

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



Maximum growth/
minimum income exposures



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

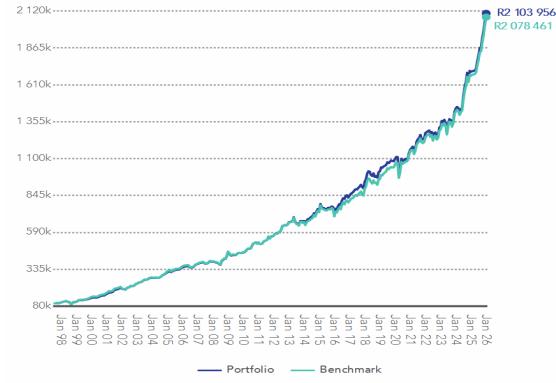


ASISA Fund Category	South African - Interest Bearing - Variable Term
Launch date	01 August 1997
Fund size	R 6.20 billion
NAV	1645.50 cents
Benchmark	BEASSA ALBI Index
Portfolio manager/s	Nishan Maharaj, Seamus Vasey & Steve Janson

	1 Year	3 Year
Total Expense Ratio	0.86%	0.85%
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)	2004.0%	1978.5%	1.2%
Since Launch (annualised)	11.3%	11.3%	0.0%
Latest 20 years (annualised)	9.4%	9.2%	0.2%
Latest 15 years (annualised)	9.8%	9.7%	0.1%
Latest 10 years (annualised)	11.2%	11.5%	(0.2)%
Latest 5 years (annualised)	12.6%	12.5%	0.1%
Latest 3 years (annualised)	16.8%	16.9%	(0.1)%
Latest 1 year	23.8%	24.2%	(0.5)%
Year to date	23.8%	24.2%	(0.5)%

Fund

Modified Duration	6.2
Yield (Net of Fees)	8.0%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	7.8%	8.4%
Sharpe Ratio	0.35	0.32
Maximum Gain	26.3%	26.4%
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

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
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%
Fund 2021	0.83%	1.00%	(3.20)%	1.83%	4.20%	1.48%	0.68%	1.83%	(2.29)%	(0.20)%	0.54%	3.04%	9.95%

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

The final quarter of 2025 set the stage with cautious momentum. Globally, easing inflation pressures and a broadening shift toward monetary policy normalisation supported fixed income markets. In contrast, prevailing geopolitical tensions, elevated sovereign issuance, and lingering trade frictions underscored a more complex risk environment. US policy easing gathered traction as growth moderated, while emerging markets continued to benefit from improving external balances and targeted rate-cutting cycles. Against this global backdrop, South African (SA) bonds were supported by improving domestic sentiment, greater policy coherence under the Government of National Unity (GNU), and contained inflation outcomes, despite ongoing concerns around fiscal consolidation and structural reform execution. Entering 2026, the active and intense Chinese Year of the Fire Horse, markets appear positioned to reward discerning investors who can move decisively with conviction – balancing agility with discipline as global and domestic policy signals evolve. The SA bond market had a remarkable year with yields compressing significantly across the curve. The 10-year SA government bond (SAGB) ended the year at 8.2%, while the 30-year SAGB compressed by more than 200 basis points (bps) to 8.95%. This propelled the performance of the 12-year-plus area of the curve to 31.21% for the 2025 calendar year, which is well ahead of the FTSE/JSE All Bond Index's (ALBI) return of 24.24%. Nominal bond returns far outstripped the returns from other fixed income assets, with cash returning 7.28% over the year and inflation-linked bonds (ILBs) returning 15.4%.

Despite the recovery in ILB performance in the fourth quarter of 2025, their returns still remain well below nominal bonds over a longer horizon. Over three years, ALBI returned 16.89% while the FTSE/JSE Composite Inflation Linked Bond Index (CILI) delivered 10.04%. Over five years, ALBI returned 12.54% and CILI 9.91%, and over 10 years, ALBI returned 11.48% and CILI 6.5%. The rand was not undone, with a pronounced appreciation against the dollar, closing the year at R16.56/US\$ (versus R18.84/US\$ at the end of 2024), generating a 12.06% return, which was in line with its emerging peers. This, combined with local bond performance, outshone global bond returns, with the FTSE World Government Bond Index (WGBI) only returning 7.55% in dollars, compared to the 41.28% from the ALBI dollar equivalent.

Over the last five years, nominal bonds (the ALBI) have generated a return in excess of 6% of cash (12.54% versus 6.32%). This was on the back of the increased embedded risk premium in SA assets and specifically SA bond yields due to the Covid fiscal hangover. When compared to the pre-pandemic decade (2010-2020), nominal bonds produced a return of 8.85% versus cash at 6.52%, putting the excess return just above 2%, the impact of this outlier event is clear. Currently, the ALBI's yield of c.8.5% versus the c.6.5% expected from one-year cash sits more in line with the latter, and is a needed step change in investor return expectations, given the moderation in SA bond yields. In addition, it is important to consider the possible return expectations for nominal bonds under various scenarios, but with an understanding of what the forecasted levels imply.

The first thing to point out is that the ratio between cash and bond yields is now close to its tightest level since 2010. This implies that the breakeven for bond yields relative to cash is quite low. That is, the bond curve only needs to widen by 0.35%-0.45% (depending on whether one includes the roll down) before nominal bond performance equates to expected one-year cash returns. This is equivalent to a 2% reduction in the return relative to available yield.

Viewed in a historical context, 10-year SAGB yields are currently trading at 8.2%, below their average level over the past decade. This is not to say that they could not go further; however, the circumstances that led to that lower average yield were quite unique and specific to the first half of that decade. Globally, the economy was still recovering from the depths of the Great Financial Crisis (GFC). Then, global policy rates were at zero (the Federal Reserve Board funds rate averaged 0%), global bond yields were at all-time lows (the US and German 10-years' averaged 2%-2.5%), and SA had just been included in the WGBI due to it being rated investment grade by all three of the major rating agencies.

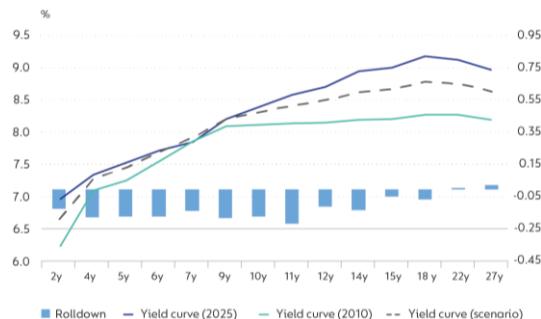
These were indeed special times that facilitated lower bond yields across the emerging markets complex, and SA differentiated itself positively versus its peer group, as indicated by its yield spread versus the JP Morgan Emerging Markets Index. The recent SA bond performance has been so staggering that SA local yields are within a sniff of their tightest spread levels when compared to their emerging market counterparts.

One might argue that the recent adjustment in the inflation target, combined with the positive showing at the 2025 Medium-Term Budget Policy Statement (MTBPS), has positioned SA strongly on its recovery path. However, a large part of the improved outlook that came through in the MTBPS was attributable to better mining revenue due to higher precious metal prices and adjustments to all inflation-related expenditure, which provided a significant saving over the forecast period. Low growth remains a key inhibitor to true fiscal consolidation, and real growth closer to 3% is now needed to stabilise the deficit and debt profile.

SA's debt to GDP is expected to average close to 80% over the forecast period, which is a far cry from its 45% average over the last decade. In fact, despite SA's recent bond outperformance relative to US Treasuries and its emerging market counterparts, longer term fiscal metrics remain quite poor. SA's debt to GDP has doubled since the start of the millennium, while debt across both emerging and developed markets has increased only marginally by multiples of between 1.2 times and 1.6 times. In addition, SA's growth has been lacklustre, underperforming emerging and developed economies in the last five years despite very strong bond performance. These metrics would have to see a dramatic turnaround to justify the current levels and relative valuation on SA bond yields.

Therefore, at current levels, it seems that SA bond valuations have run ahead of fundamentals, baking in a fair deal of good news, requiring a significant acceleration in reform momentum to propel SA's growth closer to the required 3%. However, the yield curve remains quite steep, and the cut in issuance at MTBPS has helped flatten the curve significantly. It is possible that with inflation now likely to be anchored at least below 4% and the administration's focus on fiscal consolidation, the steepness might reduce further. However, here again, one has to consider very carefully which area of the yield curve offers the most amount of value.

Rolloff or carry-on bonds occur when yield curves are normal (upward sloping). Longer maturity bonds offer higher yields than those with a shorter term to compensate for higher risk. As a bond approaches maturity (rolls shorter), its yield should naturally fall towards the lower yields of shorter dated bonds. In analysing the current yield curve, all bonds up until the 15-year area of the curve offer significant rolloff. The way to interpret the following figure is to imagine that nothing changes on the yield curve and to move forward in time by one year. Rolloff is the expected change in those yields as they move towards the shorter yields.

SA YIELD CURVE ANALYSIS


Source: Coronation

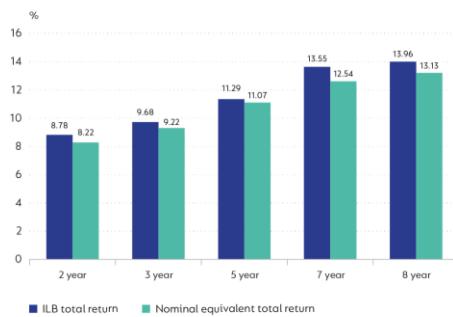
At the start of 2010, SA's fiscal accounts were in good order, and the yield curve reflected this optimism. The 10-year yields were slightly lower than current yields, and the curve was much flatter in the 10-, 20-, and 30-year areas. Notably, the 20- and 30-year bonds were trading 10bps above the 10-year! This is in contrast to the current levels of 0.8% from the 20-year bond and 0.5% from the 30-year bond.

If the shape of the yield curve changed to reflect similar dynamics as 2010, then the ALBI would return 11.3% over the next year. However, based on SA fundamentals in 2010 versus now, this seems starry eyed. An optimistic scenario (dashed blue line in Figure 6) would be a move in the shape of the yield curve to somewhere in between the current shape and 2010, which would generate an ALBI return of 9.8%. Both of these calculations make no assumption of a parallel shift of the curve (synchronised rise/fall across interest rates), just a change in shape as reflected in the graph. As stated earlier, a 0.35%-0.45% parallel shift higher in the yield curve would wipe out c. 2% of total return over a year. So, under a best-case, realistic scenario, where the curve flattens past 10 years, as shown by the dotted line, and yields shift uniformly upwards by 0.35%-0.45%, one can expect an ALBI return of c. 7.8-8% over the next year. This is still favourable relative to cash but would require, at minimum, a continuation of positive global risk sentiment and expedited SA reform momentum. It is clear, however, that the superior rolloff offered by the sub-15-year area of the curve justifies a decent allocation.

Notwithstanding the South African Reserve Bank's (SARB) commitment to keep inflation anchored at the ratified target of 3%, external developments, specifically regarding emerging market currencies, have benefited the rand/dollar cross, and lower oil prices have further assisted in keeping SA inflation in check. Our forecasts have inflation averaging closer to 3% if the rand strength is sustained and oil prices stay the course (recent developments in South America might further help to moderate long-term oil expectations)

This could provide further room for the SARB to ease interest rates quicker and lower (c. 50bps) than our current expectation of a 6.25% repo rate by year end. To a large extent, this seems to have been factored into bond and interest markets; however, shorter dated ILBs still have real yields in excess of where the real policy rate could settle by year end. If inflation does average 3% this year, there should be no reason why the SARB should not revert to a neutral real policy rate of 2.5%, which still leaves room for 3- to 7-year ILBs to compress from the current levels in excess of 4%.

The following figure shows the total return of ILBs versus nominal bonds, assuming ILB yields compress 1% and inflation materialises at 3% over the next year. Nominal bonds are assumed to similarly compress by 1% in such a scenario, although in a scenario where the repo settles at 5.75% versus our current expectations of 6.25%, the move would not be so large. It is quite clear that for front-end exposure out to seven years, ILBs remain the superior value proposition.

ILB VERSUS NOMINAL TOTAL RETURN


Source: Coronation

As SA enters 2026, the bond market reflects a transition from recovery-driven returns to a more mature phase of the cycle, where valuation discipline and curve selection will be paramount. While the global backdrop of easing inflation and policy normalisation remains broadly supportive, much of the easy compression in local yields has already occurred, leaving limited margin for error should growth or reform momentum disappoint. In this environment, consistent with the symbolism of the Year of the Fire Horse, successful bond investing will require measured decisiveness – favouring carry and rolloff in the belly of the curve, selective exposure to real yields at the front end, and a disciplined approach to risk premia. SA bonds continue to offer value relative to cash and their global peers, but future returns are likely to be earned through careful positioning rather than broad-based yield compression.

Portfolio managers

Nishan Maharaj, Steve Janson and Seamus Vasey

As at 31 December 2025

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.