**The Active Bond Fund**

1. **What is the fund's objective?**

The fund seeks to deliver consistent outperformance of the FTSE/JSE All Bond Index (ALBI) over rolling 12-month periods through disciplined, risk-aware active bond management. The fund is in the ASISA South African – Interest Bearing – Variable Term category and is designed to provide investors with a benchmark-cognizant South African bond allocation focused on repeatable alpha generation rather than taking uncompensated risk.

2. **What does the fund invest in?**

The fund is a South Africa-only fixed income portfolio (no offshore exposure permitted) investing in rand-denominated interest-bearing instruments, primarily:

- South African government bonds (core holdings).
- Investment-grade corporate credit (selective).
- Money market instruments and cash (liquidity management).
- Limited allocations to inflation-linked bonds (ILBs) and floating-rate notes (FRNs) for diversification and macroeconomic responsiveness.

**Portfolio constraints and limits**

- Duration risk limit: maximum ±0.5 in duration deviation versus the benchmark
- Credit quality: limited to investment-grade, with strict rating and issuer-exposure limits
- Liquidity limits: holdings are limited to sufficiently tradeable instruments, supporting efficient portfolio rebalancing and exit execution when needed.

The fund may use derivatives for efficient portfolio and risk management.

3. **Important portfolio characteristics and risks**

The fund is benchmark-cognisant, with active risk allocated to a defined set of return levers:

- Duration management: controlled interest-rate positioning within the ±0.5 active-duration constraint
- Yield curve strategies: active positioning across maturity buckets where relative value is compelling.
- Credit selection: selective investment-grade credit exposure with spreads providing adequate compensation, subject to strict quality and concentration limits
- Opportunistic diversification: limited tactical use of ILBs and FRNs to respond to inflation dynamics, policy shifts, and changing relative value

Key risks include:

- Interest-rate risk: bond prices can decline when yields rise. The fund actively manages this risk but cannot eliminate it.
- Credit and spread risk: investment-grade spreads can widen, affecting prices; mitigated by quality guardrails and issuer limits.
- Liquidity risk: market liquidity can deteriorate under stress; mitigated by liquidity limits and tradability requirements.
- Inflation risk: inflation surprises can shift yield expectations and real return outcomes; ILBs may be used tactically to mitigate inflation risk.

4. **How long should investors stay invested**

The fund is designed to deliver bond-market returns with incremental alpha over time. Investors should ideally remain invested for 2–4 years (at least 24 months) to allow active positioning to play out across rate and curve cycles and to reduce the impact of short-term interest-rate volatility.

## 5. Who should consider investing in the fund

Investors seeking a pure South African bond allocation benchmarked to ALBI and who prefer a benchmark-aware, risk-controlled approach to active bond management. Investors who want returns driven by duration, curve, and investment-grade credit decisions, and who value strong liquidity and credit-quality discipline to support capital resilience through market stress.