UMTHOMBO
WEALTH

UMTHOMBO ACTIVE BOND FUND REPORT FOR QUARTER ENDED 30 JUNE 2026

Fixed Income summary

Geopolitics continue to shape global market sentiment as US-Iran policy tensions and diplomatic efforts face persistent challenges. Investor confidence remains sensitive to any signs of renewed friction or breakthroughs in talks.

Safe-haven demand tends to rise during periods of heightened rhetoric, while equities and growth-oriented sectors face selective selling pressure. Central bank policies add another layer to the equation. Monetary authorities worldwide watch these tensions closely because any sustained increase in energy costs could complicate inflation management.

The outlook for emerging economies remains mixed. Some of the central banks that ran defensive monetary policies through 2025 are still expected to continue their gradual easing cycles, including in Brazil and Russia. Divergent monetary policy prospects are contributing to variations in our currency forecasts, although the general direction for some of the larger emerging economies and most advanced economies remains toward gains against the US dollar.

Oil is now the key swing factor for South Africa's outlook. South Africa is a net oil importer. Higher prices widen the current account deficit, putting pressure on the currency and adding to inflation. The fading of the oil shock following the US-Iran peace deal in June improves South Africa's outlook but it doesn't change the broader picture. Lower fuel costs should push inflation lower, allowing the South African Reserve Bank to begin cutting rates in 2027. However, we highlight that during the second quarter of 2026, SA markets outperformed peers, driven by a combination of lower oil, softer global inflation pricing, and the reassessment of how much further the SARB really needs to tighten. In Q2 2026, the ALBI returned 7.87% in local currency, and 11.87% in US dollars as the rand reversed all the losses seen in March.

Looking ahead, 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, provided oil stays low, US yields remain contained, and USDZAR does not break materially higher.

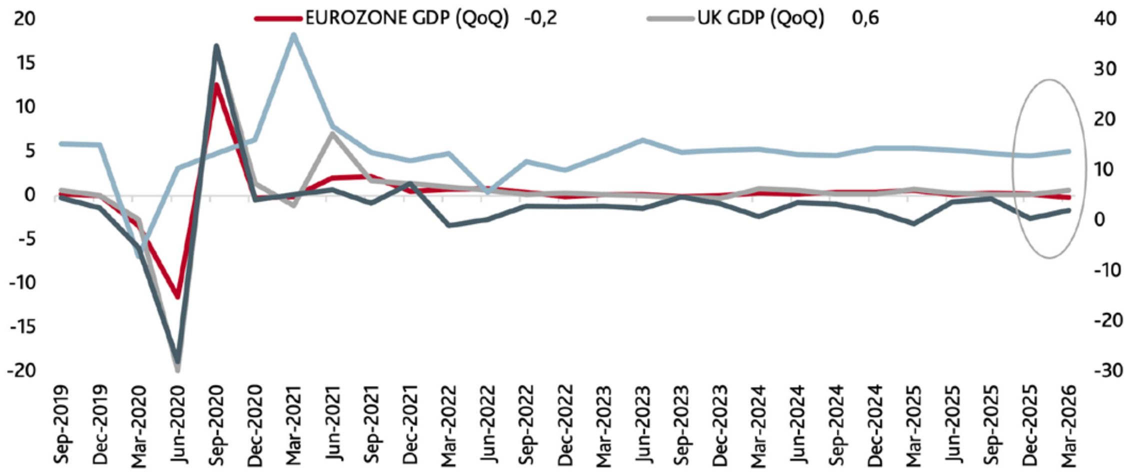
Global Economy

The US economic growth accelerated at the start of the year, bolstered by a massive AI-driven upswing in business investment, with inflation-adjusted gross domestic product increasing by an annualized 2.1% in the first quarter.

Headline real GDP growth for Q1 2026 was revised up to 2.1%, from 1.6% in the second estimate, driven by an improvement in international trade. Meanwhile, real consumer spending was revised down to 0.5%, from 1.4%.

The downward revision to spending was concentrated almost entirely on services, which were marked down to 0.5%. That was the weakest quarterly services spending since the pandemic. Spending on goods was revised up to 0.5%, reflecting a slight improvement in the contribution of nondurable goods. Reports point to an economy that has so far held firm, but the geopolitical situation risks tempering growth should inflation-weary consumers become more guarded, with inflationary pressures accelerating sharply in March as the war spurred a surge in gasoline prices.

Global economy remains resilient: What's next for the global economy in 2026



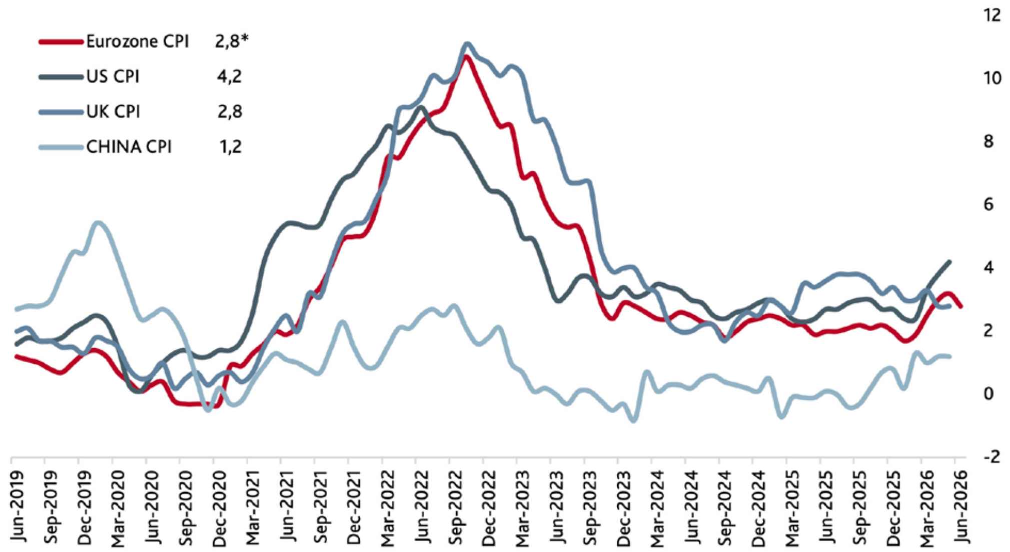
Source: Umthombo Research, Bloomberg (as at 30 June 2026)

The euro area economy slowed at the start of 2026, with first quarter gross domestic product contracting 0.1%. Consumer prices surged above 3%, the fastest pace since September 2023, as some European firms pass on rising raw materials costs. The UK economy grew 0.6% in the first quarter, a jump from 0.2% and the fastest expansion for a year. Economic growth was boosted by business and consumer spending, which appeared to hold up in the initial weeks of the Iran war. Economists warned that growth was now at risk from the fallout from a Middle East conflict and the prospect of a new prime minister.

China's economic growth rebounded more than expected in the first quarter, with GDP expanding by 5% from a year ago, the fastest in three quarters. GDP was powered by strong manufacturing and exports. Industrial output grew 5.7%, while retail sales increased 1.7%. The strong GDP expansion pace may reduce the urgency for additional stimulus, with some economists expecting only targeted policy help and others forecasting the People's Bank of China won't cut interest rates this year.

Global Inflation

Global Inflation rose during the second quarter as energy priced surged - 30 June 2026



Source: Umthombo Research, Bloomberg (as at 30 June 2026)

US inflation accelerated to the fastest pace in more than three years as the Iran war pushed up energy prices, outstripping Americans' pay gains. The consumer price index climbed 0.5% MoM and 4.2% from a year earlier, with more than half of the advance due to higher energy costs. Economists see more price increases on the horizon, which could prompt Federal Reserve officials to consider an interest rate increase this year, as disruptions to fertilizer markets and rising transportation costs may lead to higher grocery bills and prices for consumer goods.

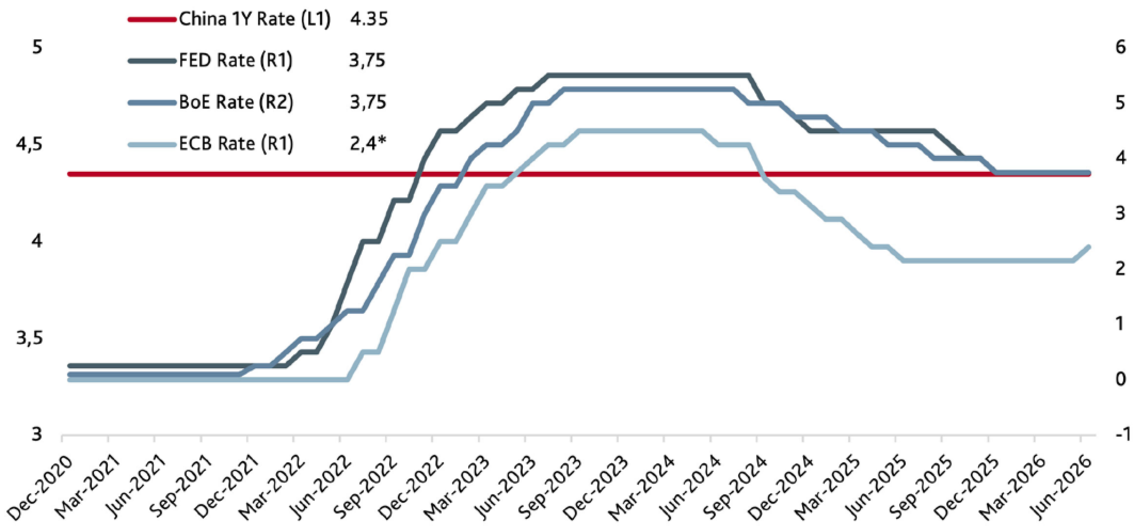
Euro-area inflation eased more than anticipated as efforts toward peace in the Middle East sent global oil prices lower. Consumer prices rose 2.8% from a year ago in June, down from 3.2% the previous month, and core inflation also dipped more than expected. Money markets see a greater than 50% chance that the European Central Bank will raise interest rates by another 25 bps by December.

UK inflation held steady, with consumer prices rising 2.8% compared to a year earlier, unchanged from April. Inflation was held down by food costs, offsetting price pressures from air fares, vehicle taxes and petrol. The figures appeared to support the wait-and-see approach favored by some Bank of England monetary policy members, with investors pricing in just one rate hike by the end of the year.

China's reflationary momentum showed signs of stalling in June, a reminder that the outlook for domestic prices was fragile as the economy emerged from deflation after an easing of tensions over Iran led to a pullback in commodity costs. Consumer inflation and the core gauge of prices both slowed more than expected from a year earlier. While the effect of a low base from 2025 kept producer inflation on an upswing, factory prices declined 0.3% MoM, which pointed to slower inflation ahead, their first drop since July 2025. Meanwhile, consumer prices softened further, reflecting weak consumption.

Monetary Policy Dynamics – Global

Global Central Banks Shift to Rate-Hold Mode Amid Iran War - 30 June 2026



Source: Umthombo Research, Bloomberg (as at 30 June 2026)

The Kevin Warsh era has arrived with a bang in the form of a dramatically shortened FOMC policy statement and a dot plot that didn't contain any dot from the chairman himself. That marked a break from the eras of former chairs Powell, Yellen, and Bernanke. But the rest of the committee sent an equally strong signal: They want rate hikes. Half of the committee pencilled in hikes this year, while the other half anticipates holding rates steady or cutting once.

That means Warsh could play a key role in influencing the direction of rates. The FOMC voted unanimously to keep the policy rate at 3.50%-3.75%, but that's about the only thing that stayed unchanged. They no longer expect a 25bps rate cut later this year.

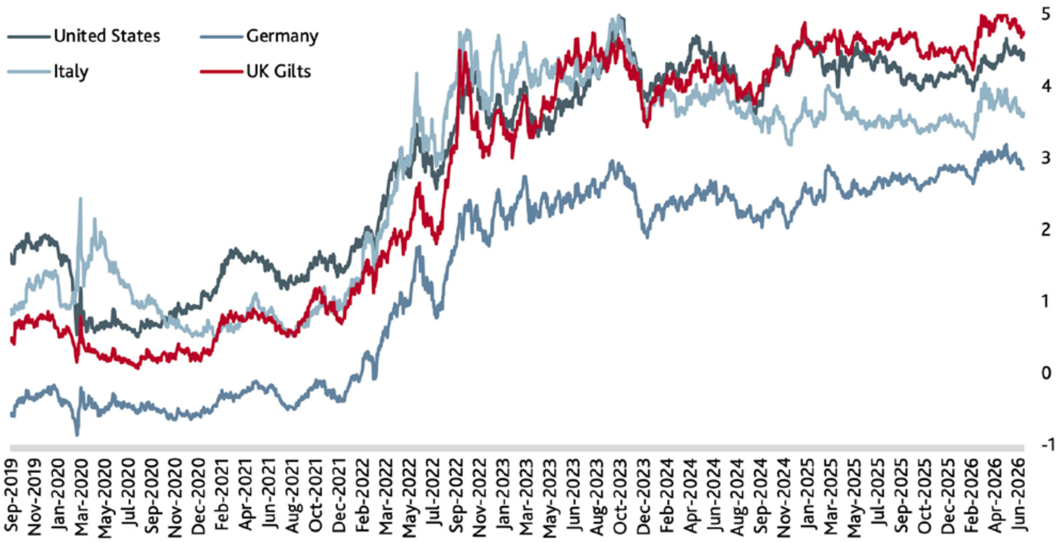
The European Central Bank (ECB) raised interest rates for the first time in almost three years, with President Christine Lagarde warning inflation triggered by the Iran war is widening beyond just energy. The ECB lifted the deposit rate to 2.25% from 2.00% and said it remained well positioned to navigate the current unpredictability, with the outlook remaining uncertain. The hike was the first policy reaction by a major central bank to the jump in oil prices triggered by the Middle East conflict, with officials worrying that inflation is broadening beyond energy.

The Bank of England (BoE) held rates steady in June and continued to signal it stood ready to act to curb inflationary pressures. The Monetary Policy Committee held rates at 3.75% at its June meeting, as expected. The vote split was 7-2, with Huw Pill and Megan Greene voting for a 25-basis-point hike. The MPC's collective guidance was unchanged.

The People's Bank of China (PBOC) kept one-year loan prime rates at 3.00%, and 5-year loan prime rates were also kept at 3.50%. The loan prime rates are seen as China's de facto benchmark lending rates, based on quotes submitted by 20 banks to the PBOC for loans to their best clients. The People's Bank of China's latest monetary policy framework shift was announced by Governor Pan Gongsheng at the Lujiazui Forum in Shanghai, which pointed to the possible adoption of an overnight rate as a policy benchmark, aligning with the framework used by major central banks such as the Fed.

Market Trends – Global

Global sovereign yields moved lower across most regions in the quarter, though U.S. Treasury yields shifted higher - 30 June 2026



Source: Umthombo Research, Bloomberg (as at 30 June 2026)

Global government bonds posted modest gains as sovereign yields moved lower across most regions, though U.S. Treasury yields shifted higher due to high energy prices, which spilled over into stoking up inflation in the short to medium term. Global equities rose as investors' risk appetite improved, driven by AI investment, more specifically the huge investment into semiconductors. Nasdaq index shot up 24.5% during the quarter, while the MSCI World index rose by 13.4% as stock markets hit all-time highs. The US Dollar Index (DXY) advanced 6.00% against a basket of major currencies to close at USD 101.18. Gold fell by 14% to USD 4510 during the quarter, as the market priced in rate hikes by the FED and a strong US dollar. Oil prices declined by 38% in Q2 2026 to close at USD 72.92, driven by the de-escalation in geopolitical tensions in the Middle East. Major economies released about 1.5 billion barrels from their emergency reserves to prop up supply and lower energy prices.

Local Economy

World Economic Outlook - 31 December 2024

The global economy is continuing growing at a modest pace

(Real GDP, Annual Percent change)	2023	Q1 2024 q/q	Q2 2024 q/q	Q3 2024* q/q	2024*	2025*	2026*
Developed Economies	1.1	2.0	2.0	1.8	1.7	1.7	1.8
United States	2.9	3.0	2.7	2.4	0.8	1.4	1.4
Euro Area	0.3	0.2	0.4	1.0	0.7	1.2	1.5
United Kingdom	0.7	0.4	0.0	0.3	1.0	1.3	1.5
China	1.5	0.9	1.3	1.6	4.8	4.5	4.2
Germany	0.2	-0.3	0.1	0.1	-0.2	0.4	1.0
France	0.2	0.2	0.4	0.0	1.1	0.8	1.1
Italy	0.3	0.2	0.0	0.2	0.5	0.7	1.0
Spain	0.8	0.8	0.8	0.6	3.0	2.2	1.8

Source: Umthombo Research, Bloomberg (as at 30 June 2026)

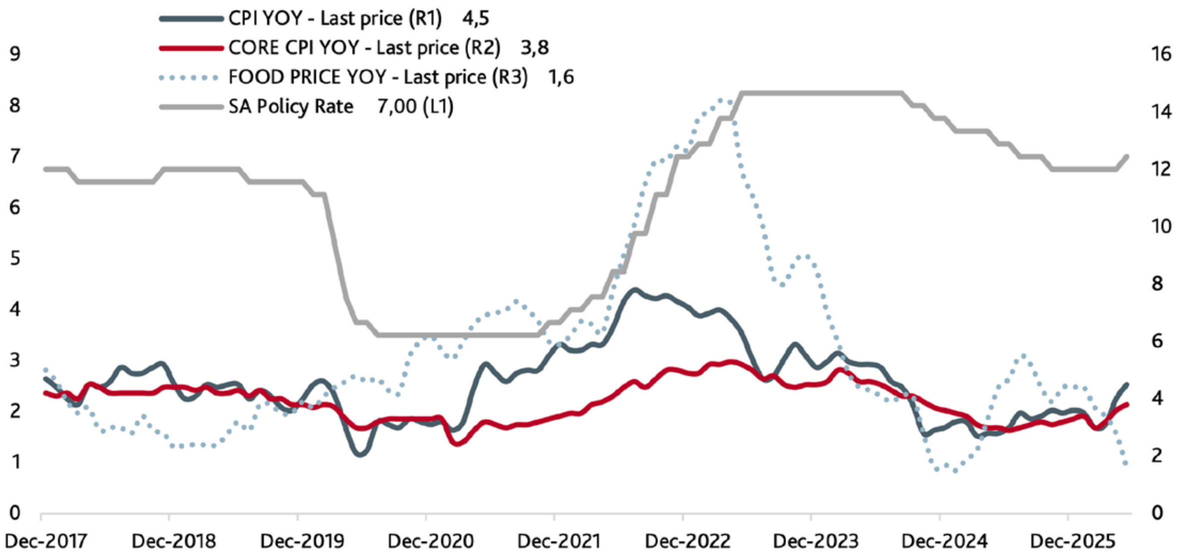
The local economy expanded 0.5% q/q sa in Q1 2026 from 0.4% in Q4 2025, which exceeded both our and the market's 0.3% forecast. The stronger Q1 growth masks a sharp deterioration in domestic demand. Household consumption nearly stalled and investment contracted after two quarters of growth. The outlook is weaker. Consumption will likely remain subdued, and investment will continue to decline as higher fuel costs squeeze real incomes and raise input costs. In our view, the path for economic activity in the coming months and quarters will be highly sensitive to developments in the Middle East conflict. We expect that GDP growth slowed to 0.1% q/q sa in Q2 2026, as higher fuel prices, interest rate increases and elevated uncertainty weigh on consumer disposable incomes and business sentiment.

Fiscal Policy – South Africa

South Africa's fiscal consolidation will likely extend into 2026-27, though more slowly than the government projects. Weaker growth and optimistic assumptions on spending cuts will weigh on progress. Conservative revenue assumptions suggest the hit to revenue - including from temporary fuel-tax cuts - should be limited. Additionally, the upcoming local government elections suggest that reducing spending-to-GDP ratios will be difficult to meet. The budget deficit should narrow, but by less than the government projects.

South Africa Inflation

Fuel prices push headline inflation in May, and expected to play a prominent role in the evolution of headline inflation in the coming months



Source: Umthombo Research, Bloomberg (as at 30 June 2026)

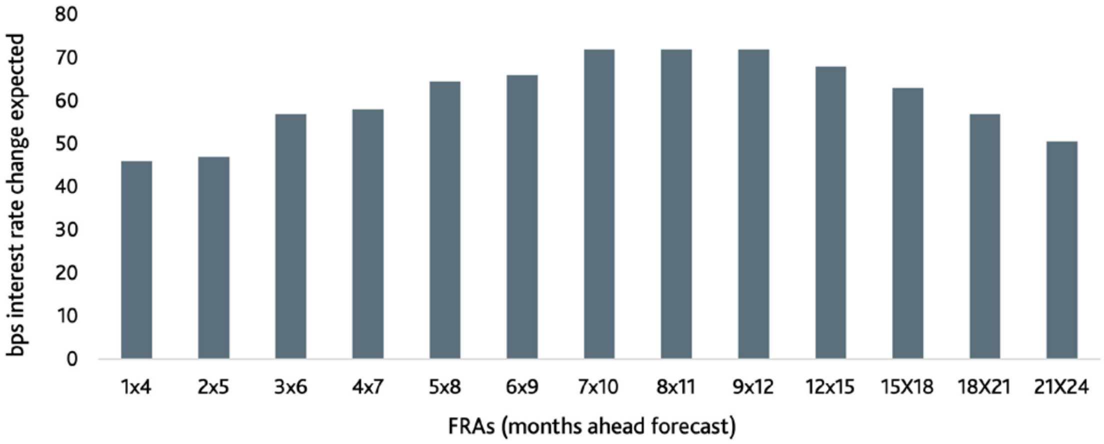
Consumer inflation rose 4.5% y/y in May from 4.0%, below the consensus median view of 4.7%. Fuel prices pushed headline inflation in May, and are expected to play a prominent role in the evolution of headline inflation in the coming months. Food again provided a disinflationary offset, helping blunt the impact of surging transport costs.

South Africa's inflation breached the upper end of the central bank's 1 ppt tolerance band around its 3% target and will likely climb further over the next few months as second-round effects emerge. Inflation should then stabilize through year-end, as a durable US-Iran peace deal that keeps oil prices contained would support that path.

On average, the market now expects headline consumer inflation of 4.1% in 2026, up from 3.9% previously.

Monetary Policy Dynamics – South Africa

Forward-rate agreements have swung from pricing in a cut to a more hawkish tone - 30 June 2026

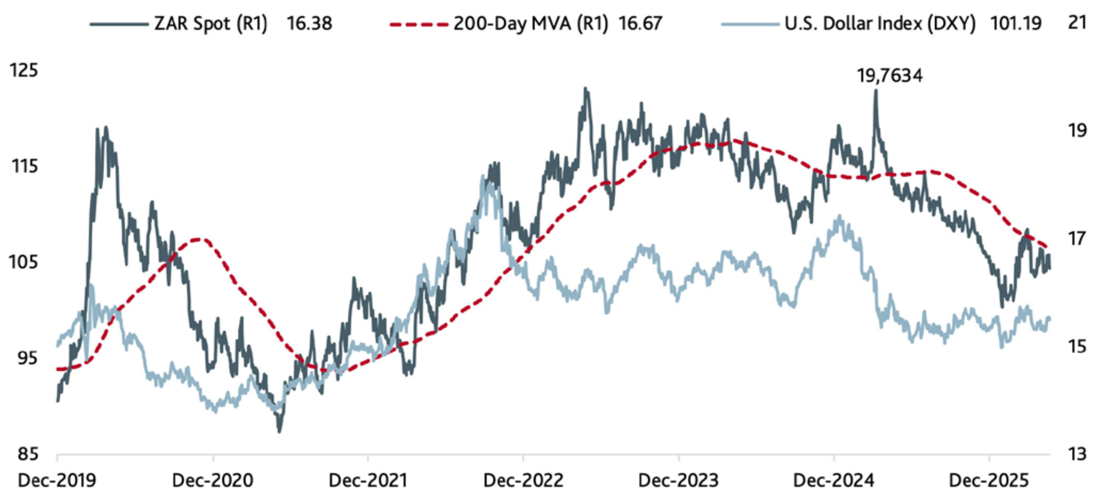


Source: Umthombo Research, Bloomberg (as at 30 June 2026)

The SARB's MPC repo hiked the repo rate by 25 bps to 7.00%, in line with our expectations amid an uncertain macroeconomic backdrop due to the international conflict. The MPC's tone was hawkish, but less so than we had anticipated. The SARB raised its inflation forecast sharply because of a revision to its oil price assumptions. Recent developments in the Middle East have introduced additional uncertainty to the inflation outlook. Notably, spot oil prices have declined more rapidly than assumed in the market's baseline, which currently envisages a gradual moderation to just below USD90/bbl by year-end. As such, the near-term inflation path remains highly sensitive to movements in crude and refined product prices, as well as broader global risk sentiment and potential FX adjustments. This uncertainty also feeds into the SARB policy outlook, where our base case remains a further 25 bps hike in July.

Matrix - South African Rand

Lower US interest rate expectations, a softer dollar and firmer precious metal prices have all supported the local currency

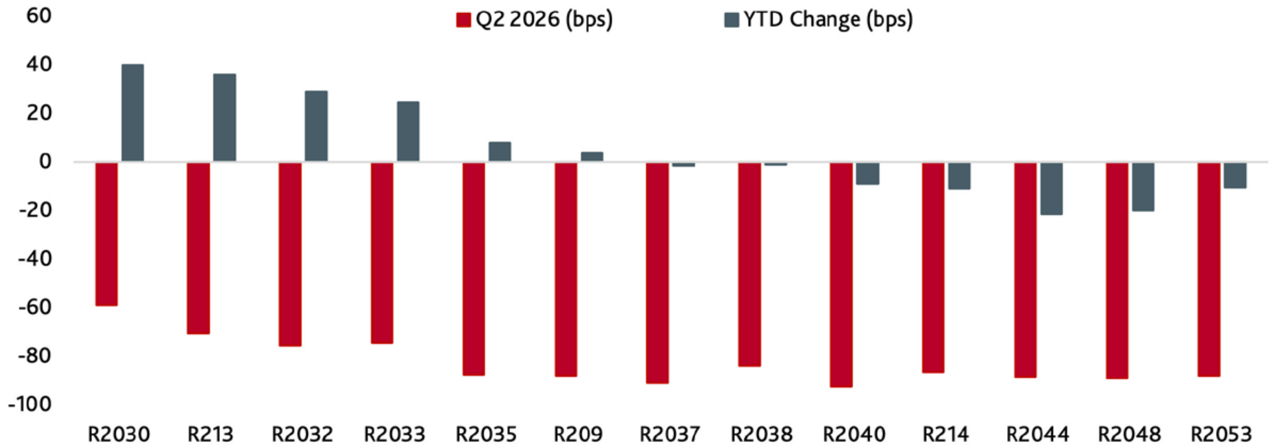


Source: Umthombo Research, Bloomberg (as at 30 June 2026)

External developments largely drive recent rand gains. Ongoing concerns surrounding economic growth, infrastructure constraints and domestic political uncertainty continue to limit the scope for sustained rand appreciation. Lower US interest rate expectations, a softer dollar and firmer precious metal prices have all supported the local currency. The local currency gained 3.26% to 16.39 per dollar in Q2 2026, outperforming most emerging-market peers, as oil — a key import — fell 38.39% to near $72.92 a barrel. The forecast is for the rand to strengthen to 16.25 against the greenback over the coming six to twelve months.

Bond Market Trends – South Africa

South Africa has benefited from a combination of lower oil, softer global inflation pricing and thevreassessment of how much further the SARB really needs to tighten



Source: JSE Ltd, Umthombo Research (as at 30 June 2026)

The South African government bond yields fell for a third month since the March sell-off, reaching their lowest level since the start of the US-Iran war as lower oil prices eased inflation concerns. The rally in SAGBs has been driven by a combination of lower oil, softer global inflation pricing, and a reassessment of how much further the SARB really needs to tighten. This saw yields close 59-92 bps stronger, leaving the curve 10 bps flatter. In our view, 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, provided oil stays low, US yields remain contained, and USDZAR does not break materially higher.

Credit Ratings – South Africa

All three rating agencies now have the second-highest non-investment grade rating on SA - 30 June 2026

	Moody's	S&P	Fitch
Local currency rating	Ba2	BB	BB
Outlook	Stable	Stable	Stable
Foreign currency rating	Ba2	BB+	BB
Outlook	Stable	Stable	Stable

Source: Umthombo Research, S&P (as at 30 June 2026)

All three major rating agencies now have equivalent ratings for SA, the second-highest non-investment grade rating. The key reason for the upgrade seems to be the stabilisation of the government's debt-GDP ratio as a result of fiscal prudence. Market expectations are that Moody's and S&P could upgrade SA after the Medium-Term Budget Policy Statement (MTBPS), but at this stage we don't expect Fitch to follow suit. The upgrade is positive for financial markets, though at this stage this is overshadowed by global considerations.

Portfolio Review – Umthombo Wealth Active Bond Fund

30-Jun-26	Umthombo Active Bond	FTSE/JSE All Bond Index	Alpha
Market Value End (ZAR)	R313 918 136		
1 Month	1.62%	1.50%	0.12%
3 months	8.77%	7.87%	0.90%
6 months	5.04%	4.25%	0.79%
YTD	5.04%	4.25%	0.79%
1 Year	25.10%	21.48%	3.62%
2 Year	22.00%	19.91%	2.09%
3 Years	19.46%	17.80%	1.66%
5 Years	**13.50%**	12.37%	1.13%
Number of years	**7.58**		
Since Inception: Gross Returns	213.28%	189.04%	24.24%
Since Inception: Ann. Returns (May 2016)	11.99%	11.10%	0.89%

Top 10 Portfolio holding

Active Bond Fund Top 10 Bond Holdings as at 30 June 2026

Name	Code	% Of Portfolio
1 REPUBLIC OF SOUTH AFRICA	R2048	18.75%
2 REPUBLIC OF SOUTH AFRICA	R2044	14.82%
3 REPUBLIC OF SOUTH AFRICA	R2040	12.95%
4 REPUBLIC OF SOUTH AFRICA	R2037	12.47%
5 REPUBLIC OF SOUTH AFRICA	R2053	12.42%
6 REPUBLIC OF SOUTH AFRICA	R2035	10.90%
7 REPUBLIC OF SOUTH AFRICA	R2030	4.36%
8 REPUBLIC OF SOUTH AFRICA	R2032	2.74%
9 REPUBLIC OF SOUTH AFRICA	R213	2.71%
10 SOUTH AFRICAN NATL RDS	HWAY34	0.76%
TOTAL		**92.87%**

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30 June 2026

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