LAURIUM BCI STRATEGIC INCOME FUND

Commentary & Attribution | March 2026

The first quarter of 2026 was characterised by elevated geopolitical risk, shifting policy dynamics, and sharp market volatility, culminating in a material increase of risk premia by quarter end. The quarter opened amid heightened uncertainty around US institutional independence and global trade policy. Early January was dominated by tensions surrounding the Federal Reserve, including speculation around legal challenges facing Chair Jerome Powell, alongside broader geopolitical disruptions such as the US extraction of Venezuela's President Maduro. These developments weighed on the US dollar and reinforced investor sensitivity to policy credibility. At the same time, US inflation printed close to expectations at +2.7%, showing little immediate pass through from existing import tariffs.

The Federal Reserve maintained a cautious stance throughout the quarter, holding the federal funds rate unchanged at 3.50% – 3.75%. Early quarter communication suggested diminishing risks to both inflation and employment objectives, with broad FOMC consensus supporting policy stability. However, as the quarter progressed, global conditions deteriorated materially. In February, the US Supreme Court ruled the administration's "Liberation Day" tariffs unconstitutional, introducing significant uncertainty around future trade policy and refund liabilities. While the ruling reduced near term legal clarity, it did little to lower long term trade risk, with the administration signalling alternative avenues to reintroduce tariffs.

By March, global attention shifted decisively toward the Middle East, where the outbreak and escalation of conflict pushed energy prices sharply higher, reintroducing inflationary risk and triggering broad based declines in global bond markets. Major central banks, including the Federal Reserve, European Central Bank, Bank of England and Bank of Japan, responded by delaying anticipated rate cuts and prioritising flexibility amid heightened uncertainty. Global fixed income markets sold off aggressively, with the Bloomberg Global Aggregate Index down 3.1% for the month.

February represented a constructive turning point on the domestic policy front. The 2026 State of the Nation Address reaffirmed government commitment to growth enhancing structural reforms. Tangible progress under Phase 1 of Operation Vulindlela - including reduced load shedding, improved freight volumes and visa reform - supported confidence, although execution risks at the municipal level and water security challenges remain material.

This momentum carried into the National Budget, which surprised positively. Strong commodity driven revenues allowed National Treasury to withdraw proposed R20 Billion in new tax measures for FY2026/27, while full fiscal drag relief was granted for the first time since 2023. Confidence in fiscal sustainability improved meaningfully: primary surpluses were maintained for a third consecutive year, debt to GDP is projected to peak at +78.9% in FY2025/26, and the main budget deficit is forecast to narrow to +2.3% by FY2028/29. Treasury also increased cash buffers ahead of large FY2027/28 redemptions and reduced weekly fixed rate issuance, contributing to a rally in bonds during February.

South Africa entered the year with inflation broadly under control. Headline CPI rose modestly in January to +3.6%, driven mainly by sticky rental inflation, while food inflation pressures remained contained despite elevated meat prices linked to foot and mouth disease. Inflation expectations continued to anchor, supporting the SARB's credibility and reinforcing confidence in convergence toward the +3% target.

The SARB maintained the repurchase rate at +6.75% at both the January and March meetings. Early in the year, dissent within the MPC reflected growing confidence in the disinflation trajectory; however, by March the decision to hold became unanimous as global energy driven inflation risks rose sharply. SARB communication emphasised caution, with scenario analysis highlighting the possibility of renewed tightening under more severe or prolonged external shocks.

In March, however, the external shock from surging energy prices prompted temporary fiscal intervention. Government announced a one month R3 per litre reduction in the general fuel levy for April 2026, aimed at cushioning the inflationary impact of higher oil prices while remaining fiscally neutral. The measure is expected to cost approximately R6 Billion in foregone revenue and will be reassessed in coming months.

Domestic fixed income markets experienced pronounced volatility over the quarter. January and February were constructive months, supported by improved fiscal credibility, contained inflation and strong non resident inflows. The All Bond Index returned +1.9% in January and +1.75% in February, with longer dated bonds outperforming as yields declined across the curve.

March marked a sharp reversal. Rising global yields and a rapid unwind of term and risk premia drove a severe sell off in domestic bonds. The 10 year government yield rose by 129 basis points intra month, peaking at +9.39%. The All Bond Index recorded its worst monthly performance since March 2020, falling -6.8%, with losses most acute in the long duration segment. Despite the sharp March drawdown, performance across the curve limited total quarterly losses. The All Bond Index returned -3.36% for the quarter; with 1–3 year sector: +0.64%, 3–7 year sector: +2.20%, 7–12 year sector: +3.82% and 12+ year sector: +4.09%.

While March was underscored by market fragility, South African economy entered the year with improving macro fundamentals, credible fiscal consolidation, and anchored inflation expectations, however; external developments ultimately dominated outcomes. **The Laurium Strategic Income Fund** for the quarter delivered a positive return +0.2%. The fund remains strategically positioned by running slightly short-fixed income nominal duration in this current environment.

Performance declaration for Laurium BCI Strategic Income Fund (Class B)	FUND	BENCHMARK (110% of STeFI call)
Annualised return since inception	+8.3%	+6.9%
Cumulative return since inception	+148.0%	+114.2%
1 Year (annualised)	+11.5%	+7.8%
3 Year (annualised)	+10.5%	+8.5%
5 Year (annualised)	+9.2%	+7.1%
Highest rolling 1-year return (cumulative since inception)	+14.1%	
Lowest rolling 1-year return (cumulative since inception)	+4.6%	
Fund inception date	7 November 2014	