PRUDENTIAL MONEY MARKET FUND
31 DECEMBER 2020

PRUDENTIAL INVESTMENT MANAGERS

QUARTERLY COMMENTARY

INCOME

MARKET OVERVIEW

In South Africa during Q4 2020, a strong resurgence of the Coronavirus locally led to stricter lockdowns, but global risk-on investor sentiment prevailed, putting the local bourse in positive territory for the year. SA GDP growth for Q3 2020 surprised to the upside at 13.5% q/q (66.1% annualised) compared to the 13.1% expected, and Q4 consumer confidence recovered to -12 pts from -23 pts in the third quarter. The South African Reserve Bank (SARB) left the repo rate unchanged at 3.5% during its November meeting, stating that further easing was unlikely in the near term but hinting at increases in Q3 and Q4 of 2021. The central bank is now projecting an 8.0% contraction in the economy for 2020, improving to 3.5% growth in 2021 and a 2.4% expansion in 2022. Inflation also remained subdued, with headline CPI slowing to 3.2% y/y in November from 3.3% y/y in October.

On the credit ratings front, Moody's and Fitch both downgraded SA's sovereign credit rating further into "junk" territory. Moody's lowered the country's rating to Ba2 from Ba1 with a negative outlook, citing further weakening in the country's fiscal strength over the medium term as a main trigger, while Fitch cut the sovereign credit rating to BB- from BB and assigned a negative outlook, citing high and rising government debt as a main trigger behind the cut. Standard & Poor's maintained its credit rating for South Africa at BB- with a stable outlook.

The BEASSA All Bond Index (ALBI) managed to deliver an impressive 6.7% return in Q4 2020, boosted by foreign investors tempted by South Africa's relatively high yields. Bonds in the 1-3 year maturities lagged longer-dated bonds, flattening the yield curve and partly reversing the trend seen in the earlier part of the year. For 2020 as a whole, the ALBI returned 8.7%. SA inflation-linked bonds returned 5.4% for the quarter and 4.2% for 2020, and cash (as measured by the STeFI Composite) produced 1.0% for the three-month period and 5.4% during 2020.

Private sector credit extension (PSCE) increased to 3.38% y/y in November from 3.24% y/y posted in October. Credit extended to households dropped to 2.81% y/y in November from 2.93% y/y, while credit extended to the corporate sector increased to 3.84% y/y from 3.49% y/y recorded in October.

In Q4, South African money market yields increased in the 6- to 12-month tenors from where they were the previous quarter, as banks paid up for term funding. Treasury bills followed suit, with the 9- and 12-month tenors increasing up to 60 basis points at the end of the quarter. Floating rate spreads over three-month JIBAR have also increased by an average of around 20bps the previous quarter.

PERFORMANCE

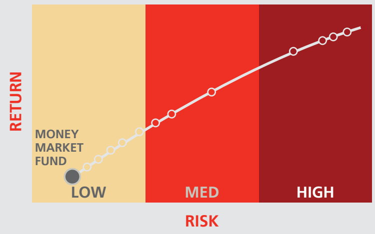
For the fourth quarter, the fund delivered a return of 0.9% (net), in line with its benchmark, the STeFI Call Deposit Index. For the 12 months ended 31 December 2020, the fund returned 5.1% (net of fees), while the benchmark produced 4.5% over the same period.

The average duration of the fund at quarter end was 51 days relative to the 90-day maximum average duration.

ANNUALISED PERFORMANCE	A CLASS	BENCHMARK	X CLASS
1 year	5.1%	4.5%	5.2%
3 years	6.6%	5.9%	6.8%
5 years	7.0%	6.3%	7.1%
7 years	6.6%	6.1%	6.8%
10 years	6.2%	5.8%	n/a
Since inception	7.6%	7.4%	6.4%

Inception date X Class: 1 April 2011

RISK/RETURN PROFILE:



FUND MANAGERS:

Roshen Harry and Sandile Malinga

ASISA CATEGORY:

South African - Interest Bearing - Money Market

BENCHMARK:

STeFI Call Deposit Index

INCEPTION DATE:

9 April 2002

FUND SIZE:

R1 371 317 985

Sources: Prudential, Morningstar & Deutsche Securities