasury Bills increased by 13bps to reach 3.56% post an issuance of MUR 600M. The GoM auctioned MUR 2.4B of 364D Treasury Bills in two tranches at corresponding weighted average yields of 3.62% and 3.70%. A 3Y GoM Note worth MUR 2.5B was issued at a weighted yield of 4.04%, 25bps above the previous month’s rate. The 5Y GoM Bond yield surged by 66bps to 4.45% following a net issuance of MUR 5.1B. There were no fresh auctions of 7Y, 10Y, 15Y and 20Y GoM Bonds during the month. Yields on the secondary market generally trended upwards during the month. The 91D Treasury Bills traded at a yield of 3.29%, 5bps above the preceding month. The 182D and 364D Treasury Bills traded higher by 15bps and 16bps, respectively, to 3.47% and 3.64%. The corresponding yield on the 3Y GoM Note and 5Y GoM Bond rose by 22bps and 14bps to reach 3.95% and 4.08%. The 10Y GoM Bond traded at 4.53%, 16bps higher than last month, while the yield on the 15Y GoM Bond reached 4.84%, up by 19bps. The 20Y GoM Bond traded at a yield of 5.09% against 4.98% in September.

The Barclays Global Aggregate Bond index registered -1.2% in October, reflecting market expectations that central banks might maintain elevated interest rates to curb inflation amidst signs of economic resilience. The US Federal Reserve (Fed) is expected to maintain the target Fed Funds rate at the 5.25%-5.50% range at its November 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 October. Fed Chairman Jerome Powell emphasised the Fed's commitment to lowering inflation to the 2% target and suggested that rate cuts are unlikely to come this year. The 10-year US Treasury yield surged by 36bps from 4.57% in September to 4.93% in October amid worries over fiscal sustainability and mounting evidence that the US economy remains resilient.

In the UK, no Monetary Policy Committee (MPC) meeting was held during the month. The Bank Rate stood at 5.25% after the pause at the September meeting. According to the latest MPC projections, CPI inflation is expected to return to the 2% target by Q2 2025, with risks skewed to the upside. The BoE agreed to reduce the stock of UK government bond purchases held for monetary policy purposes by GBP 100 billion over the next year. UK CPI inflation remained unchanged at 6.7% in September, while core inflation fell by 0.1 percentage point to 6.1%. The 10-year UK Gilt yields increased by 8 bps to 4.51% in October as core inflation remains sticky.

The European Central Bank (ECB) decided to keep the key ECB interest rates unchanged at its October 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 Governing Council considers that interest rates are at levels that, maintained for a sufficiently long duration, will help bring inflation to its 2% medium-term target. According to the Eurostat, Eurozone's annual core inflation declined by 0.3 percentage points to 4.2% in October 2023. European bond yields generally trended lower amid lower-than-expected inflation readings and conflict in the Middle East prompted a modest bid for safe-haven Bunds. The corresponding yield on 10-year German and Spanish bonds declined by 3bps and 5bps to 2.81% and 3.88%. The yield on 10-year Italian bonds fell by 5bps to 4.73% in October.

The Bank of Japan (BoJ) decided to maintain the short-term interest rate unchanged at -0.1%. At its October meeting, the BoJ announced the removal of the 1% hard ceiling on 10-year Japanese government bonds (JGBs) yield. The inflation rate in Japan edged down by 0.2 percentage points to 3.0% in September but remained well above the BoJ’s 2% target. 10-year JGBs traded at 0.95% in October, 18bps above the preceding month’s reading, as the BoJ tweaked its yield curve control policy.

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. China's economic indicators signal a potential stabilisation, with Q3 GDP growth exceeding expectations and key September data - covering retail sales, industrial production, and employment - pointing to a gathering economic momentum. The yield on 10-year Chinese government bonds increased by 11bps to 2.69% in October. In India, the Reserve Bank of India (RBI), at its Monetary Policy Committee (MPC) meeting ending on 6 October 2023, decided to maintain the policy repo rate under the liquidity adjustment facility (LAF) at 6.50%. Consequently, the standing deposit facility (SDF) rate stood at 6.25% while the marginal standing facility (MSF) rate and the Bank Rate stood at 6.75%. Government of India bond yields increased from 7.22% to 7.36% in October, tracking the surge in US Treasury yields.

Contact

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