ASHBURTON
INVESTMENTS

March 2026

Ashburton Fixed Income

Quarterly Investment Commentary

The first quarter of 2026 will be remembered as one divided sharply in two. January and February offered precisely the environment that fixed income managers hope for at the start of a year: inflation continuing to moderate, the Rand grinding firmer, nominal yields drifting lower and a SARB that appeared on course to resume its cutting cycle.

South African CPI had declined to 3.0% by the time the quarter closed, down from 3.6% at year-end. The All Bond Index had been quietly building on its strong 2025 performance, and the outlook, at least through mid-February, was one of steady, unremarkable progress.

Then the 28 February happened. The first missile fired at Iran rearranged the global landscape almost instantaneously. Brent crude, which had opened the year at $60.85 per barrel, closed the quarter at $118.35, an increase of nearly 95% in three months. The Rand, which had strengthened meaningfully during the early weeks of the quarter, reversed sharply and ended March at 16.94 to the dollar, a depreciation of 2.3% from the start of the year, but one that masking an intra-quarter swing that was far more violent. At its worst, the currency was trading above R17 to the dollar while Brent was still a few dollars shy of where it would ultimately settle.

The bond market absorbed these developments and reacted accordingly. The SA 10-year generic yield, which had traded below 8% in late February, ended the quarter at 9.306%, a rise of 98 basis points from its year-end level of 8.322%. The All Bond Index returned -3.36% for the quarter. Inflation-linked bonds offered little shelter, with the CILI returning -1.13% and the 10-year ILB yield widening by 29 basis points to close at 4.505%. The damage was concentrated almost entirely in the back half of March, a significant portion of what looks like a quarter's worth of losses was the product of three brutal weeks.

Cash did what cash tends to do in moments of panic, it accrued steadily and offered a degree of insulation. The STeFI Composite returned 1.66% for the quarter, modest in absolute terms but meaningful relative to both bonds and equities, where the JSE All Share ended the quarter 0.61% lower. The SARB, as anticipated, held the repo rate unchanged at 6.75% at its March meeting. With Brent above $110 and the Rand under pressure, any meaningful easing of financial conditions was simply not feasible. The correct read of the meeting was a central bank in genuine wait-and-see mode, prepared to acknowledge the near-term inflation risk from energy and import costs, but unwilling to respond pre-emptively to a shock that may yet prove transitory.

The more telling story sits in the forward rate market. At the start of the year, the FRA curve was pricing further cuts. By the 31 March, the 3×6 FRA stood at 7.125%, the 6×9 at 7.467%, and the 12×15 at 7.549% - each meaningfully above the current repo rate, and collectively reflecting a market that is now pricing in hikes, not cuts, over the next 12 to 18 months. This repricing has been dramatic. Whether it proves correct will depend almost entirely on how the oil shock evolves from here and at this point the range of outcomes remains unusually wide.

Fund Performance and Positioning

Our portfolio positioning through the quarter reflected this environment imperfectly, as is often the case during a genuine macro-economic surprises. We entered Q1 with measured duration exposure, having grown more constructive on the longer end of the nominal curve through the second half of 2025, underpinned by declining inflation and a SARB that appeared to be leaning toward accommodation. That stance added value through January and February before giving back gains as March's selloff accelerated. As part of the stance however we were somewhat underweight nominal duration as a whole, which helped portfolio performance. We moved to increased duration slightly as the oil price crossed $100 and increased our allocation to shorter-dated instruments as they now offered better relative value.

The inflation-linked segment of the market presents a genuine dilemma as we move into the second quarter. With CPI at 3.0% and real yields on 10-year ILBs now at 4.505%, the implied break-even inflation rate has widened materially from where it traded at year-end. If the oil shock proves persistent and feeds through into CPI, through fuel levies, food input costs and municipal tariff increases already approved by NERSA at 8.76% for direct customers, that break-even will prove prescient. If the conflict de-escalates and energy prices retrace, ILBs at current real yields look less attractive. We are inclined to build a small position here, not as a conviction trade, but as insurance.

Outlook

Looking ahead, the outlook is shaped by a single variable that no model can reliably forecast: whether the situation in the Middle East broadens, persists, or resolves. South Africa is a price taker in crude and a net importer of refined product. Our strategic petroleum reserves are well below capacity, our domestic refining output has contracted by roughly half over the past decade, and more than 80% of our fertiliser is imported, with a substantial share sourced from the Gulf states at the centre of the conflict. The secondary inflation effects will take several quarters to fully manifest and the SARB cannot ignore them.

We do not expect Governor Kganyago to respond to this shock by hiking aggressively, nor do we expect cuts in the near term. The pause is appropriate and it buys the MPC the time it needs. We will be watching the April and May CPI prints carefully, alongside any developments in freight and shipping costs that might indicate whether the worst of the energy disruption is behind us. Until there is greater clarity, we continue to favour shorter term, adequate liquidity and a preference for income over capital appreciation. In environments like this, the certainty of the coupon matters more than the speculation on the price.

Performance vs Benchmark

	YTD	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years
Ashburton Money Market L	**1.7%**	**0.6%**	**1.7%**	**3.6%**	**7.6%**	**8.2%**	**8.4%**	**7.1%**
STeFI 3 Month NCD ZAR	1.6%	0.5%	1.6%	3.3%	7.0%	7.5%	7.7%	6.5%
(ASISA) South African IB Money Market	1.6%	0.5%	1.6%	3.3%	7.1%	7.6%	7.7%	6.5%
Ashburton Core Plus Income L	**2.0%**	**0.7%**	**2.0%**	**4.1%**	**8.5%**	**9.0%**	**9.1%**	
STeFI Composite ZAR	1.7%	0.6%	1.7%	3.4%	7.3%	7.8%	8.0%	6.8%
(ASISA) South African IB Short Term	1.6%	0.2%	1.6%	3.8%	8.6%	9.2%	9.1%	7.8%
Ashburton Stable Income L	**2.0%**	**0.6%**	**2.0%**	**4.0%**	**8.4%**	**8.9%**	**9.0%**	**7.8%**
STeFI Composite ZAR	1.7%	0.6%	1.7%	3.4%	7.3%	7.8%	8.0%	6.8%
(ASISA) South African IB Short Term	1.6%	0.2%	1.6%	3.8%	8.6%	9.2%	9.1%	7.8%
Ashburton SA Income L	**1.0%**	**-0.9%**	**1.0%**	**4.2%**	**10.4%**	**11.4%**	**10.5%**	**8.8%**
STeFI Composite ZAR	1.7%	0.6%	1.7%	3.4%	7.3%	7.8%	8.0%	6.8%
(ASISA) South African IB Short Term	1.6%	0.2%	1.6%	3.8%	8.6%	9.2%	9.1%	7.8%
Ashburton Diversified Income L	**0.8%**	**-1.0%**	**0.8%**	**4.2%**	**10.8%**	**11.1%**	**10.3%**	**9.5%**
110% STeFI Composite ZAR	1.8%	0.6%	1.8%	3.8%	8.0%	8.6%	8.8%	7.4%
(ASISA) South African MA Income	0.5%	-1.3%	0.5%	3.9%	9.8%	10.4%	9.6%	8.4%
Ashburton Bond L	**-3.3%**	**-6.8%**	**-3.3%**	**5.3%**	**19.4%**	**20.2%**	**14.5%**	**12.5%**
FTSE/JSE All Bond TR ZAR	-3.4%	-6.8%	-3.4%	5.3%	19.2%	19.7%	14.3%	12.2%
(ASISA) South African IB Variable Term	-3.2%	-6.8%	-3.2%	5.2%	18.1%	18.1%	13.1%	11.1%
Ashburton Targeted Return L	**-0.8%**	**-5.0%**	**-0.8%**	**4.3%**	**16.0%**	**14.2%**	**12.4%**	**11.1%**
CPI + 3.5% (1 month lag)	1.6%	0.7%	1.6%	2.7%	6.5%	6.6%	7.4%	8.4%
(ASISA) South African MA Low Equity	-1.0%	-4.1%	-1.0%	3.3%	13.2%	12.5%	11.2%	9.6%

Past performance is not necessarily an indication of future performance.

Market and Economic Data

Table 1: Market Data as of 31 March 2026

Central Bank Decisions	31 Mar	Δ QTD	Δ 100d MA	Δ 200d MA
SA Repo Rate %	6.75	0.00	0.00	(0.08)
Fed Fund Target Rate %	3.75	0.00	0.00	(0.17)
BoE Base Rate %	3.75	0.00	0.00	(0.12)
ECB Main Rate %	2.15	0.00	0.00	0.00
Inflation				
US CPI YoY %	3.30	0.60	0.75	0.57
UK CPI YoY %	3.00	(0.40)	(0.15)	(0.37)
Eurozone CPI YoY %	2.50	0.50	0.59	0.49
SA CPI YoY %	3.00	(0.60)	(0.37)	(0.42)
Market Data				
USDZAR	16.94	2.30%	0.03	0.01
Brent Crude Oil ($/bbl)	118.35	94.49%	54.44%	67.93%
US 10-year Generic %	4.32	0.15	0.13	0.18
3m JIBAR %	6.75	0.00	0.04	(0.06)
3X6 FRA %	7.13	0.57	0.46	0.41
6X9 FRA %	7.47	1.03	0.86	0.85
12X15 FRA %	7.55	1.34	1.03	1.08
Cash - STeFI Composite	650.08	1.66%	0.90%	1.82%
All Bond Index (ALBI)	1,323.91	-3.36%	-3.90%	-1.07%
SA 10-year Generic %	9.31	0.98	0.84	0.62
Composite Inflation Linked Index (CILI)	429.79	-1.13%	-2.12%	0.91%
SA 10-year ILB Generic %	4.51	0.30	0.35	0.10
JSE All Share (ALSI)	21,757.61	-0.61%	-3.40%	0.52%
SA 5Y ASW	-	(77.80)	(79.79)	(83.92)
MSCI World	4,258.31	(172.07)	(199.63)	(141.96)
S&P 500	6,528.52	(316.98)	(298.72)	(255.91)
MSCI World ex. US	2,915.36	(45.72)	(140.82)	(40.45)
MSCI EM	1,397.20	(7.17)	(94.73)	(35.03)
WGBI	908.20	(9.64)	(12.56)	(10.00)
US 10Y	4.32	0.15	0.13	0.18
US IG Spreads	42.95	3.11	3.88	2.88
US HY Spreads	348.44	56.94	41.95	41.43

Table 2: US & SA Economic Data as of 31 March 2026

Event	Survey	Actual	Prior
US			
ADP Employment Change	50k	41k	-32k
Change in Nonfarm Payrolls	70k	50k	64k
CPI YoY	2.70%	2.70%	2.70%
ISM Manufacturing	48.4	47.9	48.2
Unemployment Rate	4.50%	4.40%	4.60%
ISM Services Index	52.2	54.4	52.6
SA			
CPI YoY	3.60%	3.60%	3.50%
Trade Balance Rand	-	37.7b	15.6b
Retail Sales Constant YoY	2.70%	3.50%	2.90%
Manufacturing Prod NSA YoY	-	-1.00%	0.20%
Current Account as a % GDP	0.60%	0.60%	-0.70%

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