ASHBURTON
INVESTMENTS



September 2026

Ashburton Fixed Income

Quarterly Investment Commentary

The third quarter of 2026 was marked by a renewed global inflation shock, a sharp rise in developed-market bond yields, and a clear shift back towards monetary-policy tightening. Escalating tensions in the Middle East disrupted energy markets and drove Brent crude above US$100/bbl by quarter-end.

The oil shock lifted inflation expectations, increased production and transport costs, and complicated the growth outlook. In the United States, economic activity and employment remained resilient while inflation stayed above target. Against this backdrop, the US Federal Reserve raised the federal funds target range by 25 basis points to 3.75%-4.00% in September, its first increase since 2023, and signalled that a further increase remained possible should inflation fail to moderate.

Tightening was not limited to the US. The European Central Bank and Bank of Japan also raised policy rates during September, while the Bank of England held its policy rate at 3.75% but retained a cautious stance given upside inflation risks. The synchronised shift towards tighter policy, elevated energy prices, loose fiscal settings and large public-sector funding requirements pushed global yields materially higher. The US 10-year Treasury yield rose by 54 basis points in September to 5.29%, with German and UK 10-year yields also moving higher. This global bond sell-off created a difficult backdrop for emerging-market duration and reinforced the importance of carry and active curve positioning.

In South Africa, headline inflation rose to 4.4% year on year in August from 4.3% in July, while core inflation eased to 4.1%. Although the headline outcome was slightly better than expected, the relief was unlikely to persist because local fuel prices rose sharply in September and further pressure is expected into the fourth quarter. Sticky services inflation, higher administered prices, food-price risks and inflation expectations remaining above the South African Reserve Bank's 3% target all increased the risk of second-round effects. Economic activity also softened, with GDP contracting by 0.2% quarter on quarter in the second quarter as higher imports and weaker investment offset relatively resilient domestic demand.

The South African Reserve Bank responded by raising the repo rate by 25 basis points to 7.25% at its September meeting. The unanimous decision reflected the deterioration in the near-term inflation outlook, the persistence of the fuel-price shock and the need to prevent higher inflation expectations from becoming embedded. Forward-rate markets repriced further tightening, with the 6x9 FRA ending September at 7.82% and the 12x15 FRA at 7.85%.

The rand remained comparatively resilient and ended the quarter near R16.40 to the US dollar, supported by attractive carry, commodity prices and a still-supportive external balance.

South African fixed-income returns were mixed over the quarter. The All-Bond Index returned -0.68% over the three months to September, reflecting the rise in global yields, higher domestic policy expectations and a sell-off concentrated in the front end and belly of the nominal curve. Short-dated yields rose more sharply in September, with the R2030 yield increasing by 23 basis points, while the long-dated R2048 yield rose by 8 basis points. The curve therefore flattened as markets priced a more restrictive near-term policy path while the long end remained supported by improving fiscal credibility and expectations that tighter monetary policy would help anchor medium-term inflation.

Inflation-linked bonds were more resilient, with the Composite Inflation-Linked Index returning 1.45% over the quarter and 6.81% year to date. The combination of higher oil prices, rising fuel inflation and renewed concern about second-round effects supported demand for inflation protection, particularly as nominal bonds came under pressure. Credit markets remained broadly stable. High-quality floating-rate and short-dated credit continued to provide attractive carry and lower duration sensitivity, although tight spreads and uncertain global conditions favoured disciplined security selection rather than aggressive credit-risk extension.

Looking ahead, the fixed-income outlook remains constructive but more dependent on the entry point and instrument selection. Current yields offer improved carry, particularly in short-to-medium-dated government bonds, money-market instruments and high-quality floating-rate credit. However, the near-term environment remains vulnerable to oil-price volatility, further global rate increases and evidence that inflation is broadening beyond fuel. The South African Reserve Bank is likely to remain cautious and data-dependent, with the risk of additional tightening if inflation expectations do not re-anchor or second-round effects intensify. Over the medium term, easing inflation, fiscal consolidation and stronger growth could support lower bond yields, but much of the improvement in domestic fundamentals is already reflected in long-end valuations. We therefore retain a balanced approach focused on carry, selective duration, inflation protection and high-quality credit.

Fund Performance and Positioning

The **Ashburton Money Market Fund** returned 1.8% over the quarter and 5.3% year to date, ahead of both the STeFI 3-month NCD benchmark at 1.7% and 5.0%, respectively, and the ASISA Money Market peer group. The fund continued to benefit from stable income accrual and its exposure to short-dated money-market instruments as policy rates moved higher. The allocation remained concentrated in Treasury bills, bank fixed-rate instruments and floating-rate notes, supporting capital stability and liquidity.

The **Ashburton Core Plus Income Fund** returned 2.0% over the quarter and 5.9% year to date, outperforming the STeFI Composite benchmark by 0.3% over the quarter and 0.8% year to date. The Ashburton Stable Income Fund delivered 2.1% over the quarter and 5.8% year to date, also ahead of the benchmark. Both funds benefited from income accrual and their exposure to floating-rate bank paper, which limited sensitivity to the rise in bond yields.

The **Ashburton SA Income Fund** returned 1.7% over the quarter and 5.9% year to date. Quarterly performance was in line with the STeFI Composite benchmark, while the fund remained 0.8% ahead year to date. The fund's mix of floating-rate exposure, money-market assets and selective fixed-rate duration supported returns despite the challenging quarter for nominal bonds.

The **Ashburton Diversified Income Fund** returned 0.8% over the quarter and 4.7% year to date. Performance was below the enhanced benchmark over both periods, reflecting the fund's broader exposure to growth and duration-sensitive assets during a quarter characterised by weaker local equities and a global bond sell-off. Diversification across local and foreign fixed income, inflation-linked bonds, property, equities and commodities nevertheless continued to provide multiple sources of income and risk mitigation.

The **Ashburton Bond Fund** returned -0.8% over the quarter and 3.4% year to date, broadly in line with the FTSE/JSE All Bond Index, which returned -0.7% and 3.5%, respectively. The outcome reflected the difficult environment for nominal duration as global yields rose, and domestic rate expectations were repriced higher. Relative performance remained supported by active curve and bond selection.

The **Ashburton Targeted Return Fund** was flat over the quarter, however returned 2.9% year to date and remained modestly ahead year to date. The fund performance outperformed the CPI plus 3.5% objective over the 3-year rolling period by 5.7% period. The portfolio remained diversified across local and foreign fixed income, equities, property, inflation-linked assets, commodities and cash, with the objective of balancing downside protection and medium-term real-return generation.

Performance vs Benchmark

	YTD	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years
Ashburton Money Market L	**5.3%**	**0.6%**	**1.8%**	**3.5%**	**7.3%**	**7.7%**	**8.2%**	**7.4%**
STeFI 3 Month NCD ZAR	5.0%	0.6%	1.7%	3.3%	6.8%	7.2%	7.5%	6.8%
(ASISA) South African IB Money Market	5.0%	0.5%	1.7%	3.4%	6.8%	7.3%	7.6%	6.8%
Ashburton Core Plus Income L	**5.9%**	**0.6%**	**2.0%**	**3.9%**	**8.1%**	**8.4%**	**8.8%**	
STeFI Composite ZAR	5.1%	0.6%	1.7%	3.4%	7.0%	7.4%	7.8%	7.1%
(ASISA) South African IB Short Term	5.7%	0.5%	1.8%	4.0%	8.0%	8.5%	9.1%	8.1%
Ashburton Stable Income L	**5.8%**	**0.7%**	**2.1%**	**3.8%**	**7.9%**	**8.4%**	**8.8%**	**8.1%**
STeFI Composite ZAR	5.1%	0.6%	1.7%	3.4%	7.0%	7.4%	7.8%	7.1%
(ASISA) South African IB Short Term	5.7%	0.5%	1.8%	4.0%	8.0%	8.5%	9.1%	8.1%
Ashburton SA Income L	**5.9%**	**0.7%**	**1.7%**	**4.8%**	**9.2%**	**9.8%**	**10.8%**	**9.3%**
STeFI Composite ZAR	5.1%	0.6%	1.7%	3.4%	7.0%	7.4%	7.8%	7.1%
(ASISA) South African IB Short Term	5.7%	0.5%	1.8%	4.0%	8.0%	8.5%	9.1%	8.1%
Ashburton Diversified Income L	**4.7%**	**0.0%**	**0.8%**	**3.9%**	**8.2%**	**9.3%**	**10.8%**	**9.0%**
110% STeFI Composite ZAR	5.7%	0.6%	1.9%	3.8%	7.7%	8.1%	8.6%	7.8%
(ASISA) South African MA Income	4.9%	0.3%	1.0%	4.4%	8.5%	8.7%	10.1%	8.6%
Ashburton Bond L	**3.4%**	**0.0%**	**-0.8%**	**6.9%**	**12.6%**	**13.9%**	**17.8%**	**12.4%**
FTSE/JSE All Bond TR ZAR	3.5%	0.0%	-0.7%	7.1%	12.8%	13.7%	17.7%	12.1%
(ASISA) South African IB Variable Term	3.8%	0.1%	-1.3%	7.2%	12.7%	13.1%	16.5%	11.2%
Ashburton Targeted Return L	**2.9%**	**-1.6%**	**0.0%**	**3.7%**	**8.2%**	**11.1%**	**13.2%**	**10.7%**
CPI + 3.5% (1 month lag)	6.7%	0.3%	1.8%	5.0%	7.9%	7.3%	7.5%	8.4%
(ASISA) South African MA Low Equity	2.8%	-1.2%	0.3%	3.8%	7.2%	9.9%	12.0%	9.5%

Past performance is not necessarily an indication of future performance.

Market and Economic Data

Table 1: Market Data as of 30 September 2026

Central Bank Decisions	30 September	Δ QTD	Δ 100d MA	Δ 200d MA
SA Repo Rate %	7.25	0.50	0.26	0.38
Fed Fund Target Rate %	4.00	0.25	0.22	0.24
BoE Base Rate %	3.75	0.00	0.00	0.00
ECB Main Rate %	2.65	0.50	0.26	0.38
Inflation				
US CPI YoY %	3.40	0.70	-0.24	0.17
UK CPI YoY %	3.10	-0.30	0.26	0.10
Eurozone CPI YoY %	3.80	1.80	0.77	1.21
SA CPI YoY %	4.40	0.80	-0.09	0.47
Market Data				
USDZAR	16.42	-0.84%	0.54%	0.00
Brent Crude Oil ($/bbl)	103.53	70.14%	13.67%	17.46%
US 10-year Generic %	5.28	1.12	0.62	0.84
3m JIBAR %	7.22	0.47	0.22	0.36
3X6 FRA %	7.38	0.82	0.08	0.32
6X9 FRA %	7.82	1.39	0.27	0.63
12X15 FRA %	7.85	1.64	0.29	0.68
Cash - STeFI Composite	672.28	5.13%	1.29%	2.58%
All Bond Index (ALBI)	1 418.32	3.54%	0.34%	1.63%
SA 10-year Generic %	8.77	0.57	0.07	0.14
Composite Inflation Linked Index (CILI)	464.30	6.81%	1.44%	3.28%
SA 10-year ILB Generic %	4.28	0.08	0.11	0.12
JSE All Share (ALSI)	21 186.39	-3.22%	-2.98%	-4.50%
SA 5Y ASW	42.42	-40.11	-3.93	-19.72
MSCI World	4 902.65	472.27	29.01	216.74
S&P 500	7 651.54	806.04	87.41	420.36
MSCI World ex. US	3 197.92	236.84	-29.31	46.63
MSCI EM	1 704.87	300.50	4.05	91.00
WGBI	892.15	-25.70	-19.01	-23.54
US 10Y %	5.28	1.12	0.62	0.84
US IG Spreads	39.46	-0.39	1.92	1.24
US HY Spreads	332.71	41.21	36.28	31.49

Table 2: US & SA Economic Data as of 30 September 2026

Event	Survey	Actual	Prior
US			
ADP Employment Change	47k	38k	44k
Change in Nonfarm Payrolls	55k	162k	-23k
CPI YoY	3.40%	3.40%	3.40%
ISM Manufacturing	55.2	54.6	55.6
Unemployment Rate	4.10%	4.10%	4.10%
ISM Services Index	54.1	55.4	54.1
SA			
CPI YoY	4.50%	4.40%	4.30%
Trade Balance Rand	17.0b	20.5b	20.1b
Retail Sales Constant YoY	1.00%	3.40%	1.60%
Manufacturing Prod NSA YoY	-2.00%	1.10%	-1.70%
Current Account as a % GDP	-1.30%	-2.60%	2.40%

ASHBURTON
INVESTMENTS

www.ashburtoninvestments.com

Ashburton Management Company (RF) (Proprietary) Limited (Reg No 1996/002547/07) (the "Manager") is an approved Collective Investment Schemes manager in terms of the Collective Investment Schemes Control Act, No. 45 of 2002 and is the manager of the Ashburton Collective Investment Scheme ("Ashburton CIS"). The Manager is regulated by the Financial Sector Conduct Authority (FSCA) and is a full member of the Association for Savings and Investment SA (ASISA). The Manager and AFM are referred to Ashburton Investments.

Ashburton Fund Managers (Proprietary) Limited (Reg number 2002/013187/07) ("AFM") is an authorised financial services provider, FSP number 40169 and is the investment manager appointed by the Manager.

Collective Investment Schemes are generally medium- to long-term investments. The value of participatory interests (units) may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investment schemes are traded at ruling prices and can engage in scrip lending and borrowing. A schedule of fees, charges, and maximum commissions, as well as a detailed description of how performance fees are calculated and applied, is available on request from the Manager. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The Manager may close the portfolio to new investors in order to manage it efficiently according to its mandate. This document is not advice in respect of any other financial, investment, trading, tax, legal, accounting, retirement, actuarial or other professional advice or service whatsoever ("advice as defined in terms of FAIS"). In the event a potential investor requires material risks disclosures for the foreign securities included in a portfolio, the manager will upon request provide such potential investor with a document outlining: potential constraints on liquidity & repatriation of funds; Macroeconomics risk; Political risk; Foreign Exchange risk; Tax risk; Settlement risk; and Potential limitations on the availability of market information. The FSP provides solutions which are financial products and services regulated under the FAIS Act but may also provide non-financial products and services which are not afforded the protection of the FAIS Act. These non-financial products and services may be regulated by other legislation.

Please engage us should you be uncertain what law applies to your solution with us. For full and further details including performance and fees, please refer to our website: www.ashburtoninvestments.com. This document is issued by Ashburton Investments which has its registered office at No. 2 Merchant Place, 1 Fredman Drive, Sandton, 2196, South Africa.