BALONDOLOZI INCOME FUND **September 30, 2026**

FACT SHEET

INVESTMENT OBJECTIVE

The fund's objective is to outperform the STeFi Composite + 2% over a 36-month rolling period with minimum volatility.

INVESTMENT STRATEGY

This fund seeks out a high level of income which is consistent with the preservation of capital over the medium term. To meet its objective, the fund actively allocates between South African money market instruments, government bonds, corporate bonds and hybrid instruments. Although the fund aims to preserve capital over the medium term, capital depreciation is a possibility over the short term. 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	STeFi Composite Index + 2% over a 36-month rolling period
Risk Profile	Conservative
Fund Managers	Fannuel Tigere, Karabo Matsepe
Inception Date	01 June 2017
Fund Size	R466 million
Currency	SA Rands
Administration	Balondolozi Investment Services
Trustees	Standard Bank
Regulator	Financial Sector Conduct Authority (FSCA)
Regulation 28	Compliant

FEES

Initial & Exit Fees	Nil
Total Investment Charge	0.28%
Portfolio TER	0.28%
Management Fees	*0.25%*
Transaction Costs	*0.00%*
Audit Fees	*0.00%*
Other Costs	*0.03%*
Vat	*15.00%*
Pricing	Daily at 17:00

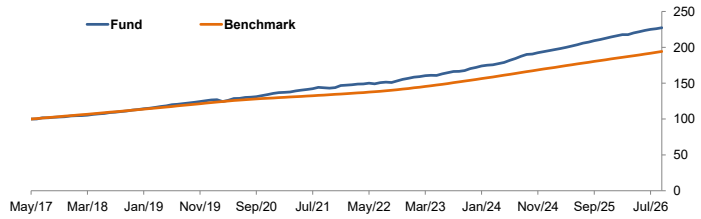
RISK RATIOS

	Fund	*Benchmark*
Annualised Return	9.20%	7.37%
Sharpe Ratio	1.49	2.24
Sortino Ratio	1.56	N/A
Max Drawdown	-2.00%	N/A
Drawdowns	7	0

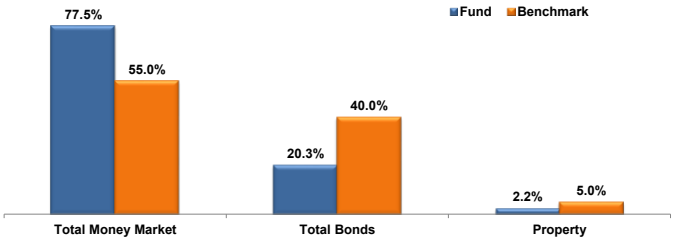
PERFORMANCE (Gross of fees)

	Fund	*Benchmark*
Sep-26	0.62%	0.62%
Year to Date	6.04%	5.65%
Rolling 12 months	8.65%	7.69%
Return p.a. since inception	9.20%	7.37%
Return since inception	127.32%	94.23%
Highest Rolling 1-year Return	14.18%	9.41%
Lowest Rolling 1-year Return	5.06%	4.16%

GROWTH OF R100 INVESTED AT INCEPTION



SECTOR ANALYSIS



FUND COMMENTARY

Global economic conditions remain shaped by the conflict between the United States and Iran and its effect on energy markets. Brent crude rose above $108 per barrel on the 28th of September 2026 after President Trump rejected an Iranian proposal to reopen the Strait of Hormuz. Energy-driven price pressures have prompted monetary tightening, with the Federal Reserve, the European Central Bank and the South African Reserve Bank all raising interest rates during the month.

Nominal government bonds returned -0.01% (GOVI); vanilla credit bonds delivered 0.14% (OTHI); inflation linked bonds returned 0.67% (CILI); listed property returned 0.46% (SAPY); listed preference shares delivered 1.86% (J251) and cash returned 0.55% as indicated by the STeFi Call Index September 2026. Overall, the ALBI (All Bond Composite Index) returned 0.01% for the month.

During the same period; the yield for the R2030 (benchmark bond) rose by +21 basis points to end the month at 8.15%. Concurrently, the R2048/R2030 spread ticked down by -16 basis points to 122 bps whilst medium-term break-evens tightened by -0.17% to 4.07%. Yields for 12-month negotiable certificates of deposits rose by +8.3 bps to close the month at 7.95%. Foreigners bought bonds worth +R2.7 billion as bond yields sold off during the month of September 2026.

Overall, the fund delivered 0.62% for the month against the benchmark return of 0.62%. The fund performed in line with the benchmark primarily due to its relatively high allocation to OTC money market instruments held to meet the fund's liquidity requirements. Cash returns were positive for the month at 0.69% outperforming the STeFi call index of 0.55%. Bonds and property contributed positively for the month at 0.13% and 0.01%. The duration of the fund is 0.70.

After registering a value of 4.3% in July 2026, headline inflation for August 2026 was 4.4% (consensus 4.4%). On the same note, the price for brent crude oil rose by 13.47%, to end the month at $103.53 per barrel and the Rand depreciated against the Dollar by -1.83% to close at R16.42 per dollar. The seasonally adjusted Kagiso Purchasing Managers' Index (PMI) declined by -1 index points to reach 45.8 in August 2026.

During the month, developments across South African issuers highlighted the importance of ESG considerations in assessing financial resilience, capital allocation and long-term value creation. At Eskom, renewed scrutiny of the Medupi and Kusile projects focused on the gap between their approved construction budgets and their broader economic cost. Eskom reports approved budgets of R145 billion for Medupi and R160.5 billion for Kusile, however, these figures do not clearly capture costs such as capitalised interest, water and grid infrastructure, environmental requirements and costs associated with delays and plant failures. This is significant because the projects' prolonged development and operational challenges have increased the capital required to deliver the intended generation capacity. In addition, Medupi's R41.7 billion flue gas desulphurisation retrofit demonstrates how environmental compliance can create substantial additional capital commitments. Greater disclosure of these costs would therefore provide investors with a clearer assessment of Eskom's capital requirements and long-term financial sustainability. Against this backdrop, Growthpoint's FY2026 results provided a constructive example of strategic capital allocation supporting financial resilience. The group's property pivot has involved reducing its portfolio and focusing capital on higher-quality assets and growth sectors, while its strengthened balance sheet provides capacity for future opportunities. Importantly, the strategy is also being supported by continued environmental investment, with renewable energy penetration reaching 19%, 13 net-zero carbon certifications achieved during FY26 and 120 green-building certifications across the portfolio. This demonstrates how disciplined capital allocation can support both financial resilience and progress towards environmental objectives.

The US economy faces energy-driven inflation above the Federal Reserve's 2% target. Headline consumer inflation held at 3.4% year-on-year in August 2026, in line with forecasts, while core inflation eased to 2.4%, the lowest since March 2021.

The PCE price index stood at 3.7% year-on-year in July, above the 3.6% consensus. In response, on the 16th of September 2026, the Fed unanimously raised the federal funds target range by 25 basis points to 3.75% to 4.00%, its first increase since 2023, and updated projections showed 16 of 18 officials expecting at least one further rate hike this year. Second-quarter (2026) GDP growth was estimated at an annualized 1.5%, down from 2.1% in the first quarter. Meanwhile nonfarm payrolls increased by 162,000 in August, well above expectations of 56,000, and the unemployment rate held at 4.1%. Business surveys remain firm, with the ISM Services PMI rising to 55.4 in August from 54.1, exceeding the 54.3 forecast, and the flash S&P Global Manufacturing PMI jumping to 57.0 in September, its strongest reading since May 2022. Sentiment weakened, however, with the University of Michigan index falling to a four-month low of 48.1 in September and year-ahead inflation expectations rising to 4.6%.

The Euro Area has proved more resilient than expected, although energy prices continue to push inflation higher. GDP expanded 0.6% quarter-on-quarter in the second quarter, following stagnation in the first, and the flash composite PMI rose to a three-and-a-half-year high of 53.1 in September from 52.0, as the services PMI climbed to 53.0 from 51.6. Unemployment remained at 6.4% in July, although consumer confidence weakened to -16.5 in September. Headline inflation rose to 3.2% in August from 2.9%, as energy inflation climbed to 14.3%, its highest level since January 2023, while core inflation eased by 0.1 percentage points, below expectations. In response, the ECB raised its key interest rates at its September meeting, its second increase since the US-Iran war began, taking the deposit facility rate to 2.5% and the main refinancing rate to 2.65%. President Christine Lagarde said risks to growth are tilted to the downside and risks to inflation to the upside.

China's economy continues to reflect a divergence between strong external demand and weak domestic activity. GDP growth slowed to 4.3% year-on-year in the second quarter from 5.0%, falling short of market expectations and below the lower end of Beijing's annual target range, as domestic demand remained soft. Retail sales rising 0.4% year-on-year, fixed asset investment contracting -7.2% in the year to August and property investment falling -19.9%. Exports grew 25.0% year-on-year in August, and the trade surplus reached USD 119 billion, while industrial production accelerated to 5.2%. The official manufacturing PMI remained in contraction at 49.8 in August, while the surveyed unemployment rate rose to 5.3%. Consumer inflation increased to 0.8% in August from 0.5%, and producer prices rose 3.8%.

South Africa's economy is contending with renewed contraction alongside elevated inflation. GDP contracted 0.2% quarter-on-quarter in the second quarter, and the official unemployment rate rose to 33.6% from 32.7%. The Absa Manufacturing PMI fell to 45.8 in August from 46.8. Consumer inflation edged up to 4.4% year-on-year in August, below the 4.5% consensus, led by transport prices, up 8.8%, while core inflation eased from July's two-year high of 4.2%. On the 23rd of September 2026, the Reserve Bank raised the repo rate to 7.25% from 7%, as widely expected, lifting the prime lending rate to 10.75%. The decision was unanimous, following a 4-2 vote to hold rates in July. The Bank expects headline inflation to rise above 5% later this year and in early 2027 on higher fuel prices, before returning to around 3% towards the end of that year. It raised its 2027 inflation forecast to 4.0% and lowered its 2026 growth forecast to 1.2% from 1.4%, while keeping its projections of 1.7% for 2027 and 1.9% for 2028 unchanged.

Looking ahead, inflation across the major economies is expected to remain elevated while energy prices stay high, and Federal Reserve guidance points to further tightening, even as growth weakens in China and South Africa.

Globally, central banks have shifted towards a more restrictive monetary-policy stance as persistent inflationary pressures and heightened geopolitical uncertainty continue to cloud the global growth outlook. The fund continues to be cautious on duration given the upward pressure on rates. With credit spreads too tight, the fund will prioritize maintaining exposure to high-quality issuers, benefiting from the yield pick-up while minimizing the risks associated with lower-rated credits.