UMTHOMBO
WEALTH

UMTHOMBO ACTIVE BOND FUND REPORT FOR QUARTER ENDED 31 MARCH 2026

Fixed Income summary

Geopolitics is back in markets and has sent shockwaves across global markets, raising the risk of a worldwide recession. The surge in oil prices on the back of the worst energy supply interruption ever has sent investors to the exits in both the bond and stock markets throughout March.

Financial markets are facing sharp declines in year-to-date returns, as concerns are growing around market resilience and the potential shift into a bear market. The Iran conflict has left the S&P 500 and the Dow with their deepest quarterly declines since 2022 as investors worry that a wave of higher fuel costs could hurt demand for goods and services, while forcing the Federal Reserve to raise interest rates to contain inflation.

Against this backdrop, where geopolitics overwhelmed fundamentals, the vast majority of industries struggled to absorb the shock. SA markets are broadly moving in sync with global trends for now. We highlight that during the last quarter of 2025, SA markets outperformed peers as tariff shocks faded, locally supported by a stronger rand, loadshedding gone, FAFT Grey list removal, lower 3% inflation targets, and falling rates. That outperformance has subsequently abated as geopolitics outweighed fundamentals.

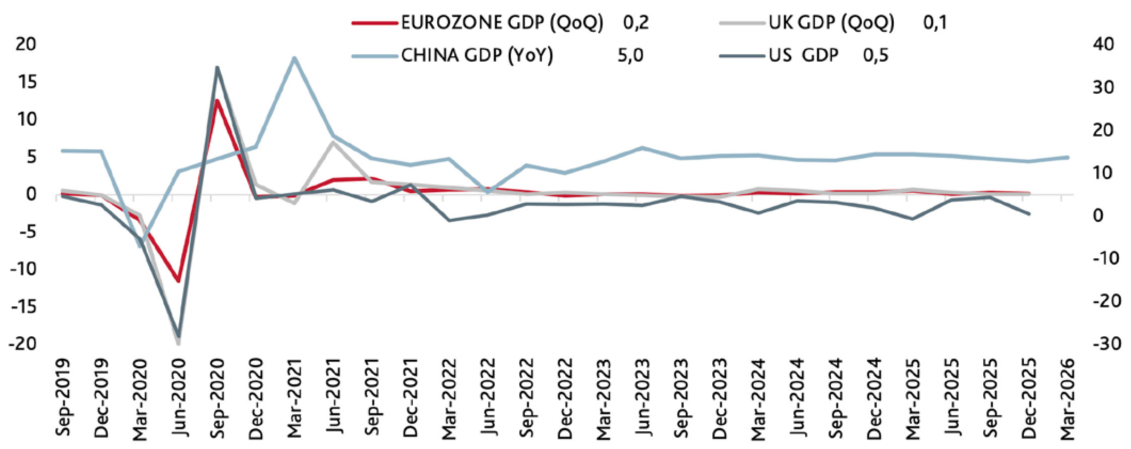
In Q1 2026, the ALBI fell -3.36% in local currency, and -5.84% in US dollars as the rand wiped out its year-to-date gains in March, weakening 6.31%, as oil — a key import — surged to near USD 120 a barrel. This puts the ALBI returns higher than the WGBI at -1.05% and the EMBI at -1.14% over the same period.

Looking ahead, the duration of the Iran war is now the key variable for EM portfolio flows. If the conflict proves short and the disruption to energy markets begins to ease, March may end up looking like the peak month of liquidation, with the damage remaining concentrated in equities and especially in Asia. If, however, the conflict persists and the shock moves from an initial oil repricing into a more durable energy and input cost regime, the implications for EM become more serious. Higher inflation, delayed easing in global financial conditions, a firmer dollar, and reduced policy flexibility across vulnerable EMs would all make it harder for flows to stabilize quickly.

Global Economy

The US economy expanded in the fourth quarter with a revised growth rate of 0.5%. The partial government shutdown resulted in downward revisions to exports, consumer spending, and government spending. Personal consumption and fixed investment boosted US GDP during the quarter.

The IMF cuts 2026 global groth to 3.1%, down from 3.4% in 2025 - assuming short-lived Iran war



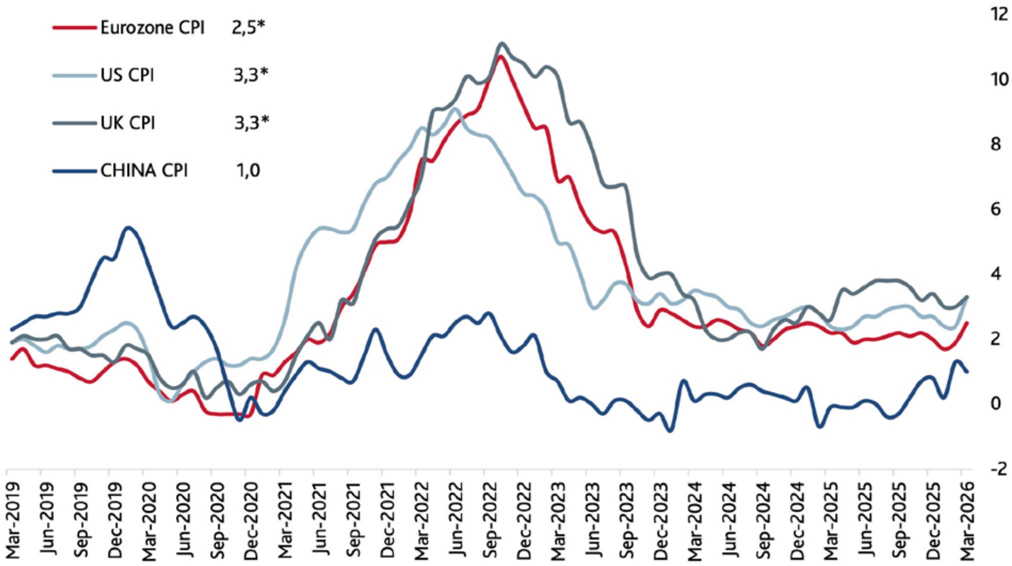
Source: Umthombo Research, Bloomberg (as at 31 March 2026)

The euro area expanded less than initially reported at the end of last year, with trade weighing on growth. Fourth quarter gross domestic product rose 0.2% worse than the estimate of 0.3%. Household consumption made the biggest positive contribution, with public spending and investment also helping. The UK economy grew in the quarter by 0.1%, growth was supported Britain's powerhouse services sector which boosted GDP, growing for a fourth straight month. Production and construction also expanded.

China's economic growth rebounded more than expected in the first quarter, with GDP expanding by 5% for the quarter. Industrial output grew 5.7% in March from a year ago, while retail sales increased 1.7%, down from a 2.8% expansion in the first two months. China's GDP was supported by strong manufacturing and exports, resulting in GDP expanding 5% from a year ago, the fastest in three quarters. Highlighting the divergence between major parts of the economy, industrial output grew more than forecast at 5.7% In March. By contrast, retail sales fell short of expectations with an increase of 1.7%, down from a 2.8% expansion in the first two months.

Global Inflation

Global Inflation spiked in March due to a surge in energy prices tied directly to the Iran War



Source: Umthombo Research, Bloomberg (as at 31 March 2026)

US inflation surged in March by the most in four years as the war with Iran sent gasoline prices skyrocketing, with the consumer price index rising 0.9% in March. A record increase in gas prices was responsible for nearly three-quarters of the monthly advance. Inflation rose to 3.3% during the quarter. Economists anticipate that higher costs are likely to persist in the near term, even if the US-Iran truce holds and there's a rapid resolution to the conflict, as oil output normalizes.

Euro-area inflation rose at the steepest pace since 2022 as the Iran war pushed energy costs sharply higher. Consumer prices rose 2.5% in March, with core inflation slowing to 2.3% and the services gauge also easing. European Central Bank (ECB) economists significantly increased their inflation forecast for 2026 to 2.6%, but they still see it back around target in 2027 and 2028.

UK inflation held at 3%, mainly supported by the conflict in the Middle East, has driven up oil prices and is expected to increase inflation. Bloomberg has forecast a percentage point higher in inflation by the end of the year.

China exited factory deflation after more than three years, as energy costs surged after the war in Iran disrupted global oil supply. Producer prices rose 0.5% in March, while consumer inflation cooled to 1%, down from 1.3% in February. The increase in producer prices was a result of factors including a rapid surge in global commodities prices as well as improved supply demand relationship in certain domestic industries.

Monetary Policy Dynamics – Global

The Federal Reserve (Fed) left interest rates unchanged at their March FOMC meeting. The Fed revised their inflation expectations higher and lowered their growth forecasts, on the back off the escalation in geopolitical tensions in the middle East. The Fed delivered a more hawkish tone due to elevated energy prices.

The ECB left interest rates unchanged for a sixth straight meeting. Lagarde stressed that the Iran war was creating upside risks for inflation and downside risks for economic growth. She did not want to repeat that the ECB is in a "good place," instead saying it's "well positioned" to navigate uncertainty.

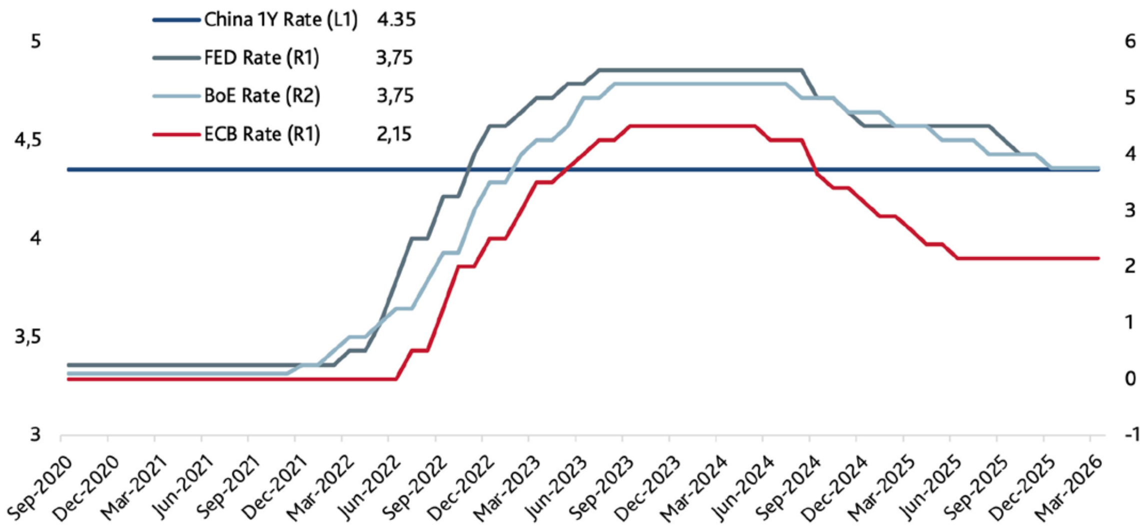
Officials are closely monitoring the situation while sticking to the meeting-by-meeting and data-dependent approach. The ECB is expected to raise interest rates, with traders keeping wagers on the ECB increasing rates two or three times this year, and officials vowing to act quickly and decisively as needed.

The Bank of England (BoE) held interest rates at 3.75% at its March meeting, as expected, with a 9-0 vote.

The MPC's collective guidance was overhauled, dropping the easing bias and stating that it "stands ready to act as necessary to ensure that CPI inflation remains on track to meet the 2% target in the medium term." The central bank expects March's CPI print to be close to 3.5%, and based on commodity prices, it expects CPI inflation to be between 3% and 3.5% over the next couple of quarters.

The People's Bank of China (PBOC) kept rates unchanged during the quarter. However, the sharp rise in oil prices has increased uncertainty. Although it is unlikely to lift China's inflation significantly, it may limit the Federal Reserve's room to cut interest rates or at least raise global rate expectations. Markets were of the view that the PBOC would implement more economic stimulus to reach the 4.5 - 5% growth target set for 2026.

Global Central Banks Shift to Rate-Hold Mode Amid Iran War - 31 March 2026

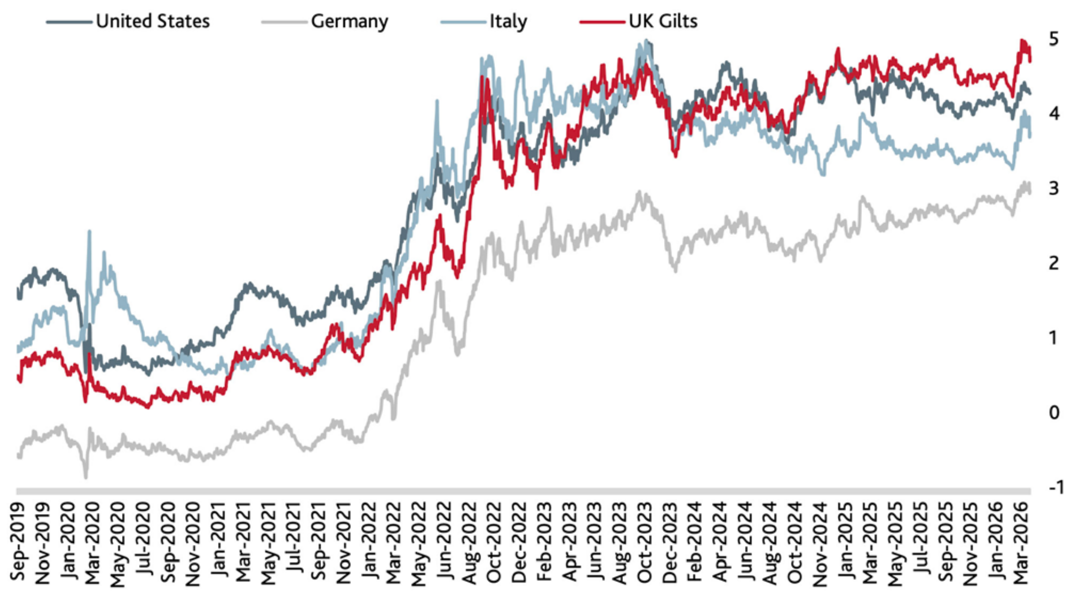


Source: Umthombo Research, Bloomberg (as at 31 March 2026)

Market Trends – Global

Global bond yields rose on the back of Geopolitical tensions in the Middle East, which translated into high energy prices, which spilled over into stoking inflation in the short to medium term.

Bond yields surged as Iran war stirs inflation fears - March 2026



Source: Umthombo Research, Bloomberg (as at 08 April 2026)

Global equities fell as geopolitical tensions in the Middle East took center stage. The MSCI World Index fell by 5.7% during the quarter after stock markets hit all-time highs of 4578, but retraced downward on the Iran war to close at 4258. The US Dollar Index (DXY) rose 1.67%, as the USD strengthened on the haven appeal of the currency, and closed at 99.96. Gold surged 8.07% to USD 4668 during the quarter, as inflation expectations rose on the back of higher energy prices. Oil spiked up by 94.5% for the quarter and closed at USD118.35. The big driver of the Brent crude price spike was geopolitical tensions in the Middle East.

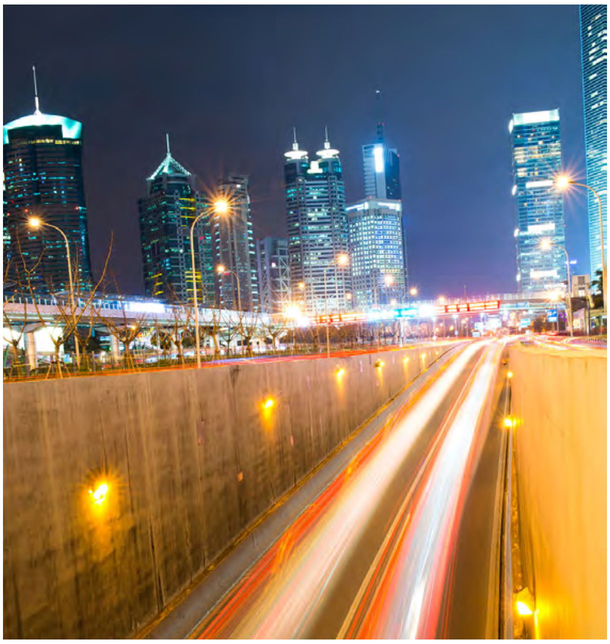
Local Economy

Production-side GDP rose in a broad-based manner

Sectoral GDP (real) Q4 2025

Sector	Q1 25	Q2 25	Q3 25	Q4 25	2024	2025
Finance, business	0.1	0.7	0.3	1.4	3.2	1.9
Trade	0.3	1.4	1.0	0.9	-1.2	2.3
Agriculture	18.6	2.5	1.1	0.4	-8.7	17.4
Govt Services	-0.2	0.6	0.7	0.4	0.3	0.4
Personal services	-0.3	0.5	0.3	0.4	1.2	0.4
Manufacturing	-2.0	1.5	0.3	0.3	-0.4	-1.2
Transport and Comms.	2.4	0.1	0.5	-0.3	-1.2	0.8
Mining	-4.1	3.5	2.3	-0.6	0.4	0.2
Construction	-3.7	-0.3	0.1	-1.3	-5.4	-4.4
Utilities	-2.6	0.2	-2.5	-2.2	3.5	-4.3
GDP	**0.1**	**0.9**	**0.5**	**0.4**	**0.5**	**1.1**

Source: Umthombo Research, Bloomberg (as at 31 March 2026)



The local economy expanded 0.4% q/q sa in Q4 2025 broadly in line with expectations. This left the full-year 2025 real GDP growth at 1.1%, well below our forecast of 1.4%, but stronger than the 0.5% growth in 2024. However, we expect growth to pick up in 2026, supported by both the cyclical tailwind from spiking terms of trade and the structural improvements from ongoing traction with policy reforms.

For now, our 2026 real GDP growth forecast remains unchanged at 1.4%, below the South African Reserve Bank (SARB)'s 1.6%.

In our view, risks to our GDP growth outlook are tilted adversely. The Iran war could pose a downside risk to these projections, depending on how long it continues and whether there is a further escalation.

Fiscal Policy – South Africa

Moody's Ratings views SA's latest budget as painting an encouraging picture of improving public finances but cautions that "meaningful" debt reduction will require stronger economic growth. The budget presentation showed debt and debt-service costs peaking this year and then declining, helped by surging precious-metals prices that have boosted government revenue.

Moody's expects general government debt to remain above 80% of GDP in the coming years, and that meaningful debt reduction likely hinges on growth exceeding their baseline. In our view, the biggest risk to budget targets from a prolonged war would come from weaker growth and revenue, while pressure for larger energy subsidies would hinder spending restraint.

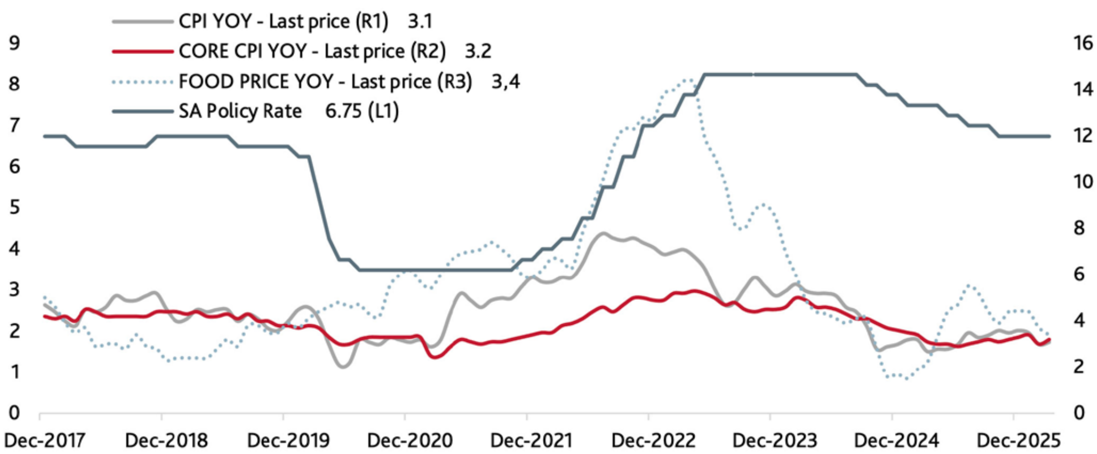
South Africa Inflation

Consumer inflation rose 0.1pp below to 3.1% y/y in March from 3.0% in February. The central bank's monetary policy committee will likely look beyond the latest data and focus on next month's statistics at its May 28 meeting. April inflation data will capture the biggest increase in gasoline and diesel prices in almost two decades.

The bank expects CPI inflation to average 3.7% (from 3.3% previously) in 2026, while the CPI forecast for 2027 is at 3.3% (from 3.2%); the expected CPI in 2028 remains unchanged at 3.0%.

Higher energy prices due to the war are expected to raise inflation in the near term. "Uncertainty regarding the duration of the Middle East conflict, the extent of infrastructure damage, and the magnitude of second-round effects skews risks to the upside." Key inflation risks are further rand weakness in the event of a prolonged conflict and food-price inflation. Combined, these factors may threaten the 2-4% inflation tolerance band this year.

Mild CPI in March, but higher oil prices should lift inflation starting in the second quarter



Source: Stats SA, Umthombo Research, Bloomberg (as at 31 March 2026)

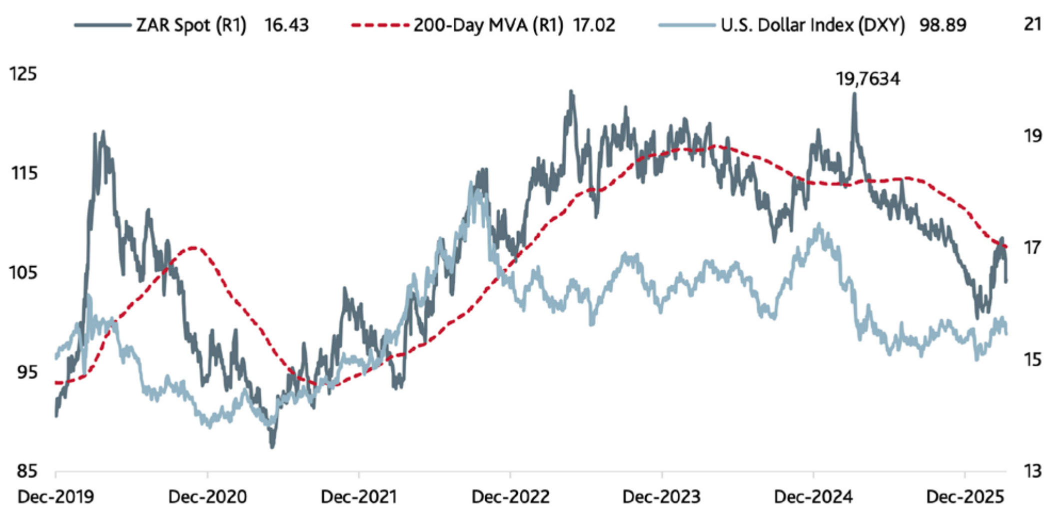
Monetary Policy Dynamics – South Africa

The SARB MPC repo rate is unchanged at 6.75%, in line with our expectations amid an uncertain macroeconomic backdrop due to the international conflict. The tone of the MPC was understandably cautious, given an extremely uncertain geopolitical backdrop and an oil price shock. The central bank outlined two scenarios, one in which the hostilities in Iran last about two months, and the other in which it persists for more than a year, both calling for higher interest rates this year.

The shift in prospects for monetary policy in South Africa mirrors how the Middle East conflict has upended the global outlook for rates, with central bankers weighing the potential for spillovers from energy prices into broader inflation. Traders have priced out any chance of a South African rate cut this year, with forward-rate agreements now pricing a 40% chance of a 25bp rate hike by year-end.

Matrix - South African Rand

Taking a view that the dollar will continue to remain weak/consolidate into 2026, which will continue to drive commodity prices



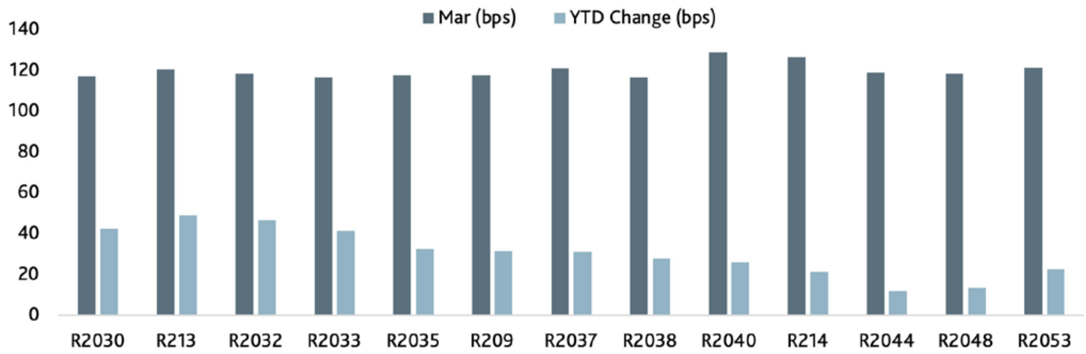
Source: Umthombo Research, Bloomberg (as at 08 April 2026)

The rand is a liquid high-beta emerging-market asset and is therefore sensitive to global sentiment swings. The local currency fell 6.31% to 16.94 per dollar in March alone, underperforming all emerging-market peers as the war in Iran fuels risk aversion. This wiped out its year-to-date gains against the dollar, as oil — a key import — surged to near USD 120 a barrel. Brent crude jumped as much as 63.29% to USD 118.35 a barrel as the Middle East conflict continued through March, before pulling back to trade below USD 100 in the first week of April. As long as oil remains elevated and the risks to inflation increase, the rand is going to struggle to push closer to 16 again and the reality of a move back above 17 grows stronger.

The rand's decline vs. the dollar since the attack on Iran has been limited to 6% so far by verbal intervention from the central bank, prudent fiscal policy and a sharp spike in longer-dated bond yields. A near-term end to hostilities would likely restore its edge vs. EMEA peers, but a prolonged war will hit global growth and delay a rand rebound.

Bond Market Trends – South Africa

Middle East uncertainty damped investor appetite - 31 March 2026



Source: JSE Ltd, Umthombo Research (as at 31 March 2026)

The South African government bond yields soared by more than 120 bps across the South African sovereign yield curve, as the Middle East uncertainty damped investor appetite. Oil prices have surged, and financial markets have turned risk-averse, weakening the rand and placing pressure on local assets. After a jump in local yields, SARB officials pledged action in the event of major market dysfunction, yet refrained from returning to pandemic-period bond-buying. The bank is now seen staying on hold in the near term, with forwards pricing out any rate cuts this year.

In our view, the rand and bonds are relatively cheap, which demonstrates their sensitivity to global fundamentals. A sustained SAGB and ZAR recovery is dependent on the US's plans to de-escalate the conflicts. With that said, we remain confident in our long-duration strategy —positioned optimally from the belly to the long end of the curve.

Foreign Holdings (flight to quality theme) - 31 March 2026

Source: National Treasury, Umthombo Research (as at 31 March 2026)

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Non-resident exposure has been fairly stable since May 2025, once concerns about the US tariff impact eased, allowing the rand's EM-leading rally to continue. The improvement in South Africa's current account in Q4 2025, to a first surplus in two years, has reduced the rand's vulnerability to capital outflows. However, non-resident portfolio flows to emerging markets deteriorated abruptly in March after the start of the Iran war, as the higher oil price and a weaker rand stoked inflation concerns. In historical terms, this was the weakest monthly reading since March 2020. The speed of the reversal is especially notable because EM had entered the shock from a position of unusual strength, with exceptionally large inflows in January and still positive aggregate demand in February.

Portfolio Review – Umthombo Wealth Active Bond Fund

31-Mar-26	Umthombo Active Bond	FTSE/JSE All Bond Index	Alpha
Market Value End (ZAR)	R288 604 835		
1 Month	-7.51%	-6.83%	-0.68%
3 months	-3.43%	-3.36%	-0.08%
6 months	6.72%	5.31%	1.42%
YTD	-3.43%	-3.36%	-0.08%
1 Year	22.00%	19.24%	2.76%
2 Year	21.70%	19.70%	2.00%
3 Years	15.89%	14.27%	1.62%
5 Years	**13.15%**	12.16%	0.99%
Number of years	**7.58**		
Since Inception: Gross Returns	188.03%	167.95%	20.07%
Since Inception: Ann. Returns (May 2016)	11.35%	10.54%	0.81%
*Volatility	7.76%	8.07%	
*Downside Risk	4.32%	4.59%	
*Sharpe Ratio	0.10	0.10	
*Sortino Ratio	0.19	0.18	
*Tracking Error	1.11%		
*Information Ratio	0.73		

Top 10 Portfolio holding

Active Bond Fund Top 10 Bond Holdings as at 31 March 2026

Name	Code	% Of Portfolio
1 REPUBLIC OF SOUTH AFRICA	R2048	16.63%
2 REPUBLIC OF SOUTH AFRICA	R2044	14.62%
3 REPUBLIC OF SOUTH AFRICA	R2040	12.84%
4 REPUBLIC OF SOUTH AFRICA	R2037	12.48%
5 REPUBLIC OF SOUTH AFRICA	R2053	11.16%
6 REPUBLIC OF SOUTH AFRICA	R2035	11.02%
7 REPUBLIC OF SOUTH AFRICA	R2030	4.57%
8 REPUBLIC OF SOUTH AFRICA	R2032	2.82%
9 REPUBLIC OF SOUTH AFRICA	R213	2.81%
10 SOUTH AFRICAN NATL RDS	HWAY34	0.77%
TOTAL		**89.72%**

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31 March 2026

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