CORONATION STRATEGIC INCOME FUND

Fund Information as at 31 March 2025

CORONATION
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WHAT IS THE FUND'S OBJECTIVE?

Strategic Income aims to achieve a higher return than a traditional money market or pure income fund.

WHAT DOES THE FUND INVEST IN?

Strategic Income can invest in a wide variety of assets, such as cash, government and corporate bonds, inflation-linked bonds and listed property, both in South Africa and internationally, in a manner similar to that usually employed by retirement funds.

As great care is taken to protect the fund against loss, Strategic Income does not invest in ordinary shares and its combined exposure to locally listed property (typically max. 10%), local preference shares (typically max. 10%), local hybrid instruments (typically max. 5%) and international assets (typically max. 10% on an effective exposure basis*) would generally not exceed 25% of the fund.

The fund has a flexible mandate with no prescribed maturity or duration limits for its investments. The fund is mandated to use derivative instruments for efficient portfolio management purposes.

* Prudential (SARB) international exposure is typically limited to a maximum of 15%

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Risk Profile

2/10
Conservative

Maximum growth/ minimum income exposures

- Growth Assets: 10%
- Income Assets: 90%

Strategic Income is tactically managed to secure an attractive return, while protecting capital.

Its investments are carefully researched by a large and experienced investment team and subjected to a strict risk management process. The fund is actively positioned to balance long-term strategic positions with shorter-term tactical opportunities to achieve the best possible income.

While the fund is managed in a conservative and defensive manner, there are no guarantees it will always outperform cash over short periods of time. Capital losses are possible, especially in the case of negative credit events affecting underlying holdings.

HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The recommended investment term is 12-months and longer. The fund's exposure to growth assets like listed property and preference shares will cause price fluctuations from day to day, making it unsuitable as an alternative to a money market fund over very short investment horizons (12-months and shorter). Note that the fund is also less likely to outperform money market funds in a rising interest rate environment.

Given its limited exposure to growth assets, the fund is not suited for investment terms of longer than five years.

WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who

- are looking for an intelligent alternative to cash or bank deposits over periods from 12 to 36 months;
- seek managed exposure to income generating investments;
- are believers in the benefits of active management within the fixed interest universe.

WHAT COSTS CAN I EXPECT TO PAY?

The annual management fee is 0.45%.

Fund expenses that are incurred in the fund include trading, custody and audit charges. All performance information is disclosed after deducting all fees and other fund costs.

We do not charge fees to access or withdraw from the fund.

More detail is available on www.coronation.com.

WHO ARE THE FUND MANAGERS?

NISHAN MAHARAJ
BSc (Hons), MBA

MAURO LONGANO
BScEng (Hons), CA (SA)

GENERAL FUND INFORMATION

Fund Launch Date	2 July 2001
Fund Class	P (previously class B4)
Class Launch Date	1 October 2012
Benchmark	110% of STeFI 3-month index
ASISA Fund Category	South African – Multi-asset – Income
Income Distribution	Quarterly (March, June, September, December)
Bloomberg Code	CORSTB4
ISIN Code	ZAE000170403
JSE Code	CSIB4

CORONATION STRATEGIC INCOME FUND

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CLASS P as at 31 March 2025

ASISA Fund Category	South African - Multi Asset - Income
Launch date	01 October 2012
Fund size	R37.76 billion
NAV	1604.92 cents
Benchmark	110% of the STeFI 3-month Index
Portfolio manager/s	Nishan Maharaj and Mauro Longano

	1 Year *	3 Year *
Total Expense Ratio	0.53%	0.52%
Fund management fee	0.45%	0.44%
Fund expenses	0.01%	0.01%
VAT	0.07%	0.07%
Transaction costs (inc. VAT)	0.00%	0.00%
Total Investment Charge	0.53%	0.52%

PERFORMANCE AND RISK STATISTICS

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	826.4%	531.5%	46.7%
Since Launch (annualised)	9.8%	8.1%	1.8%
Latest 20 years (annualised)	8.9%	7.5%	1.4%
Latest 15 years (annualised)	8.7%	6.7%	2.0%
Latest 10 years (annualised)	8.3%	7.0%	1.3%
Latest 5 years (annualised)	9.1%	6.5%	2.6%
Latest 3 years (annualised)	9.7%	8.0%	1.7%
Latest 1 year	11.9%	8.9%	3.0%
Year to date	1.9%	2.0%	(0.1)%
Yield (Net of Fees)	8.7%		

RISK STATISTICS

Current	Fund
Weighted average time to maturity (credit)	3.2 years
Modified Duration	1.9 years
Modified Duration (ex Inflation Linked Bonds)	1.4 years

Since Inception	Fund	Benchmark
Annualised Deviation	2.7%	0.7%
Sharpe Ratio	0.81	
Maximum Gain	60.8%	
Maximum Drawdown	(4.2)%	
Positive Months	91.9%	

	Fund	Date Range
Highest annual return	18.7%	Nov 2002 - Oct 2003
Lowest annual return	2.5%	Apr 2019 - Mar 2020

CREDIT RATINGS

	% of Fund
AAA+ to A-	67.2%
BBB+ to B-	2.7%
CCC+ to C-	0.0%
CLNs	10.6%
No Rating	19.5%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2025	01 Apr 2025	30.00	0.00	30.00
31 Dec 2024	02 Jan 2025	33.74	0.11	33.63
30 Sep 2024	01 Oct 2024	34.79	0.02	34.77
28 Jun 2024	01 Jul 2024	35.53	0.27	35.26

PORTFOLIO DETAIL

ASSET ALLOCATION BY INSTRUMENT TYPE

	Domestic Assets	International Assets
Cash and Money Market NCDs	28.4%	0.1%
Fixed Rate bonds	25.0%	4.0%
Floating Rate bonds	15.2%	0.3%
Inflation-Linked bonds	13.8%	0.2%
Credit Linked Notes (CLNs)	3.9%	6.7%
Listed Property	2.4%	0.0%
Preference shares	0.1%	0.0%
Other (Currency Futures)	(0.1%)	0.0%
Total	**88.7%**	**11.3%**
Net offshore exposure after currency hedge		**2.3%**

ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Banks and Insurers: NCDs & Deposits	28.4%
Government	26.6%
Banks: Senior Debt	23.4%
Other Corporates	9.2%
Banks: Subordinated debt (>12m)	3.9%
State Owned Enterprises	2.4%
REITs: Equity and Debt	1.7%
Banks: Subordinated debt (<12m)	1.4%
Insurers	1.3%
Coronation Global Bond Fund	1.0%
Coronation Global Strategic Income	0.8%
Currency Futures	(0.1%)
Total	**100.0%**

TOP 5 CREDIT EXPOSURE

	% of Fund
Republic Of South Africa	32.7%
Standard Bank Of SA Ltd	32.4%
Nedbank Ltd	14.1%
Absa Bank Ltd	12.4%
Firstrand Bank Ltd	7.7%

TOP 5 REFERENCE ENTITY EXPOSURE

	% of Fund
Republic of South Africa	6.1%
MAS	1.4%
Nepi	1.0%
Prosus	0.6%
CDX IG	0.6%

100% of CLN exposure is issuer valued with a daily or at worst weekly price frequency

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2025	0.5%	0.7%	0.7%										**1.9%**
Fund 2024	1.0%	0.3%	0.3%	0.6%	1.0%	1.8%	1.5%	1.2%	1.4%	0.2%	1.1%	0.7%	**11.6%**
Fund 2023	1.6%	0.1%	0.7%	0.4%	(1.1)%	2.1%	1.6%	0.9%	(0.3)%	0.8%	2.1%	1.4%	**10.9%**
Fund 2022	0.1%	0.1%	0.2%	0.5%	0.6%	(0.9)%	1.1%	0.6%	(0.7)%	1.2%	1.6%	0.7%	**5.3%**
Fund 2021	0.4%	0.7%	(0.2)%	1.2%	0.7%	0.7%	0.6%	0.9%	(0.1)%	(0.1)%	0.6%	1.5%	**7.1%**

Issue date: 2025/04/15

**As this is a newly launched fund, the TER and TC's are based on an estimated calculation.*
Please refer to page 4 of the Comprehensive Fact Sheet for important additional infomation, including change in cost disclosures.

Please note that the commentary is for the discounted class of the Fund.

Performance and fund positioning

The Fund returned 0.71% in March, bringing its 12-month total return to 11.89%, which is ahead of cash at 8.03% and its benchmark at 8.86% over the same period. We believe the Fund's current positioning offers the best probability of achieving its cash +2% objective over the medium to longer term.

The first quarter of 2025 was marked by significant shifts in global financial markets that have reverberated through South Africa (SA)'s economic landscape. Central banks, including the US Federal Reserve, signalled a cautious pivot, balancing growth concerns with persistent cost-of-living challenges. Global risk sentiment has soured as investors recalibrate their views and appetites amid new tariff policies and a strengthening dollar. The uncertainty on the magnitude of the impact of the Trump administration's tariffs, counter-tariffs by affected countries, the deteriorating diplomatic relationship between the US and SA, and recent tremors within the Government of National Unity (GNU) around the Budget have weakened the appeal of SA assets.

Despite US bond yields compressing 30 basis points (bps) over the quarter, the SA 10-year bond weakened by c.30bps due to SA-idiosyncratic issues (SA-US tensions and uncertainty with regards to Budget outcomes), driven by the steepening of the yield curve (maturities of 10-years plus moving more than shorter maturity yields). The FTSE/JSE All Bond Index (ALBI) and the FTSE/JSE Inflation-Linked Bond Index (CILI) were both up 0.7% by the end of the quarter, behind cash at 1.83%, but still well ahead over the last 12 months (ALBI 20.16%; CILI 8.93%; cash 8.03%). Emerging markets remained on the back foot through most of the last 12 months; however, in the last quarter, the dollar weakened slightly. The rand was among the beneficiaries, strengthening 2.8% during the quarter, leaving it c.50 cents stronger than the same point last year (18.84 versus 18.33). This helped the local bonds outperform global bonds in dollars (3.53% versus 2.57%) and keeps their performance well ahead of their global counterparts over the last 12 months (23.43% versus 2.10%).

March saw major developed markets' central banks maintaining a cautious stance on policy rates. Rising geopolitical tensions continued to dominate financial market news flow, raising uncertainty, and creating potential headwinds for inflation and economic activity in 2025. Inflation readings, in general, reflected slower-than-expected price moderations.

The Federal Reserve Board (the Fed) left the target range for the federal funds rate unchanged at 4.25% to 4.5% at the March Federal Open Market Committee (FOMC) meeting. The FOMC observed that there has been some moderation in consumer spending, and it is yet to be seen how tariffs will impact consumer spending and investment. The Fed downgraded its expected growth forecast and increased its inflation forecast for 2025 owing to the volatile global trading environment.

US headline inflation slowed down to 2.8% year on year (y/y) in February from 3.0% y/y in January, while core inflation eased to 3.1% y/y from 3.3% y/y. The decline was due to a moderation in food, energy, new and old vehicles, medical care, and transportation costs. There was a slight increase in apparel prices, while housing costs were flat.

The rand ended the month at R18.32/US$1, stronger than its close in the previous month but in line with its Emerging Market peer group. Offshore credit assets and certain developed market bonds continue to flag as relatively attractive. The Fund has utilised a significant part of its offshore allowance to invest in these assets. When valuations are stretched, the Fund will hedge/unhedge portions of its offshore exposure back into rands/dollars by selling/buying JSE-traded currency futures (US dollars, UK pounds, and euros). These instruments are used to adjust the Fund's exposure synthetically, allowing it to maintain its core holdings in offshore assets.

The South African Reserve Bank (SARB) left the repo rate unchanged at 7.5% at the March MPC meeting. Two members voted for a 25bps cut while four voted to hold, signalling a change in the unanimous voting observed in the past meetings. The SARB lowered inflation forecasts for 2025 and noted that growth has been disappointing and having reduced expectations for domestic demand. The MPC seems to be showing a clear preference for higher real rates and a more restrictive stance than seems warranted, despite the lowering of inflation forecasts, well-anchored expectations at the target, and disappointing domestic demand.

SA headline inflation remained unchanged at 3.2% y/y in February, while core inflation slowed to 3.4% y/y from 3.5% y/y. Increases in food and non-alcoholic beverages, housing and household utilities were offset by a decline in fuel prices. Broadly, several factors have helped bring the forecast profile for CPI lower over the past few months. These include currency resilience, falling international oil prices, low food inflation, weak rentals, and the impact of the reweighted CPI basket, which increased the weight of some of the lower inflation components.

The recent Trump administration tariffs, combined with the loss of business confidence in SA due to the GNU instability, risk placing growth on a lower path. Real policy rates in SA are now at the most restrictive levels that they have been at since the early 2000s when inflation was in double digits, growth was c.4%, and SA was only starting its inflation-targeting journey. Inflation is now very much under control at 4.5%, but growth prospects remain in the doldrums. Why is it, then, that the SARB maintains real policy rates north of 4% when the historical norm has been 1.5%-2%? It is implicitly targeting inflation at a lower point (3%-3.5%). We maintain that a lower inflation target over the longer term is beneficial; however, the high cost of funding in the local economy at a point when growth is faltering, is throttling the recovery, and rates should be 100bps to 150bps lower given current conditions. Unfortunately, the SARB is probably going to remain on this path, at best keeping rates stable going forward, unless global growth forces its hand. This might happen as the effects of the tariff hikes make their way through to the global economy.

At the end of March, shorter-dated fixed-rate negotiable certificates of deposit (NCDs) traded at 8.27% (three-year) and 8.77% (five-year), with both maturities slightly lower compared to the end of the previous month. Our inflation expectations suggest that the current pricing of these instruments remains attractive due to their lower modified duration and, hence, high breakeven relative to cash. In addition, NCDs have the added benefit of being liquid, thus aligning the Fund's liquidity with the needs of its investors. The Fund continues to hold decent exposure to these instruments (fewer floating than fixed), but we will remain cautious and selective when increasing exposure.

The recent Budget turmoil highlights the very difficult task that the country faces given its excessive debt load. On face value, the Budget sticks to its fiscal consolidation path by financing all new expenditure (increased front-line workers, Social Relief of Distress Grant and funding costs) through increased revenue measures (VAT hike, bracket creep and use of unallocated reserves). However, the increased expenditure is recurring and fixed, implying any fall off in growth and thus revenue, will create a larger funding shortfall. As a result, this will further reduce fiscal buffers and increase the risks of a higher debt load going forward.

Anaemic growth is at the heart of SA's fiscal mess. The formation of the GNU, which included the pro-business DA, helped bolster investor sentiment and removed downside tail risk from SA's policy choices. While we have not yet seen significant policy shifts, the presence of the DA in the coalition government was enough to halt deterioration, reduce slippage, and prioritise needed reforms, fostering an environment in which growth could accelerate towards 2%. This is still substantially lower than what's needed but higher than that of the last decade. At the time of writing, it seems very likely that this arrangement will not continue in its current form, that is, the DA will either leave the GNU or be removed from its current positions within government. This will be a significant step back in SA's recovery story and places the fiscal rehabilitation in great peril. Much of the reform process was started before the formation of the GNU and will definitely continue, but the risk is that the urgency behind implementation fades, lowering the growth trajectory. In addition, the recent Trump tariff actions will lower global growth, maybe not into recession, but enough to hurt a small export-driven economy on the southern tip of Africa.

The changes in the global landscape have become less favourable for risk and emerging market assets. The effects of a global trade war will leave global growth floundering, and export-driven economies will struggle in such an environment. The slowdown in global growth, once the immediate inflationary shock retreats, should compel global monetary policy to turn supportive, thus supporting global developed market fixed income. SA's recent political turbulence makes it ill-placed in an unfriendly world. Local inflation should remain relatively well behaved, but a growth slowdown will have negative consequences for the country's finances, suggesting a further risk premium needing to be priced into local bond yields. This would be further solidified if the GNU is reconfigured in a manner that is less supportive of growth and business. SA bonds are at risk of a wider repricing in yields, and bond portfolios should remain neutral but ready to take advantage of weakness when it prevails. In addition, ILBs should be present in portfolios to provide some risk offset should the worst outcome materialise.

The local listed property sector was down 1.54% over the month, bringing its 12-month return to 20.13%. Operational performance will remain in the spotlight as an indicator of the pace and depth of the sector's recovery. The current increase in the cost base, due to higher administered prices and second-round effects on deteriorating infrastructure in much of the country, will weigh on the sector's earnings in the coming year. We believe that one must remain cautious given the high levels of uncertainty around the strength and durability of the local recovery.

Local credit spreads are at historically tight levels due to low levels of issuance and large swaths of capital looking for a home with reduced volatility. The use of structured products, such as credit-linked notes (CLNs), has become ubiquitous within the local market. This sector has grown exponentially over the last five years and has reached a market size of over R100 billion. However, only a third of this market reprices, creating an inaccurate representation of asset volatility and pricing. CLNs mask the underlying/see-through credit risk as the issuing entity (predominantly local banks) is seen as the primary credit risk.

The increased usage of CLNs has not expanded the pool of borrowers; rather, it has only served to concentrate it. This is due to the ability to limit the volatility of these instruments by not marking them to market based on the underlying asset price movements. The combination of attractive yields and no volatility is an opportunity that not many would pass up, unless, of course, transparency of pricing is important to the underlying investor. As a result, there can be significant unseen risks within fixed income funds. Investors need to remain prudently focused on finding assets of which the valuations are correctly aligned to fundamentals and efficient market pricing. Except for a few opportunities, we view the local credit market as unattractive relative to other asset classes.

Outlook

We remain vigilant of the risks from the dislocations between stretched valuations and the local economy's underlying fundamentals. However, we believe that the Fund's current positioning correctly reflects appropriate levels of caution, while its yield of 9.25% (gross of fees) remains attractive relative to its duration risk. We continue to believe that this yield is an adequate proxy for expected portfolio performance over the next 12 months. As is evident, we remain cautious in our management of the Fund. We continue to invest only in assets and instruments that we believe have the correct risk and term premium to limit investor downside and enhance yield.

Portfolio managers
Nishan Maharaj and Mauro Longano
as at 31 March 2025

IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION STRATEGIC INCOME FUND

Unit trusts should be considered medium- to long-term investments. The value of units may go down as well as up, and therefore Coronation does not make any guarantees with respect to the protection of capital or returns. Past performance is not necessarily an indication of future performance. The fund is mandated to invest a portion of its portfolio (typically up to a maximum of 10%) into foreign securities and may as a result be exposed to macroeconomic, settlement, political, tax, reporting or illiquidity risk factors that may be different to similar investments in the South African markets. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. The asset allocation by instrument type are reflected on a look-through basis. The asset allocation by issuer type and top issuer exposures are not reflected on a look-through basis. The yield shown is an estimate in part based on market assumptions and forecasts. The yield is calculated by taking the interest and income receivable of all the instruments in the fund divided by the net asset value, expressed as a nominal annual rate. It is provided to give an approximate indication of the achievable yield for an investment made at the reporting date. Actual experience may differ, based on changes in market values, interest rates and changes in costs actually experienced during the investment period. The yield disclosed on the MDD is current and calculated as at the MDD reporting date.

Coronation Management Company (RF) (Pty) Ltd is a Collective Investment Schemes Manager approved by the Financial Sector Conduct Authority in terms of the Collective Investment Schemes Control Act. Portfolio managed by Coronation Asset Management (Pty) Ltd (FSP 548) , an authorised financial services provider. The Management Company reserves the right to close the fund to new investors if we deem it necessary to limit further inflows in order for it to be managed in accordance with its mandate. Unit trusts are allowed to engage in scrip lending and borrowing. Standard Chartered has been appointed as trustees for the fund (www.sc.com/za; 011-2176600). Coronation is a full member of the Association for Savings & Investment SA (ASISA).

HOW ARE UNITS PRICED AND AT WHICH PRICE WILL MY TRANSACTION BE EXECUTED?

Unit trusts are traded at ruling prices set on every trading day. Fund valuations take place at approximately 15h00 each business day, except at month end when the valuation is performed at approximately 17h00 (JSE market close) and forward pricing is used. Instructions must reach the Management Company before 14h00 (12h00 for the Money Market Fund) to ensure same day value. The payment of withdrawals may be delayed in extraordinary circumstances, when the manager with the consent of the fund trustees deem this to be in the interest of all fund investors. These circumstances may include periods when significant underlying markets suspend trading which will prevent accurate valuation of the instruments held in the fund. When the suspension of trading relates to only certain assets held by the fund, these assets may be side-pocketed. This process allows normal liquidity on the assets that can be valued, but will delay liquidity on the affected portion of the fund. If the fund is faced with excessive withdrawals, the affected withdrawals may be ring-fenced, which is the separation and delayed sale of the assets reflecting the interest of the liquidity seeking investors. It ensures that the sale of a large number of units will not force Coronation to sell the underlying investments in a manner that may have a negative impact on remaining investors of the fund.

HOW WAS THE PERFORMANCE INFORMATION INCLUDED IN THIS FACT SHEET CALCULATED?

Performance is calculated by Coronation as at the last day of the month for a lump sum investment using Class P NAV prices with income distributions reinvested. Class A NAV prices were used for the period prior to the launch of Class P. All underlying price and distribution data is sourced from Morningstar. Performance figures are quoted after the deduction of all costs (including manager fees and trading costs) incurred within the fund. Note that individual investor performance may differ as a result of the actual investment date, the date of reinvestment of distributions and dividend withholding tax, where applicable. Annualised performance figures represent the geometric average return earned by the fund over the given time period. Unannualised performance represents the total return earned by the fund over the given time period, expressed as a percentage.

WHAT IS THE TOTAL EXPENSE RATIO (TER) AND TRANSACTION COSTS (TC)?

TER is calculated as a percentage of the average net asset value of the portfolio incurred as charges, levies and fees in the management of the portfolio over the period referenced. The TER charged by any underlying fund held as part of a fund's portfolio is included in the fund expenses portion of the TER, but trading and implementation costs incurred in managing the underlying fund are excluded. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's. The 1 year TER is for the 12 months to end of the previous financial year (updated annually). The 3 year TER is for a rolling 36-month period to the last available quarter end (December, March, June and September).

Transaction costs are a necessary cost in managing a fund and impacts the fund's return. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER.

The Total Investment Charge is the sum of the Total Expense Ratio (TER) and transaction costs.

ADVICE AND PLATFORM COSTS

Coronation does not provide financial advice. If you appoint an adviser, advice fees are contracted directly between you and the adviser. For more information please contact the relevant platform (Linked Investment Service Provider or Life Assurance Provider).

WHERE CAN I FIND ADDITIONAL INFORMATION?

Additional information such as daily fund prices, brochures, application forms and a schedule of fund fees and charges is available on our website, www.coronation.com

IMPORTANT INFORMATION REGARDING TERMS OF USE

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