



### MARKET UPDATE AND OUTLOOK – DECEMBER 2025

The **PortfolioMetrix BCI Dynamic Income Fund** completed its 5-year milestone with flying colours and ended 2025 as the top performing fund in its sector over 1, 3 and 5 years.

In 2025 the fund returned **+19.6%** and has generated **+80.7% since inception**, significantly outperforming peers (+50.8%), and cash (+37.8%).

#### MARKET & ECONOMIC HIGHLIGHTS:

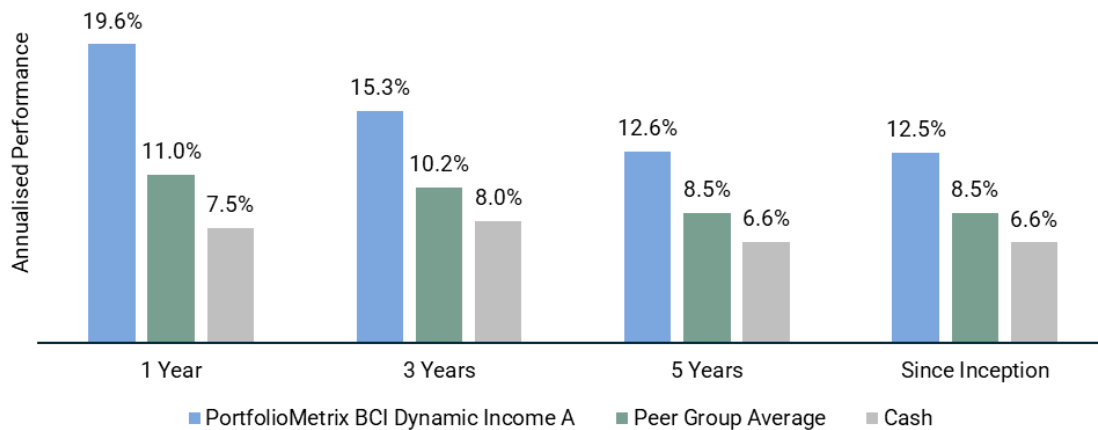
2025 was a remarkably good year for SA fixed income and markets in general. Despite the turmoil and uncertainty created by Trump's "Liberation Day" tariff shocks, markets recovered and ended the year strongly. Investors that held their nerve in April were handsomely rewarded.

A range of positive local factors were supported by strong global headwinds, resulting in a positive environment for SA bonds:

- **ZAR and Inflation:** Higher precious metal prices (especially gold and platinum) and subdued oil prices resulted in an improved terms of trade and contributed to a stronger ZAR. This in turn helped maintain SA inflation at lower levels, which remains an important consideration for investors.
- **Attractive Real Yields:** Low and stable inflation combined with high real yields provided investors with an attractive investment opportunity with relatively low risk.
- **SARB Policy Direction:** The SARB's signalled intention to reduce its inflation target to 3% was viewed positively by economists and investors. The SARB also reduced the repo rate to 6.75% in November and updated its projections, acknowledging that improved inflation dynamics and the lower inflation objective can support a lower rates path over time. While guidance remained firmly data-dependent and growth expectations are still modest, the policy tone is incrementally more supportive for duration—particularly if disinflation persists and fiscal funding pressure continues to ease.
- **SA Recovery & Reform Agenda:** Following South Africa's removal from the FATF grey list, the improving narrative stayed in focus and gained additional traction with SA's sovereign rating upgrade by S&P—its first in roughly two decades. Reforms remain incremental rather than a step-change, but the combination of ratings momentum, clearer fiscal signalling, and a stronger commitment to lower inflation has improved the confidence backdrop and helped underpin demand for South African debt.
- **Global Rate Cuts:** The global monetary easing cycle began in 2024 and is likely to continue into 2026 as early indications suggest a stable but lower growth environment going forward, with risk to the downside.
- **Foreign Investors:** Foreign investors recognised these positive factors and provided a vote of confidence by significantly increasing their holdings of SA bonds.

#### PORTFOLIO UPDATES

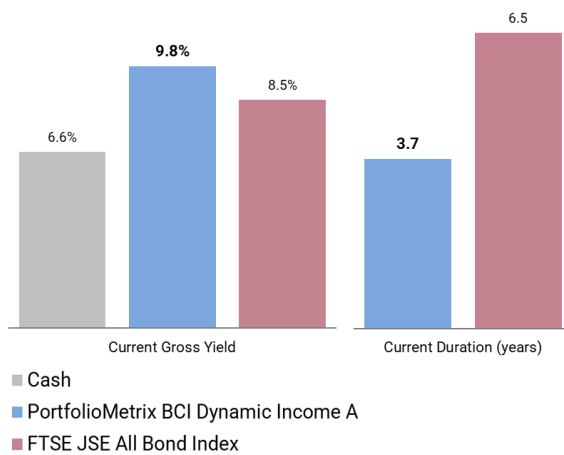
- We have maintained our bias to longer-dated fixed-rate bonds, which has significantly benefitted investors as SA bonds have continued to outperform.
- Real yields on various instruments remain attractive at current levels but markets remain uncertain and the portfolio is positioned to take advantage of opportunities should unforeseen weakness occur.
- The fund's **current gross yield\* of 9.8% remains high** relative to short and long-term expectations for cash and inflation.



Inception date of the fund is 2020/12/21. Details of this performance track record are available upon request. All performance is on a Net of Fees basis. Data longer than a period of one year has been annualised, unless otherwise stated.  
Source: Morningstar, PortfolioMetrix

## FUND POSITIONING

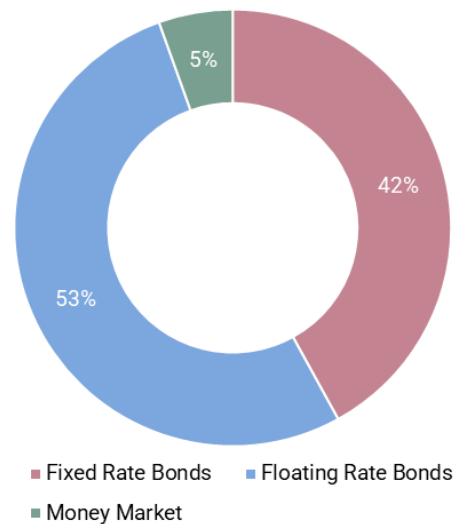
- The Fund's gross current yield\* of 9.8% remains attractive in both absolute terms and relative to cash and the All-Bond Index.
- The aggregate duration is currently 3.7, which indicates an interest rate volatility of less than two thirds of the All Bond Index, which has a current duration of 6.5 years.
- We are confident that the fund is well positioned to provide investors with returns above cash and inflation over the medium-term and into the future.



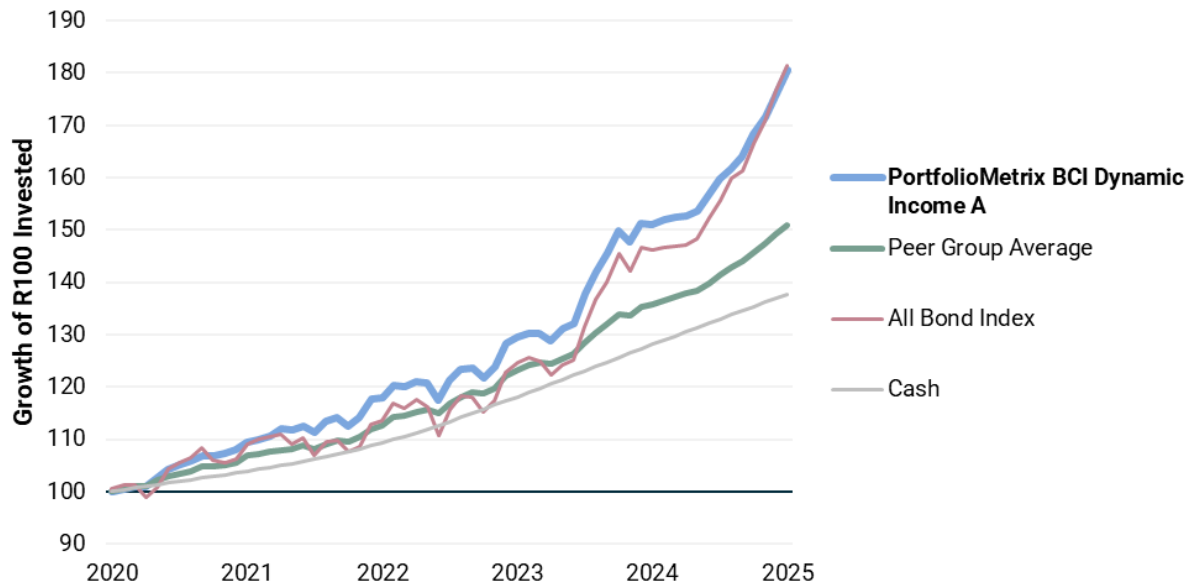
\*The current gross yield is indicative and fluctuates daily and therefore not guaranteed. As of 2025/12/31.  
Source: JSE, PortfolioMetrix

## ASSET ALLOCATION

- More than half of the portfolio is invested in money market and floating-rate instruments, which continue to benefit from current high interest rates.
- The fixed rate bond exposure of approximately 42% is providing high yields for investors by locking in rates at current high levels.
- We continue to maintain a high level of liquidity in the fund to be able to manage risk in a volatile market environment and take advantage of attractive investment opportunities as they present themselves.



## PERFORMANCE TRACK RECORD



December 2025	PortfolioMetrix BCI Dynamic Income Fund A	Peer Group Average	All Bond Index	Cash
1 Month	2.6%	1.0%	2.7%	0.6%
3 Months	7.3%	3.4%	9.0%	1.8%
6 Months	13.0%	6.7%	16.5%	3.6%
YTD	19.6%	11.0%	24.2%	7.5%
1 Year	19.6%	11.0%	24.2%	7.5%
3 Years	15.3%	10.2%	16.9%	8.0%
5 Years	12.6%	8.5%	12.5%	6.6%
Since Inception	12.5%	8.5%	12.6%	6.6%
Cumulative Since Inception	80.7%	50.8%	81.5%	37.8%

Inception date of the fund is 2020/12/21. Details of this performance track record are available upon request. All performance is on a Net of Fees basis. Data longer than a period of one year has been annualised, unless otherwise stated.

Source: Morningstar, PortfolioMetrix

## PORTFOLIOMETRIX FIXED INCOME TEAM

- An experienced Fund Management team with a multiple award-winning track record.
- The team works closely with the global PortfolioMetrix Asset Management team that collectively manages more than R100bn in assets under management.



**PHILIP BRADFORD, CFA®**



**LIAM DAWSON, CFA®**



**RICCARDO PERETTI, CFA®**

## FUND OBJECTIVE AND SUITABILITY

- To provide a high level of income for investors with a focus on capital preservation.
- The fund is suitable for low-to-moderate risk investors with an investment horizon of 12 months and longer.

## DYNAMIC MANDATE

- The team manages the fund by dynamically investing across the broad universe of income generating investments, whilst actively managing the risk.
- The fund provides investors with diversified exposure to conservative, high income yielding investments typically only accessible by large institutional investors.
- We aim to generate a similar return to the ALBI with less volatility.
- The fund does not have exposure to equity, property, or foreign exchange risk.
- The fund is Regulation 28 compliant.

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