BALONDOLOZI INFLATION LINKED BOND FUND

February 28, 2026

FACT SHEET

INVESTMENT OBJECTIVE

The fund seeks to outperform the JSE ASSA Composite Inflation Linked Index (CILI) by 1% per annum after fees over a rolling 3 year term.

INVESTMENT STRATEGY

This fund aims to out-perform its benchmark through active and quantitatively managed exposure via RSA stock and investment grade high yield credit bonds. Through the active management of duration which can vary by 2 years relative to the benchmark, alpha generation is achieved. Quantitative techniques such as the use of derivatives are employed to fine tune strategy and hedge risk factors.

FUND INFORMATION

Fund Classification	South African - Multi Asset - Income
Benchmark	CILI
Risk Profile	Moderately Conservative
Fund Managers	Fannuel Tigere, Sindisiwe Mahlangu
Inception Date	01 September 2018
Fund Size	R1691 million
Currency	SA Rands
Administration	Prescient Management Company (RF) (Pty) Ltd
Trustees	Standard Bank
Regulator	Financial Sector Conduct Authority (FSCA)
Regulation 28	Compliant

FEES

Initial & Exit Fees	Nil
Total Investment Charge	0.32%
Portfolio TER	0.30%
Management Fees	*0.30%*
Transaction Costs	*0.02%*
Audit Fees	*0.00%*
Other Costs	*0.00%*
Vat	*15.00%*
Pricing	Daily at 17:00

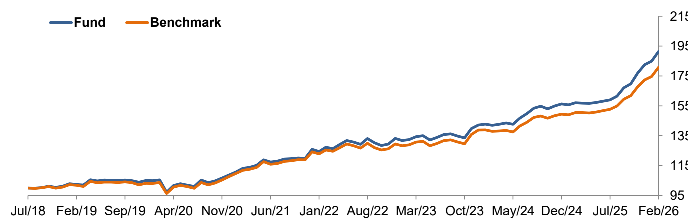
RISK RATIOS

	Fund	*Benchmark*
Annualised Return	8.93%	8.12%
Sharpe Ratio	0.41	0.31
Sortino Ratio	0.56	0.43
Max Drawdown	-7.83%	-7.06%
Drawdowns	32	31

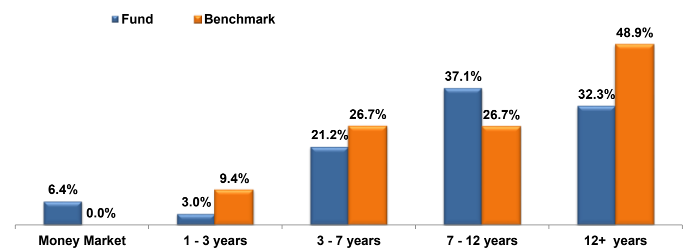
PERFORMANCE (Gross of fees)

	Fund	*Benchmark*
Feb-26	3.47%	3.50%
Year to Date	4.81%	4.85%
Rolling 12 months	21.82%	20.11%
Return p.a. since inception	8.93%	8.12%
Return since inception	91.33%	80.75%
Highest Rolling 1-year Return	21.82%	20.11%
Lowest Rolling 1-year Return	-4.75%	-4.68%

GROWTH OF R100 INVESTED AT INCEPTION



SECTOR ANALYSIS



FUND COMMENTARY

Global inflation pressures eased in early 2026, with the U.S. maintaining a steady labour market and the Euro Area holding interest rates. China recorded expanding private-sector activity, while South Africa advanced key fiscal and policy priorities.

Inflation linked government bonds returned 3.59% (IGOV); Inflation linked state-owned credit delivered 1.02% (ISOE); inflation linked corporate credit bonds returned 1.4% (ICORP) and cash returned 0.5% as indicated by the STeFi Call Index in Febraury 2026. Overall, the CILI (Composite Inflation Linked-Bond Index) returned 3.5% for the month.

During the same period, the yield for the I2029 (benchmark bond) fell by -27 basis points to end the month at 3.65%. Concurrently, the I2050/I2029 spread ticked down by -6 basis points to 15 bps whilst medium-term break-evens widened by +0.24% to 3.51%. Foreigners bought bonds worth R3.7 billion as real yields rallied during the month of February 2026.

Overall, the fund delivered 3.47% for the month against the benchmark return of 3.50%. The fund underperformed by -0.03% for the month. Underperformance was due to movements in curvature (-0.05%) and duration (-0.05%) which detracted from alpha. Credit allocation (0.07%) contributed positively towards alpha.
After registering a value of 3.6% in December 2025, headline inflation for January 2025 was 3.6% (consensus 3.5%). On the same note, the price for brent crude oil rose by 2.53%, to end the month at $72.48 per barrel and the Rand appreciated against the Dollar by 1.3% to close at R15.94 per dollar. The seasonally adjusted Kagiso Purchasing Managers' Index (PMI) nudged up by 9.5 index points to reach 50 in January 2025.

Themba Rikhotso, CEO of Land Bank, has resigned after serving since April 2023. During his tenure, he steered the institution through a critical stabilisation phase, concluding a liability solution with lenders supported by the National Treasury. His departure coincides with legal uncertainty over the bank's authority to pursue farmer liquidations, now before the Supreme Court of Appeal. While agricultural leaders commended his leadership, concerns persist that unresolved legal and institutional challenges could threaten rural development and food security.
The National Energy Regulator of South Africa (Nersa) has approved a redetermination of Eskom Generation's Regulatory Asset Base, granting additional allowable revenue following a December 2025 High Court ruling. Consequently, tariff increases for 2026/27 and 2027/28 will rise to 8.8%, enabling the recovery of R12 billion and R23 billion in those years. Despite this support, escalating municipal arrear debt remains the principal long-term risk to Eskom's financial sustainability.
Transnet has secured R16.1 billion in Budget support to rehabilitate strategic rail and port infrastructure, with funding approved through the Budget Facility for Infrastructure. Finance Minister Enoch Godongwana said the investment aims to ease logistics bottlenecks, strengthen exports and encourage private-sector participation while retaining state ownership. CEO Michelle Phillips noted the allocation will reduce reliance on costly borrowing and address derailments, locomotive failures and cable theft that have significantly reduced freight volumes.

In January 2026, U.S. inflation moderated, with annual CPI slowing to 2.4%, supported by base effects and lower energy costs - particularly gasoline and fuel oil, while natural gas rose more gradually. Food and shelter inflation also eased. Core inflation edged down to 2.5% year-on-year but rose 0.3% monthly. The unemployment rate fell slightly to 4.3%, as the labor force expanded. Private-sector activity strengthened. The S&P Global US Composite PMI rose to 53.0, reflecting solid expansion in both manufacturing and services, while the Services PMI climbed to 52.7, marking nearly three years of consecutive growth. Strong domestic demand offset weak foreign sales, supporting modest job gains. Input costs increased due to tariffs, though selling prices rose less. On trade, President Donald Trump extended the African Growth and Opportunity Act for one year, restoring duty-free access for eligible Sub-Saharan African countries. The administration paused several China-focused tech-security measures ahead of an April summit and finalized a U.S.-Taiwan trade deal reducing tariffs and expanding market access, including $84 billion in purchases through 2029.

The U.S. Chair of the Council of Economic Advisers warned that monetary policy may be tighter than necessary, potentially slowing growth, and reiterated that further rate cuts could be warranted given contained inflation.

At its first policy meeting of 2026, the European Central Bank kept interest rates unchanged, with the main refinancing rate at 2.15%, the deposit facility at 2.0% and the marginal lending rate at 2.4%. President Christine Lagarde emphasised heightened uncertainty from global trade and geopolitical tensions, stressing that policy should not rely on single data points. In January 2026, Euro Area annual inflation fell to 1.7%, the lowest since September 2024, aided by a euro above $1.20. France, Spain and Italy recorded slower inflation, while Germany saw a slight increase. Prices eased for services, processed food, alcohol and tobacco, while energy dropped 4%. Q4 2025 GDP rose 1.3% year-on-year, the slowest pace in a year. Ireland led growth at 6.7%, followed by Spain, Lithuania and Portugal, while Germany, Italy and Finland lagged. Employment rose 0.2% quarter-on-quarter, marking the 19th consecutive quarter of growth, led by Spain (+0.8%), offsetting Germany's decline. Negotiated wages rose 2.95% year-on-year. Private sector trends were mixed: the HCOB Construction PMI fell to 45.3 in January, but the HCOB Composite PMI rebounded to 51.9 in February, driven by stronger manufacturing, new orders, modest services expansion, stable employment and elevated business sentiment.

In January 2026, China's inflation showed mixed signals. Consumer price inflation eased sharply to 0.2% year-on-year, its lowest since October, as food, non-food, housing, and transport costs moderated. Producer prices contracted for the 40th consecutive month, though the annual decline slowed to 1.4%, with monthly prices rising 0.4%, signaling modest upward pressure on production costs. China's private sector expanded further. The RatingDog General Composite PMI rose to 51.6, marking eight consecutive months of growth, with manufacturing and services output and new business accelerating. Firms resumed hiring - easing backlogs. The Services PMI climbed to 52.3, its highest since October, with stable output prices. Input cost inflation persisted but slowed and business sentiment remained positive, though below 2025 averages amid global growth concerns. In February 2026, the People's Bank of China held benchmark lending rates steady at 3.0% (one-year) and 3.5% (five-year), balancing growth support with financial stability. China met its 5% growth target in 2025, driven by exports; however, structural imbalances, trade frictions and geopolitical risks persist. The International Monetary Fund maintained its 2026 growth forecast for the country at 4.5%, citing weak domestic demand and slowing global growth as downside risks.

Domestically, Producer price inflation slowed to 2.2% in January 2026, while annual CPI eased to 3.5% and core inflation rose to 3.4%. Unemployment fell to 31.4% in Q4 2025, marking the second consecutive quarterly decline. Finance Minister Enoch Godongwana tabled the 2026 Budget, aiming to stabilise and gradually reduce the debt-to-GDP ratio through a growing primary surplus, saving R21 billion in debt service over three years. Revenue collections for 2025/26 are projected R28.8 billion higher, enabling a 0.9% GDP surplus and reducing the budget deficit from 4.5% to 3.1% of GDP by 2028/29. Consolidated expenditure will grow 3.9% annually, with capital spending rising fastest at 9.7%. Social spending remains redistributive, and tax brackets and credits are fully inflation-adjusted. President Cyril Ramaphosa delivered the State of the Nation Address, outlining reforms to build a safer, more inclusive and economically dynamic South Africa. He highlighted gains in inflation, employment, fiscal metrics, infrastructure and the end of loadshedding, while noting ongoing challenges including crime, corruption, failing municipalities, water shortages and inequality. The government pledged to intensify efforts against organized crime and gender-based violence, reform state institutions and advance infrastructure, calling for national dialogue and collective action to ensure inclusive growth.

Given this backdrop, fundamentals relative to US TIPs suggest that real yields are rich, whilst sentiment indicators suggest that real yields have rallied therefore the fund will take a neutral stance. Furthermore, short-term breakeven rates suggest that there is value in inflation linked bonds (ILBs). The fund closed the month with a neutral duration view. The managers will not hesitate to take short term opportunities offered by the volatility in the markets. Since credit spreads are tightening, the fund will seek credit and target high quality names to benefit from the yield pick-up whilst minimising the risk of widening spreads.