

## RATING ANNOUNCEMENT

GCR assigns Nedgroup Investments Corporate 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 Corporate Money Market Fund (NEDCMMF) a national scale fund rating of AA+(ZA)(F) with Stable outlook.

Rated entity/issue	Rating class	Rating scale	Rating	Outlook/Watch
Nedgroup Investments Corporate Money Market Fund	Fund Rating	National Scale	AA+(ZA)(f)	Stable outlook

### Fund data/summary

Fund inception date	20 September 2012
Fund currency	South African Rand
Assets under management (AUM)	ZAR44.8Bn (\$2.4Bn)*
Fund benchmark	STeFI Call Deposit Index (STeFI Call)
Net asset value (NAV)	Targeted constant price of ZAR1.00

\*as at March 2025

### Rating rationale

**Fund profile:** NEDCMMF is a conservative fixed income fund which aims to maximise interest income, while preserving capital and providing immediate liquidity. To achieve liquidity, NEDCMMF predominantly invests in money market instruments issued by the big four local banks and can invest in foreign banks and government money market instruments.

**Weighted Average Credit Quality (WACQ):** The WACQ has remained consistent over time. The fund exposures are predominantly South African banks money market instruments. This counterparty concentration to banks does not negatively affect the score, as this is a common feature observed in South African money market funds and large domestic banks are typically of high credit quality. The assigned score of 17.00 reflects the average credit quality observed over a 12-month period to March 2025. On average the local banks account for 89.0% of the portfolio followed by foreign banks at 7.0%. The balance of the fund is invested in Government treasury bills.

**Maturity & Duration:** The weighted average maturity (WAM) averaged 127 days over the past 12 months, slightly above the Cisca mandate of 120 days due to timing of outflows. Over the same period, the fund's weighted average duration (WAD) averaged 78 days.

The assigned score of 1.00 for WAM recognises that the fund caters primarily to corporate investors, whose end-of-month liquidity needs often result in temporary withdrawals that elevate the WAM beyond the regulatory limit. These are, however, not regulatory breaches and are usually corrected within a few days at the start of the following month.

The average score thus assigned for both WAM and WAD is 1.00.

**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:** The fund invests in bank NCDs (negotiable certificates of deposit) and stepped rate notes. The focus on high quality assets also supports secondary market opportunities within the broader and sizeable fixed income portfolios managed by Taquanta. Over the 12-month review period, highly liquid assets comprised on average 70% to 75% of the portfolio. Client cash flows are monitored and managed but broadly understood given the long tenure of management of funds on behalf of corporate clients.

**Total Score:** Although the fund's total score stands at 18.00 which could map to a AAA<sub>(ZA)(f)</sub> 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<sup>+</sup><sub>(ZA)(f)</sub>. Should the fund formalise a mandate that includes a defined minimum exposure to foreign banks or similarly highly rated instruments, GCR would reassess the rating and consider an upgrade to AAA<sub>(ZA)(f)</sub>, reflecting the enhanced stability and predictability in credit quality.

## Outlook statement

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The Stable Outlook reflects the expectation that the WACQ will remain at 17.00 over the rating horizon, supported by the higher credit quality of the big four local banks.

## Rating triggers

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A rating upgrade would be possible if the fund updated the mandate to reflect a consistently managed credit quality range. Conversely, should the WACQ decrease significantly below 16.00, the rating could be downgraded.

## Analytical Contacts

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## Related criteria and research

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Criteria for the GCR Ratings Framework, May 2024  
GCR Rating Scales, Symbols & Definitions, May 2023  
Criteria for Fund Ratings, May 2024

## Ratings history

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### Nedgroup Investments Corporate 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

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

## Glossary

Assets	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
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	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
Downgrade	The rating has been lowered on its specific scale.
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
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.
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.
Senior	A security that has a higher repayment priority than junior securities.
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.
Total Risk	Both systematic and unsystematic risks.
Treasury Bill	Short-term obligation backed by the government that bears no interest and is sold at a discount.
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/markets/currencies> ZAR 18.2548: \$1 as at 15/05/2025.

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