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AUGUST 2026

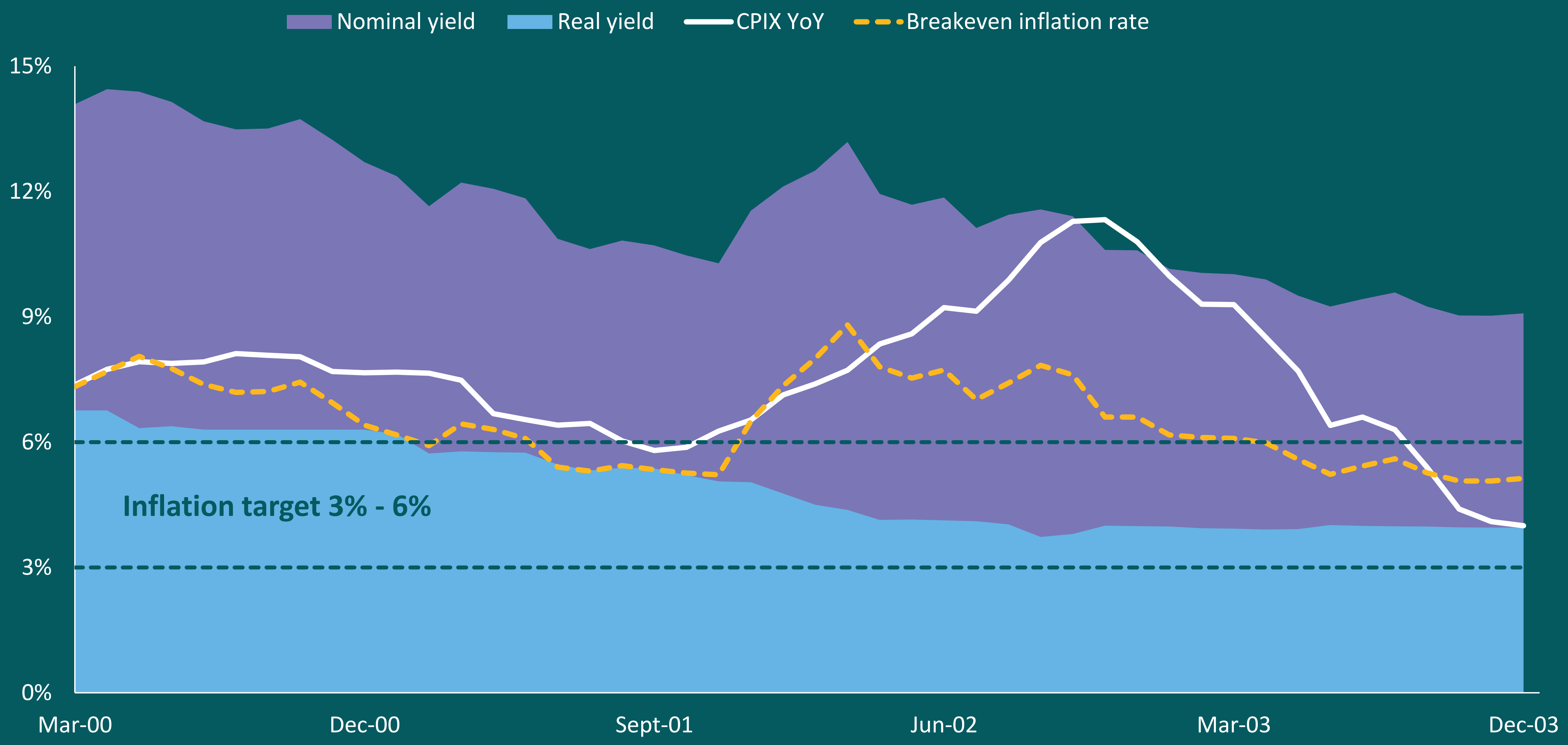
Models Behaving Badly

BULENT BADSHA

The Investment Think Tank

Introduction of inflation targeting (2000)

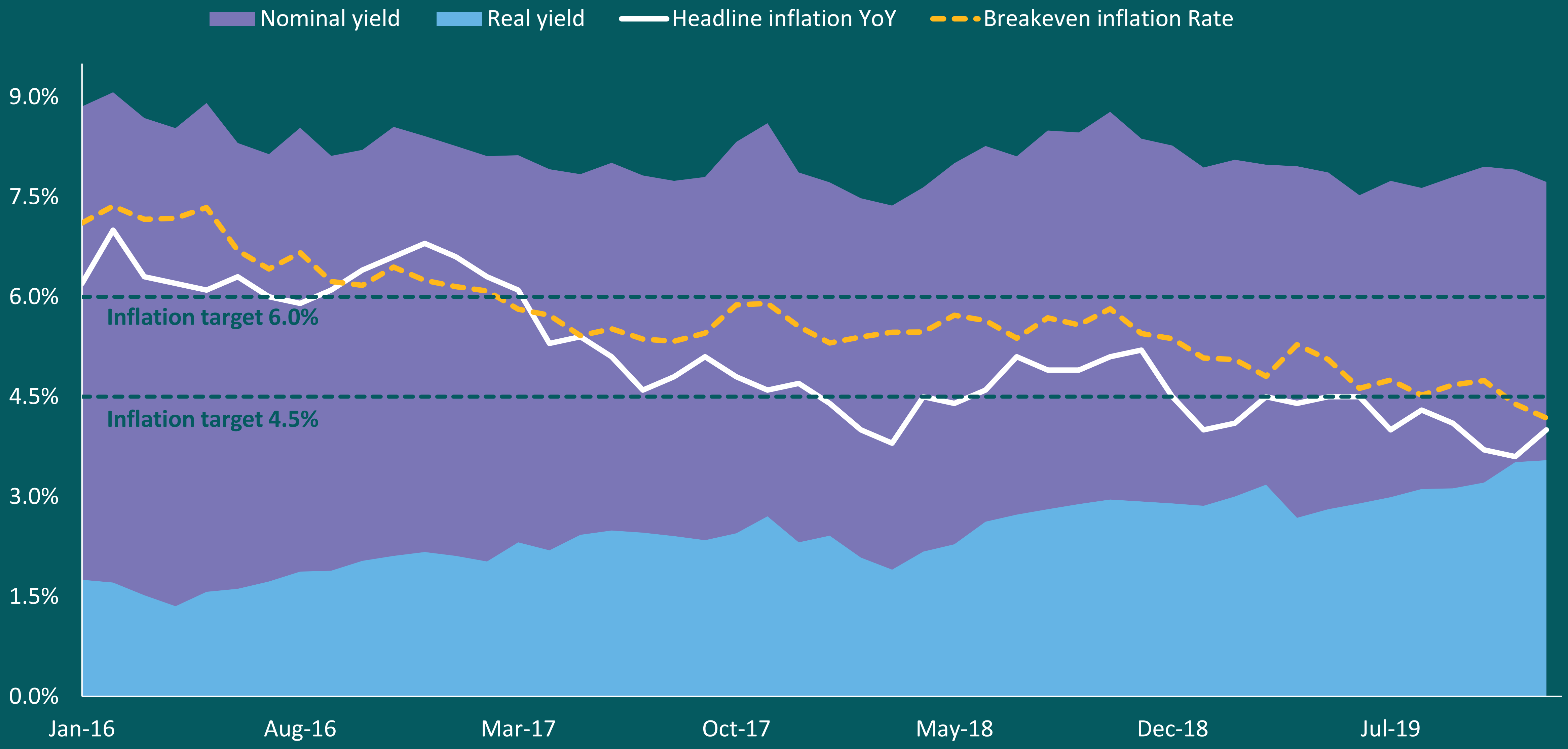
Inflation target 3% - 6%



Source: IRESS

First lowering of the inflation target (2017)

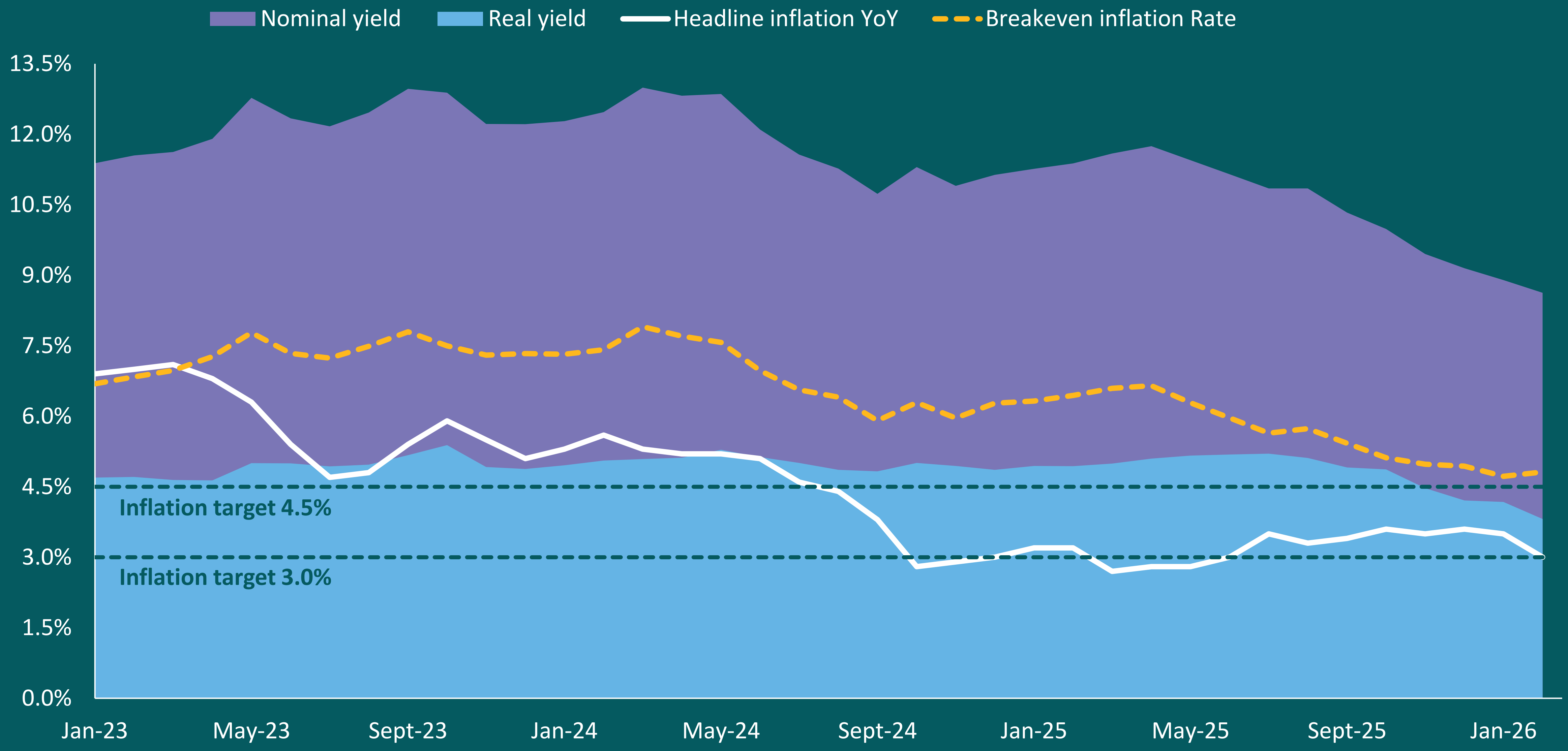
Inflation target lowered to 4.5%



Source: Bloomberg

Second lowering of the inflation target (2025)

Inflation target lowered to 3.0%



Source: Bloomberg

Investment strategy

Flexible income solutions

Flexibility to allocate tactically

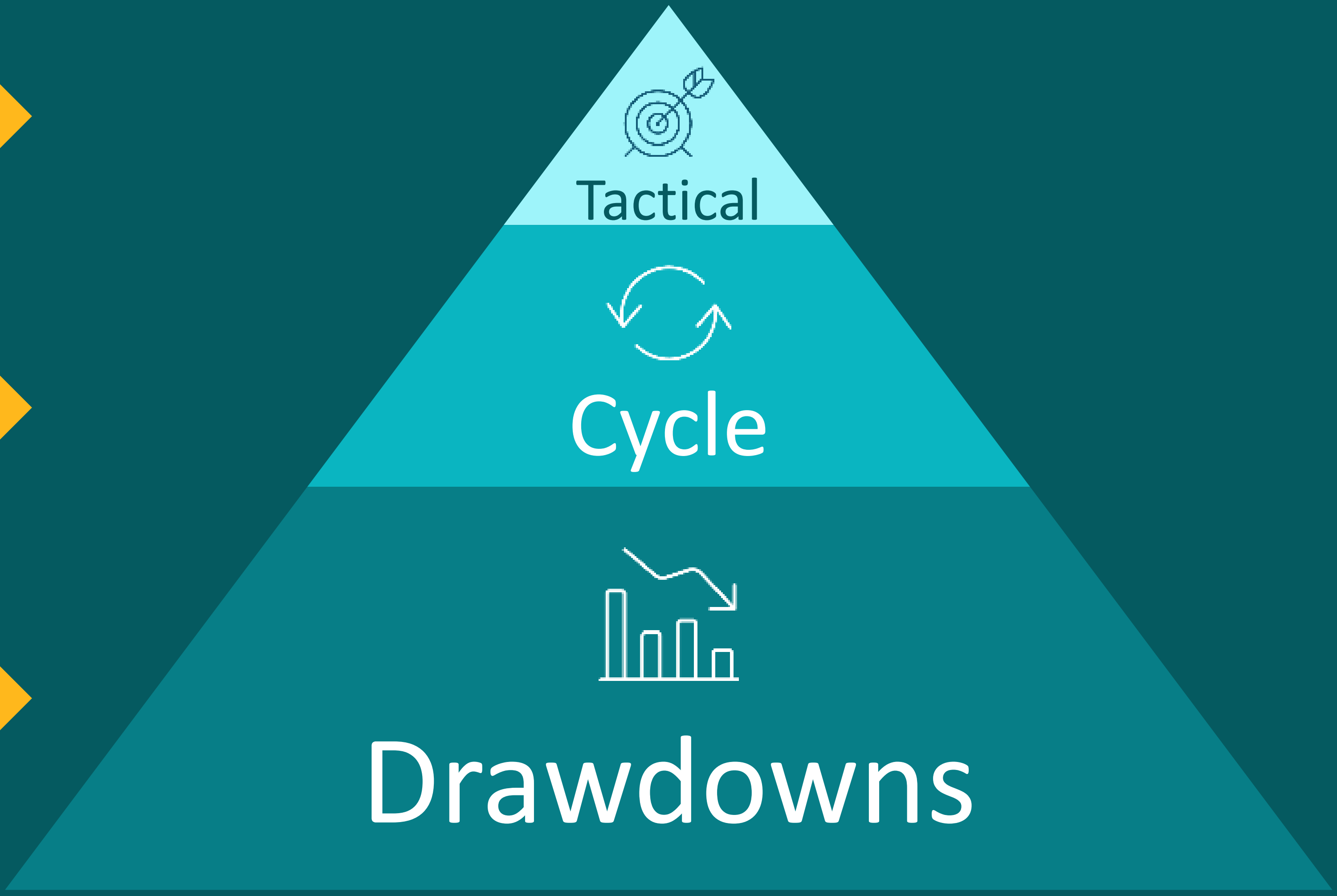
"Tactically alert to market opportunities"

Where assets should be priced based on the point in the cycle

"Be aware of cycles"

Focus on minimising drawdowns

"Mind the drawdown"



Source: M&G Investments

Duration (interest rate sensitivity)

Iran war: March 2026 (Fund return -0.29%)

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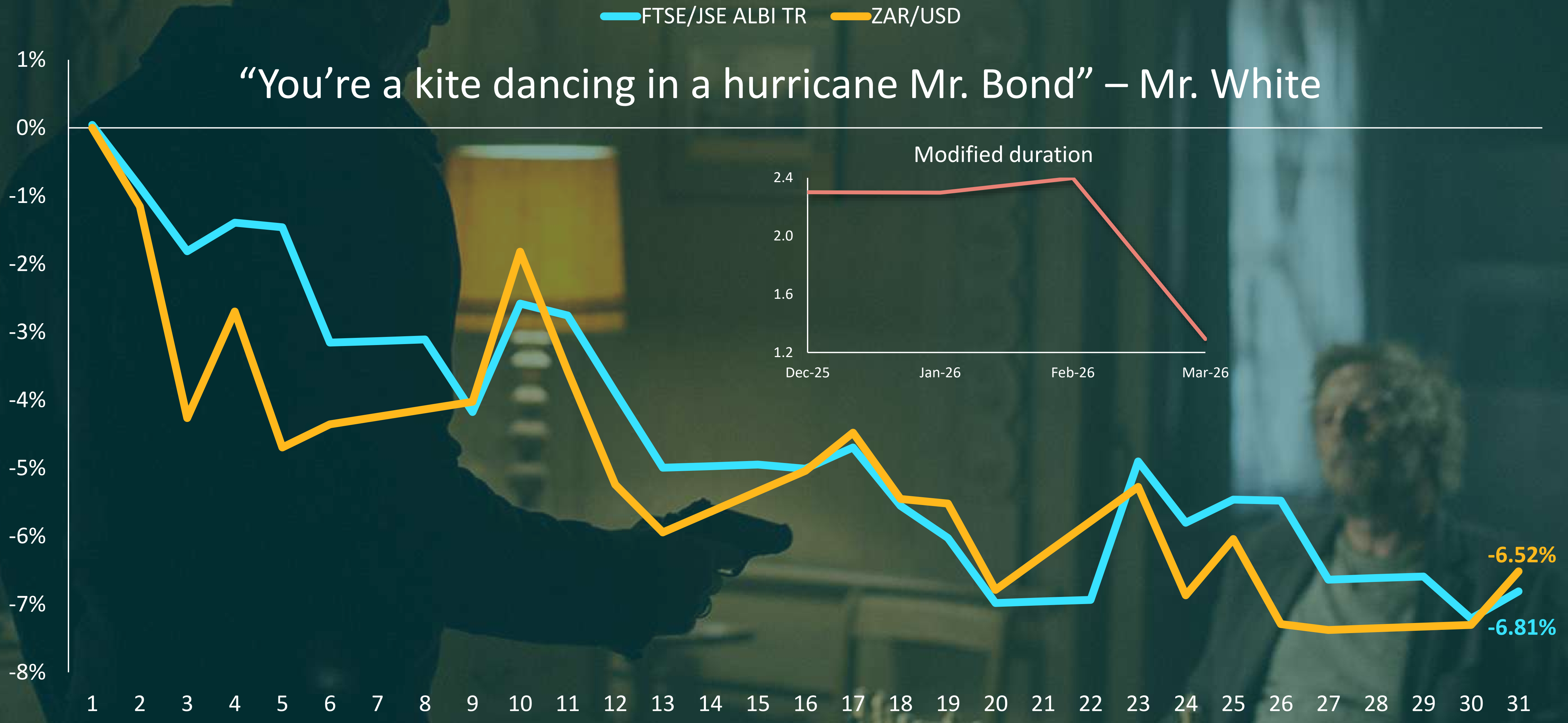

Source: M&G Investments, Bloomberg Image source: https://www.007.com/wp-content/uploads/2019/01/image-6.png

Example of a crisis – Lady R

Blow-out and recovery in practice

Source: M&G Investments, Bloomberg Image source: https://www.dailymaverick.co.za/article/2023-09-05-lady-r-executive-summary-report-nothing-to-see-here-folks/

Credit: picking up pennies in front of a steamroller

Taxi finance securitisation

Source: IRESS 30.06.2026, Image source: https://twitter.com/IntuitMachine/status/1713512723345010729

Interest rates cycle

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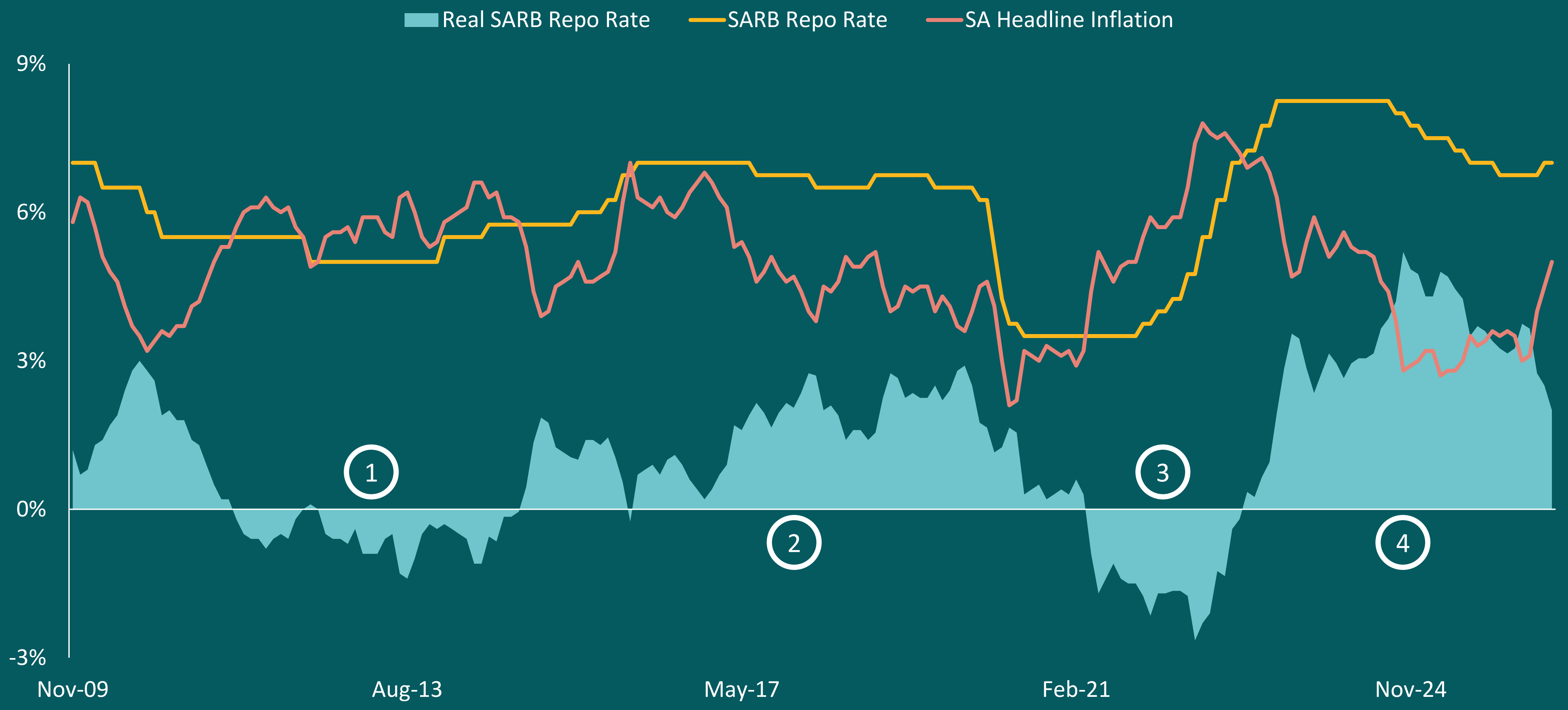
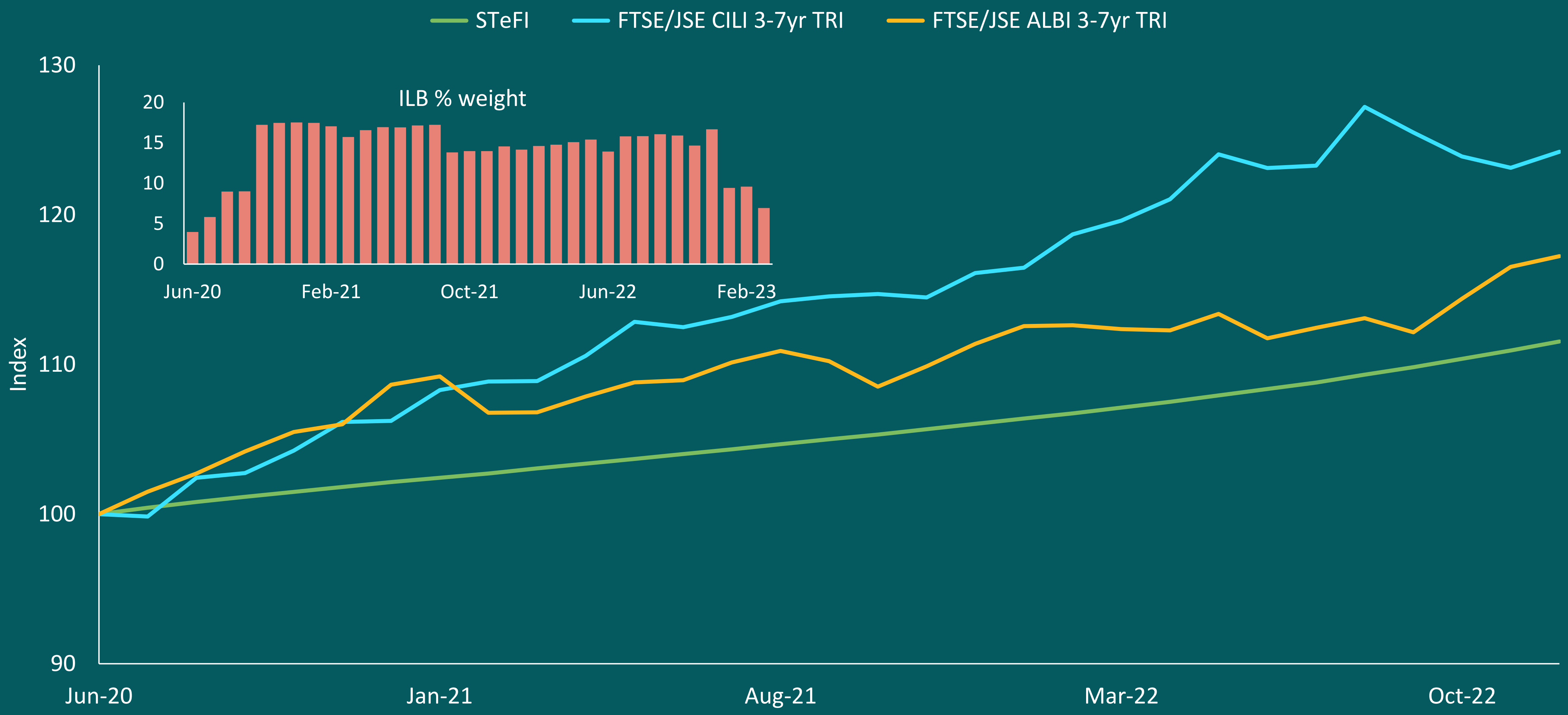
Distinct phases of monetary policy since the GFC have driven divergence in fixed income asset returns



Source: M&G Investments, Bloomberg 30.06.2026

Case study 3 – “Un-anchoring”

ILBs outperformed strongly, with stable yields and high inflation carry



Source: M&G Investments, Bloomberg 31.12.2022

Case study 4 – “Re-anchoring”

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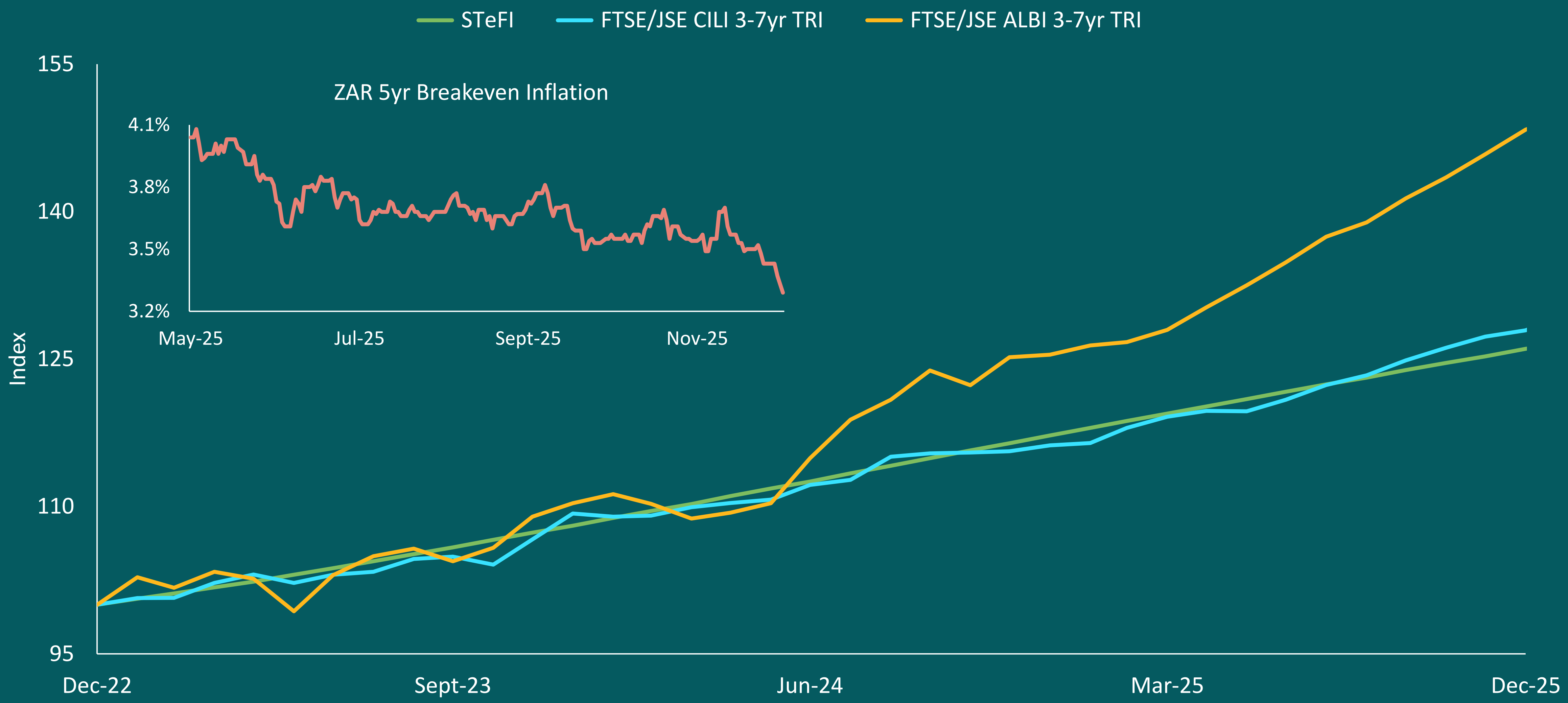
SAGBs outperformed, especially after the GNU and new inflation target



Source: M&G Investments, Bloomberg 31.12.2025

Strong performance across multiple time frames

Fund ranking as at 30 June 2026

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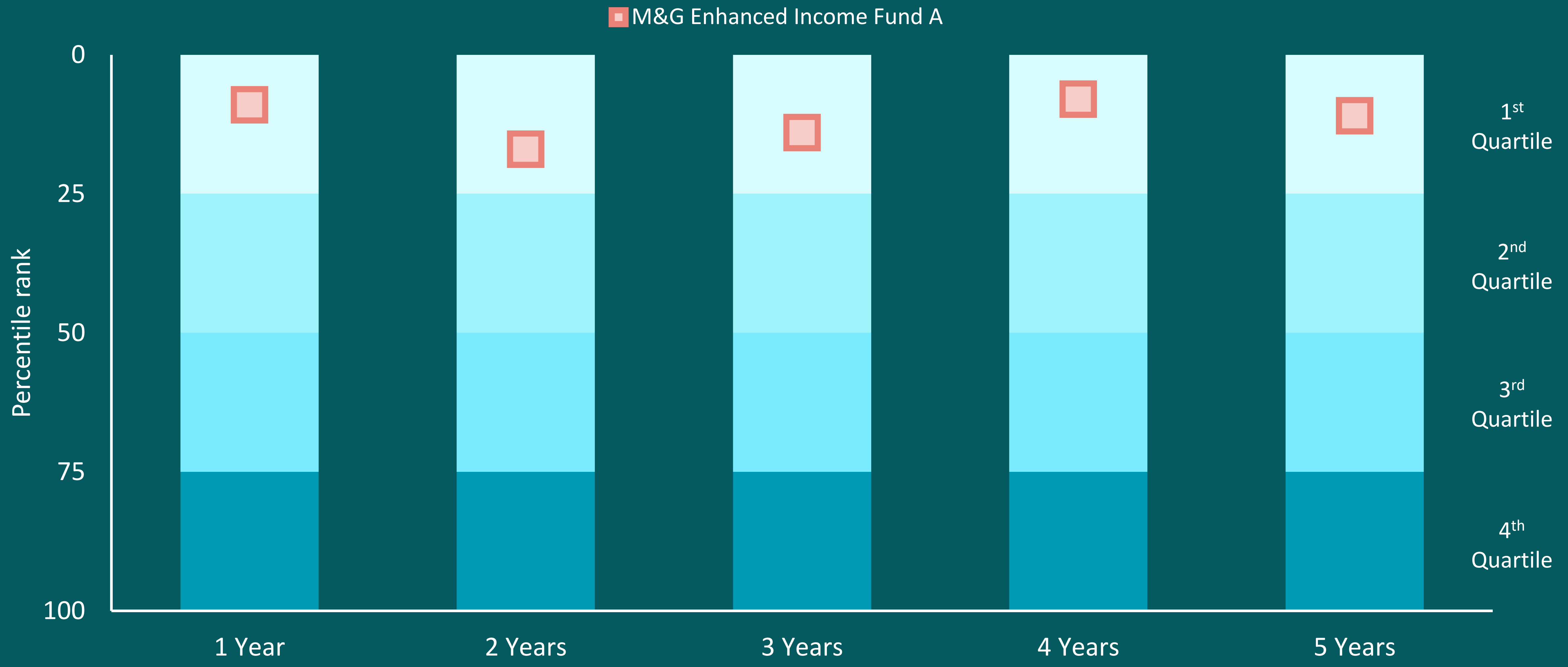

Source: M&G Investments, Morningstar. Not for onward distribution. No other persons should rely on any information contained within. The investment performance above is for illustrative purposes only; the investment performance is calculated by taking the actual **M&G Enhanced Income Fund A Class** ongoing fees into account for the amount shown; and income is reinvested on the reinvestment date. No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those shown.

3-year risk reward

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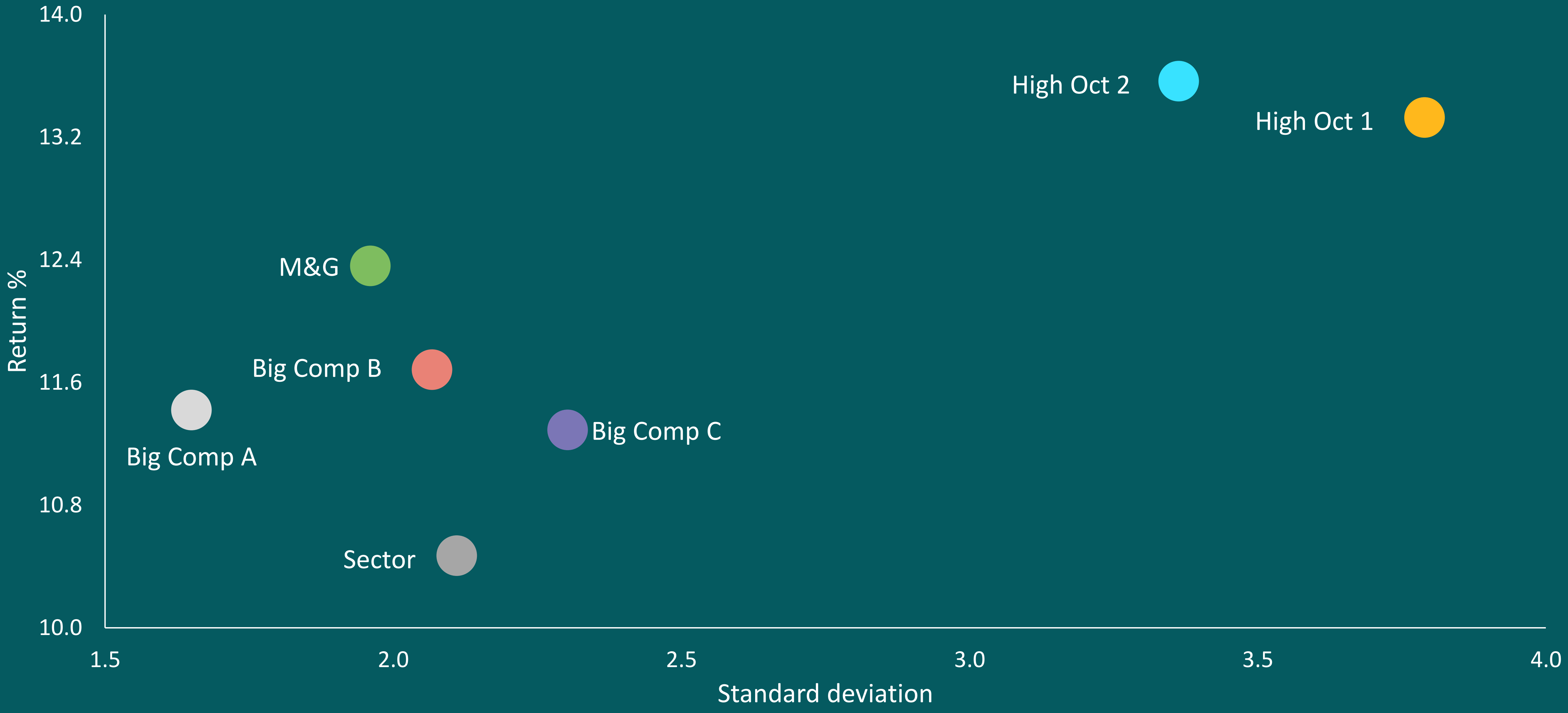

Source: Morningstar 30.06.2026. Note: M&G Enhanced Income Fund D-class only open to retirement funds and other large institutional investors.

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Thank you

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Bulent Badsha

Portfolio Manager

Bulent joined M&G Investments in June 2021 as a Fixed Income Analyst involved in portfolio construction, dealing and research. He was appointed as a Portfolio Manager for the M&G Enhanced Income Fund in February 2023 and the broader flexible income fund capability for institutional clients in March 2024 alongside Portfolio Manager Roshen Harry.

With more than 25 years of industry experience, Bulent previously worked for Sanlam Investments as a Hedge Fund Manager where he was responsible for starting and managing a global macro hedge fund. Before this, his buy-side experience was as a Fixed Income Strategist at Momentum Asset Management.

His sell side experience included roles as a Treasury Economist and Fixed Income Analyst at Rand Merchant Bank and as a Rates Strategist and Rates Trader at ABS Capital. Bulent started his career as a Deputy Economist at the South African Reserve Bank in June 2001.

He has won multiple awards for both research and trading in the annual Financial Mail Analyst of the year Awards and the JSE Spire Awards.

Bulent's qualifications include: BCom (Economics, Business Finance & Legal Studies), University of Natal.

Disclaimer