CORONATION BOND FUND

Fund Information as at 31 August 2026

CORONATION
TRUST IS EARNED™

WHAT IS THE FUND'S OBJECTIVE?

The fund seeks to maximise returns from a diverse range of primarily South African bonds. It aims to outperform the All Bond Index.

WHAT DOES THE FUND INVEST IN?

The Bond Fund can invest in fixed income instruments, issued by governments, parastatals and private companies, as well as cash. Exposure to foreign assets will typically not exceed 10%. The fund is mandated to make use of derivative instruments for efficient portfolio management purposes.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Risk Profile

5/10
Moderate

Maximum growth/
minimum income exposures

Growth Assets: 0%
Income Assets: 100%

The fund is strategically managed to secure an attractive return by investing primarily in a range of government and corporate bonds. It will hold various tactical positions to benefit from the best opportunities as they emerge.

Investments are meticulously researched and subjected to a strict risk management process. Only quality instruments of reputable institutions will be considered. All factors that could affect these investments are carefully monitored, including inflation as well as currency and interest rates.

The risk of losing money over periods of more than a year is low, while it is slightly higher for periods of less than a year. The primary risk exposures are to changes in interest rates and corporate credit events.

HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The recommended term is three to five years.

WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who seek the benefits of an actively managed bond fund. The fund is particularly suited to those who require exposure to bonds as part of a diversified portfolio.

WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 0.75% (excl. VAT) is payable.

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 portfolio 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

STEVE JANSON
BBusSc

SEAMUS VASEY
BCom (Hons), MSc

GENERAL FUND INFORMATION

Launch Date	1 August 1997
Fund Class	R
Benchmark	BEASSA ALBI Index
ASISA Fund Category	South African – Interest Bearing – Variable Term
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORSPBD
ISIN Code	ZAE000019790
JSE Code	CNSB

CORONATION BOND FUND

CLASS R as at 31 August 2026

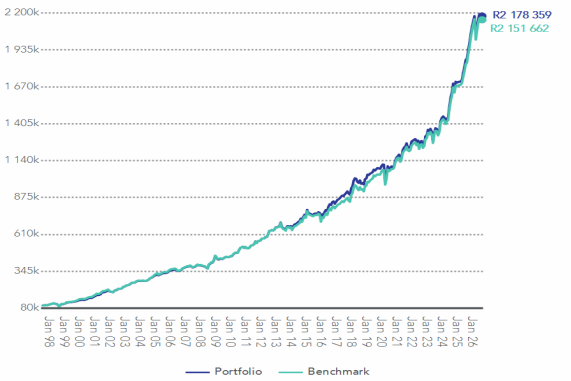
CORONATION
TRUST IS EARNED™

ASISA Fund Category	South African - Interest Bearing - Variable Term
Launch date	01 August 1997
Fund size	R 6.56 billion
NAV	1637.83 cents
Benchmark	BEASSA ALBI Index
Portfolio manager/s	Nishan Maharaj, Seamus Vasey and Steve Janson

	1 Year	3 Year
Total Expense Ratio	0.86%	0.86%
Fund management fee	0.73%	0.73%
Fund expenses	0.01%	0.01%
VAT	0.11%	0.11%
Transaction costs (inc. VAT)	0.00%	0.00%
Total Investment Charge	0.86%	0.86%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	2078.4%	2051.7%	1.2%
Since Launch (annualised)	11.2%	11.1%	0.0%
Latest 20 years (annualised)	9.6%	9.5%	0.1%
Latest 15 years (annualised)	9.5%	9.4%	0.1%
Latest 10 years (annualised)	10.2%	10.6%	(0.4)%
Latest 5 years (annualised)	11.5%	11.7%	(0.2)%
Latest 3 years (annualised)	16.8%	16.7%	0.0%
Latest 1 year	16.2%	16.5%	(0.3)%
Year to date	3.5%	3.5%	0.0%

	Fund
Modified Duration	6.2
Yield (Net of Fees)	8.4%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	7.8%	8.5%
Sharpe Ratio	0.34	0.31
Maximum Gain	28.1%	28.9%
Maximum Drawdown	(19.0)%	(22.3)%
Positive Months	71.3%	71.3%

	Fund	Date Range
Highest annual return	34.9%	Sep 1998 - Aug 1999
Lowest annual return	(7.0%)	Sep 1997 - Aug 1998

PORTFOLIO DETAIL

ASSET ALLOCATION BY INSTRUMENT TYPE

	Domestic Assets	International Assets
Fixed Rate bonds	81.7%	8.8%
Cash and Money Market NCDs	5.7%	(0.3)%
Inflation-Linked bonds	3.3%	0.0%
Floating Rate bonds	0.8%	0.0%
Inflation-Linked bonds	0.0%	0.0%
Total	91.5%	8.5%

ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Government	77.4%
Banks: Senior Debt	10.1%
Banks: Subordinated debt (>12m)	2.2%
Banks and Insurers: NCDs & Deposits	5.4%
State Owned Enterprises	2.8%
Other Corporates	2.1%
Banks: Subordinated debt (<12m)	0.0%
Other (Currency Futures)	0.0%
Total	100.0%

TOP 5 ISSUER EXPOSURE

	% of Fund
Republic Of South Africa	77.4%
Nedbank Ltd	6.4%
Standard Bank Of SA Ltd	5.8%
FirstRand Bank Ltd	3.0%
Investec Limited	1.7%

MATURITY PROFILE DETAIL

Sector	31 Aug 2026
0 to 3 Months	5.4%
3 to 6 Months	1.2%
6 to 9 Months	0.3%
9 to 12 Months	0.2%
1 to 3 Years	3.6%
3 to 7 Years	22.0%
7 to 12 Years	33.5%
Over 12 Years	33.9%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Interest	Dividend
31 Mar 2026	01 Apr 2026	62.66	62.66	0.00
30 Sept 2025	01 Oct 2025	65.75	65.75	0.00
31 Mar 2025	01 Apr 2025	66.79	66.79	0.00
30 Sept 2024	01 Oct 2024	66.76	66.76	0.00

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2026	1.89%	1.61%	(6.04)%	2.98%	2.44%	1.58%	(1.29)%	0.62%					3.54%
Fund 2025	0.30%	0.09%	0.07%	0.80%	2.93%	2.36%	2.70%	0.61%	3.39%	2.57%	3.27%	2.53%	23.77%
Fund 2024	0.75%	(0.57)%	(2.08)%	1.50%	0.79%	5.44%	4.02%	2.41%	3.86%	(2.20)%	3.03%	(0.41)%	17.48%
Fund 2023	3.01%	(0.85)%	1.40%	(1.56)%	(5.27)%	4.95%	2.50%	(0.43)%	(2.59)%	1.64%	5.15%	1.65%	9.46%
Fund 2022	0.47%	0.49%	0.39%	(1.69)%	0.93%	(3.26)%	2.78%	0.28%	(2.42)%	0.77%	4.31%	0.58%	3.46%

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

If the first quarter of 2026 (Q1) was defined by the eruption of the Middle East oil shock, the second quarter (Q2) has been the story of its partial unwinding. On 17 June, the US and Iran signed a 14-point memorandum of understanding (MoU) to pause hostilities and restore commercial transit through the Strait of Hormuz. Brent crude saw its largest monthly decline since March 2020. It fell roughly 21% over June to the mid-to-upper-US$70s per barrel, beating a sharp retreat from the US$100+ levels of the crisis peak.

The relief has been real, but incomplete. A series of tit-for-tat flare-ups in late June and again in mid-July have renewed uncertainty. Combined with disputes over the terms of the MoU and lingering questions over who controls the Strait, these have kept Brent anchored in the upper-US$70s, rather than returning fully to the pre-war level in the low-US$70s. Vessel traffic through the Strait has recovered but remains below its pre-conflict norm, and a backlog of shipping is still working its way through. The durability of the ceasefire poses a key vulnerability for the global macro outlook, but the tail risk of a sustained US$100+ oil price has receded materially from where it stood in March.

South African (SA) assets, which had borne the brunt of the risk-off rotation in the first quarter, staged a notable recovery over the second as the oil price retreated. Having ended March at its weakest, around R17.19/US$, the rand strengthened into a R16.00-R16.50/US$ range from early May and traded around R16.30-R16.40/US$ by quarter-end. The 10-year SA government bond (SAGB) yield richened meaningfully from the c. 9.3% peak reached in March, as the second-round inflation tail was priced out. Importantly, the recovery was underpinned not only by the oil price retreat but also by a run of constructive domestic news: a stronger-than-expected first-quarter GDP print, Moody's shift to a positive outlook, and Fitch's first upgrade of SA in over two decades. The FTSE/JSE All Bond Index (ALBI) delivered a solidly positive return for the quarter of 7.87%, ahead of cash (1.62%) and 6.48% from inflation-linked bonds (ILBs). This was mostly driven by a flattening of the yield curve from the 10-year area and longer. This brings its 12-month return to 21.48%, which is still well ahead of cash (6.84%) and ILBs (19.61%). ILB returns lag nominal returns over the longer term; however, in the last year, they have demonstrated their defensive nature in fixed income portfolios, as their year-to-date returns have beaten nominal bonds and cash (5.28% from ILBs versus 4.25% from nominals and 3.25% from cash).

An acute shock or chronic pain?

The first-round inflationary pain came through largely as anticipated as fuel price spike fed directly into headline inflation. Crucially, however, the June retreat in the oil price has capped what looked in March like an open-ended second-round risk. The disinflationary path can reassert itself over the second half of the year, but faces upside risks: a renewed oil spike if there is a complete breakdown in the MoU and the possibility of an El Niño-driven drought lifting food prices, both of which the South African Reserve Bank (SARB) explicitly flagged in its May deliberations. Our revised inflation outlook has inflation peaking close to 5% imminently, averaging 4.2% in 2026, 4% in 2027, and 3.8% in 2028 (below the SARB's May forecast but more persistent in 2027 and 2028). This is lower at a headline level but still shows the persistence in inflation. This is due to the second round effects of the higher oil price, together with elevated food prices, which are driven by a higher risk of an El-Niño-driven drought.

The SARB moved preemptively against second round impacts of inflation at its May meeting by hiking rates 25 basis points (bps). Market expectations remain hawkish. The expectation is for two more 25bps hikes, taking the repo rate to 7.5% and for it to remain there over the forecast period. Coronation's view remains that policy rates were restrictive coming into the Middle East conflict, hence providing a cushion against an aggressive rate hiking cycle. In addition, the external nature of the inflation shock, coupled with the poor local-demand backdrop, provides little reason for aggressive or prolonged restrictive policy from the SARB. We expect only one more rate hike of 25bps at the July meeting, bringing the repo to 7.25%, given the recent increase in the oil price and long-term inflation expectations, as reflected by the Bureau of Economic Research's latest survey. The room to ease the policy rate will present itself in the second half of 2027, the magnitude of which will depend on the second round effects of the oil price and food price developments. However, one could expect a reduction of the repo rate to 6.5% by the end of 2027 or in the first quarter of 2028. This is not priced by markets and could be a tailwind for front-end to belly bond yields.

Less compelling, still attractive

Fiscal concerns in SA have taken a back seat to geopolitical events. Many of these concerns we had coming into the oil price spike, have remained. Thankfully, though, nothing has occurred to derail the gradual fiscal recovery path that SA has been on. Developments over the shorter term continue to be supportive of the fiscus. These include lower funding costs due to the lower bond yields; increased use of non-traditional funding instruments (floating rate notes, infrastructure-specific bonds, and offshore concessional financing); higher revenue expectations due to higher metals prices; and a harder line on expenditure wastage (withholding equitable share from financially irresponsible municipalities). The effect of the short-term developments is self-reinforcing: a better fiscal trajectory leads to lower bond yields which in turn leads to government funding at less of a discount. As yields have come lower, government has managed to get more for their issuance, which has helped them reduce nominal issuance and might help alleviate pressures in the short term.

These short-term positives treat many of the symptoms but not the disease itself. Over the longer term, 3%-4% growth is required in order to ensure that debt accumulation slows to a more manageable pace. This would need to happen in an environment where local government infrastructure in many of the key cities is crumbling due to poor management, increasing the risk of further investment required to stabilise rather than improve current conditions. There have been steps taken in the right direction but nothing substantive enough to shift the needle of local government service delivery as yet. These fundamental concerns combined with overall policy direction post the local government elections (November 2026), the ANC elective conference (December 2027), and National elections (2029) will continue to obscure the longer-term outlook for SA's finances.

SA bond yields have benefitted from the risk reversal post the signing of the MoU and have compressed to improved levels (8.5% on 10-year SAGB). This could be thought of as expensive, albeit not at the levels reached towards the end of 2025 (8% on 10-year SAGB). We would argue that bond yields are sitting at fair levels, given that the upside for inflation has been capped in the near term and, together with cash levels, are more likely to decrease than increase over the next three years. The implied real yield (the yield earned over and above the inflation rate) of the 10-year SAGB is still well above its pre-Covid level, but lower than its post-Covid average. However, if we incorporate our forecasts for inflation, we can see that it returns to its post-Covid average (>5%) quite quickly, and remains well above the pre-Covid average (c. 3%). Both the absolute and relative levels remain attractive and in line with the long-term average, which suggests yields are probably at fair value.

The value point on the nominal bond curve has shifted slightly longer than previously indicated given the compression in bond yields and the relative steepness of the curve. If we look at breakeven across the bond curve relative to three target cash levels (7%, 8%, 9%) over the next three years, one can think about this as the amount of bond yield widening one can tolerate before the total return of the bond equates to the targeted cash level. Taking the 15-year bond as an example, its current yield is 9%. Over three years, its yield could widen to:

- 9.9% (0.9% widening) before the total return matches a 7% cash return
- 9.5% (0.5% widening) before the total return matches an 8% cash return
- 9.1% (0.1% widening) before the total return matches a 9% cash return

Bonds trading at a lower yield relative to the targeted cash return (e.g. all the bonds with a maturity of less than 12 years trade at a yield below 9%) will need to see their yields compress to match the higher return and, therefore, have no breakeven protection (represented in the graph as a negative yield movement). Based on this analysis, the value point has definitely shifted into the longer-dated bonds with a maturity of longer than 12 years, given the yield curve is still quite steep in this area and the higher yields they offer relative to cash.

Protection and preservation

ILBs protect investors from the erosive effects of inflation, ensuring the real purchasing power of their capital is preserved over the life of the investment. They have a lower beta to nominal bonds and, therefore, protect investors during periods of high risk and inflation spikes. Over the last six months, ILBs have done a fantastic job of protecting investors, as they have outperformed nominal bonds (5.28% versus 4.25%). This performance has been driven by shorter-dated ILBs (maturity < five years), as real yields have compressed. This reflects the compression in the real policy rate and higher short-term inflation expectations, which have widened implied breakeven inflation. Breakeven inflation is the rate of inflation at which an investor would earn the exact same return on a standard nominal bond as they would on an inflation-linked bond of the same maturity.

Current five- and 10-year breakeven inflation figures are around the 4% level, which is in line with our expected inflation average over the next three years. In addition, real yields have seen significant compression: ILBs with maturity of less than five years now yield c. 3.5%, closer to our longer-term real policy yield of 2.5%-3%. If the five-year ILB yield compresses to 3% (a 50bps compression from current levels), it would generate a total return over the next three years of:

- 7.3% at 3% average inflation
- 8.2% at 4% average inflation
- 9.2% at 5% average inflation

As it currently stands, a five-year nominal bond will provide a total return of 8% over the next three years. So, not only does inflation need to stay above 4%, but real yields need to compress in the front end of the curve to support a position in the five-year ILB. The valuation underpin is therefore waning, but the diversification and insurance offered still holds some merit.

We have run scenarios comparing the total return of ILBs to nominal bonds over the next three years under different inflation assumptions. In the 5% scenario, we assume a 1% sell off in nominal bonds, a 0.25% sell off in ILBs, and inflation averaging 5% over the period. As one would expect in this scenario, given that current breakeven inflation sits around 4%, ILBs provide a superior return.

If we assume a 4% inflation average and no movement in real or nominal yields, it is therefore only the front-end ILBs that outperform the nominal bonds, given that their breakeven inflation is slightly lower than 4%. This, combined with the total return expectations for the shorter-dated ILBs, where yield compression is moving closer to the real policy rate, boosts the case for holding shorter-dated ILBs. However, the valuation underpin still rests on the real policy rate.

In the final scenario, we assume a 3% inflation average, a 50bps rally in nominal bonds, and a 25bps rally in ILBs. As can be expected, nominal returns far outstrip ILBs, given the lower-than-current breakeven inflation and the rally in nominal yields.

The conclusion from the above is that the case for holding significant amounts of ILBs in a bond portfolio has weakened on the back of inflation expectations and the total return of ILBs relative to nominal bonds under these new conditions. However, given the inherent protection that ILBs offer, they still warrant some allocation, which should be focused in the sub-five-year area, albeit in a reduced allocation than under previous assumptions.

While geopolitical risks and inflation uncertainty remain elevated relative to the benign conditions that prevailed prior to the Middle East conflict, the balance of risks has improved materially since the first quarter. SA bond valuations have adjusted to reflect this improved backdrop, leaving outright value less compelling than earlier in the year, but still attractive on a medium-term horizon given elevated real yields and the prospect of lower policy rates from 2027. We favour duration in the belly-to-longer end of the nominal bond curve. This is where the steepness of the yield curve provides the greatest compensation for risk, while maintaining a more selective allocation to shorter-dated inflation-linked bonds as portfolio insurance against renewed inflation shocks. Overall, we believe bond portfolios remain well positioned to deliver attractive real returns over the coming three years. This is supported by the combination of high starting yields; an improving near-term funding backdrop; a more credible, but still vulnerable, debt-stabilisation path; and a gradually easing monetary policy cycle providing a supportive backdrop for fixed income investors. However, we acknowledge that the recovery leaves less margin for error, and that the primary threats to the outlook remain a breakdown in the ceasefire and a renewed supply-side inflation impulse.

Portfolio managers
Nishan Maharaj, Steve Janson and Seamus Vasey
As at 30 June 2026

A version of this commentary, including graphs, can be accessed from the Insights section of our website.

IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION BOND 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 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. The fund is mandated to invest up to 10% of its portfolio 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 issuer type and top 5 issuer exposures are not reflected on a look-through basis. 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 R NAV prices with income distributions reinvested. 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

This document is for information purposes only and does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase any particular investment. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance upon the information.