CORONATION BOND FUND

Fund Information as at 31 May 2019

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 is limited to 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 12 months and longer.

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.

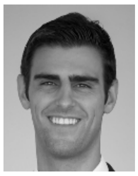
Fund expenses that are incurred in the fund include trading, custody and audit charges. All performance information is disclosed after deducting all fees and other portfolio costs.

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
Fund Category	South African – Interest Bearing – Variable Term
Regulation 28	Does not comply
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 May 2019

CORONATION
TRUST IS EARNED™

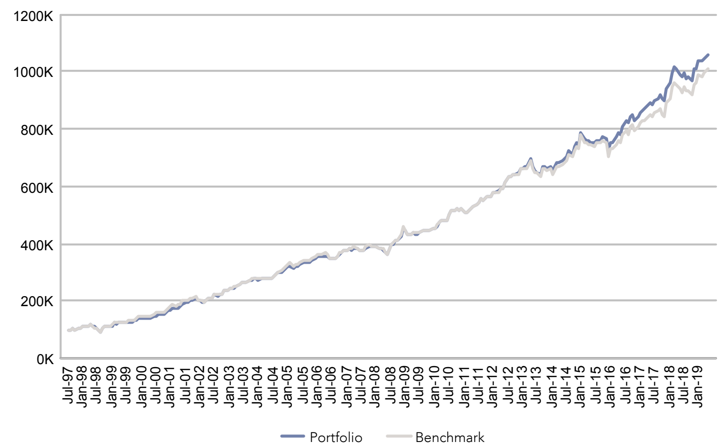
Fund category	South African - Interest Bearing - Variable Term
Launch date	01 August 1997
Fund size	R 2.31 billion
NAV	1479.34 cents
Benchmark/Performance Fee Hurdle	BEASSA ALBI Index
Portfolio manager/s	Nishan Maharaj, Seamus Vasey & Steve Janson

	1 Year	3 Year
Total Expense Ratio	0.87%	0.87%
Fund management fee	0.73%	0.73%
Fund expenses	0.03%	0.03%
VAT	0.10%	0.10%
Transaction costs (inc. VAT)	0.00%	0.00%
Total Investment Charge	0.87%	0.87%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)

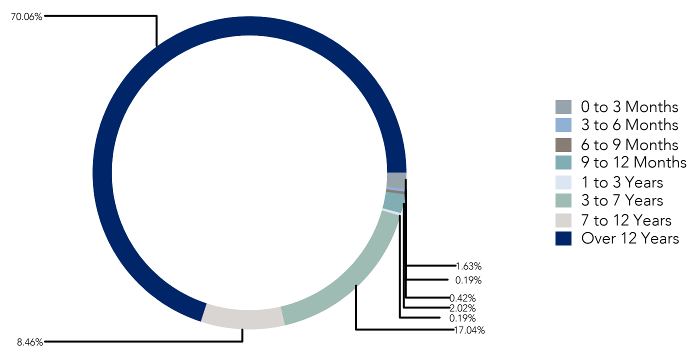
Portfolio R1 056 689
Benchmark R1 011 171



PORTFOLIO DETAIL

MATURITY PROFILE

As at 31 May 2019



PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	956.7%	911.2%	45.5%
Since Launch (annualised)	11.4%	11.2%	0.2%
Latest 20 years (annualised)	11.4%	11.0%	0.3%
Latest 15 years (annualised)	9.3%	9.0%	0.3%
Latest 10 years (annualised)	9.3%	8.8%	0.5%
Latest 5 years (annualised)	8.9%	8.3%	0.6%
Latest 3 years (annualised)	10.6%	10.5%	0.1%
Latest 1 year	7.0%	7.7%	(0.8)%
Year to date	4.4%	5.3%	(0.9)%

	Fund
Modified Duration	7.3
Yield	10.0%

MATURITY PROFILE DETAIL

Sector	31 May 2019
0 to 3 Months	1.6%
3 to 6 Months	0.2%
6 to 9 Months	0.4%
9 to 12 Months	2.0%
1 to 3 Years	0.2%
3 to 7 Years	17.0%
7 to 12 Years	8.5%
Over 12 Years	70.1%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	7.4%	8.4%
Sharpe Ratio	0.29	0.23
Maximum Gain	26.3%	26.4%
Maximum Drawdown	(19.0)%	(22.3)%
Positive Months	71.0%	70.6%

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

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Interest	Dividend
29 Mar 2019	01 Apr 2019	62.96	62.73	0.23
28 Sep 2018	01 Oct 2018	59.19	59.19	0.00
29 Mar 2018	03 Apr 2018	65.25	65.25	0.00
29 Sep 2017	02 Oct 2017	59.78	59.78	0.00

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2019	2.73%	(0.33)%	0.91%	0.44%	0.56%								4.40%
Fund 2018	1.87%	3.93%	1.79%	(0.31)%	(2.22)%	(0.80)%	1.92%	(2.54)%	0.62%	(1.07)%	3.86%	0.62%	7.70%
Fund 2017	1.52%	0.57%	0.89%	1.33%	0.88%	(0.32)%	1.31%	1.04%	1.35%	(1.72)%	(0.93)%	4.99%	11.30%

Issue date: 2019/06/11

Please refer to page 4 of the Comprehensive Fact Sheet for important additional infomation, including change in cost disclosures.

CORONATION BOND FUND

Quarterly Portfolio Manager Commentary

CORONATION
TRUST IS EARNED™

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

The All Bond Index (ALBI) returned 3.8% over the last quarter, bringing its return over the last 12 months to 3.5%. Inflation-linked bonds continued to lag nominal bond performance, producing 0.6% over the last quarter and -3.1% over the last 12 months. In dollars over the quarter, South African bonds returned 2.8%, in line with the 2.9% returned by other emerging markets (as measured by the JP Morgan Government Bond Index – Emerging Markets Global Diversified Composite). However, they remain quite a laggard over 12 months (-15.6% versus -7.5%). The 10-year benchmark bond traded in quite a narrow range over the quarter (9.47% to 9.08%) before breaking lower to sub-9.0% after the end of the quarter, following rating agency Moody's decision to keep South Africa's credit rating stable at investment grade.

The sustainability of South Africa's investment grade rating will remain a key concern. Credible monetary policy has caused inflation and inflation expectations to gravitate towards the midpoint of the band (4.5%), yet it remains adequately accommodative given the subdued growth profile. Growth, or the lack thereof, remains at the core of South Africa's structural problems. Cyclically, growth should pick up to approximately 1.3% in 2019 and 1.8% in 2020. However, the risk to this outcome is to the downside, given the threat of load shedding, the effect it has on business and consumer confidence, and how rising electricity-related costs affect corporate profitability. The burden of low growth and state-owned enterprise (SOE) support weighs heavily on fiscal policy. Until more concrete structural reforms are put through, it is up to fiscal policy to provide a supportive growth environment and support for SOEs in a manner that does not widen the fiscal deficit or increase South Africa's debt burden. Up to now, this has been well managed, as is evident in the February budget, where despite the R23 billion per year capital injection for Eskom, National Treasury still managed to limit fiscal slippage by cutting expenditure, primarily through a reduction in the wage bill. Unfortunately, given Eskom's precarious financial and operational position, the SOE still poses immense risk to both the fiscus and the economy.

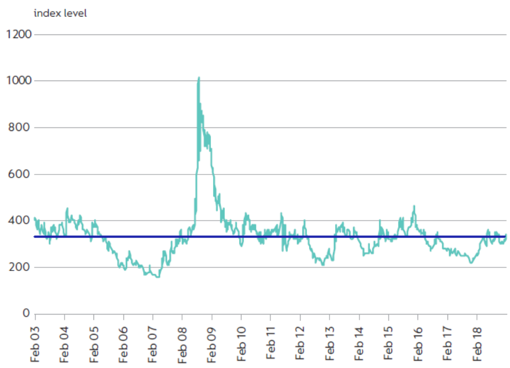
Global monetary policy has again turned accommodative. Following the US's about-turn on monetary policy, the European Central Bank followed suit a few weeks later. Global bond yields have plummeted, with the US 10-year Treasury Note continuing to rally to below 2.4%. An amazing 20% ($10.3 trillion) of all issued government bonds now trade with yields below zero. In previous periods, this proved to be quite supportive for emerging market government bonds; however, this time around, given the inversion of the US yield curve (10-year rates trading below cash rates), more caution has been exercised. An inverted US yield curve has been a successful predictor of all recessions over the last 30 years; however, the period between curve inversion and the onset of recession varies between 12 and 24 months. Therefore, over the short term, we might see this 'goldilocks' period for emerging markets continue, supporting their currencies and bond yields. Over the longer term, we still see fair value for US bond yields being above 3%. Growth in the US has come off in the shorter term due to the government shutdown at the beginning of the year and the tax cuts of 2018 coming out of the base, but is still expected at 2.5% for 2019 and 2.0% in 2020. Furthermore, wage inflation has continued to prove quite sticky, which should keep headline inflation close to the 2.0% level. Market expectations of interest rate cuts in the US seem premature at this stage, with the economy growing at 2.5% and inflation at 2%. A 1.0% real policy rate still seems appropriate given the prevailing conditions, which suggests a 3.0% nominal long bond rate at the minimum (2.0% inflation plus 1.0% real policy rate). The risks posed to global bond yields are therefore to the upside.

The key consideration for a South African bond investor is whether the yield on offer by South African government bonds compensates them for the underlying risks that the economy faces. The main areas of concern are the effect of South Africa losing its investment grade rating, the impact of higher global yields on South African bond yields and how South African bonds fare relative to their emerging market peers. South Africa's credit rating has and continues to trade at subinvestment level. The graphs below show the South African credit spread relative to the BB Spread Index (the index representing the credit spread of the first rung of subinvestment grade) and then the BB Spread Index (right) over a long period of time. The graph on the left shows that South Africa trades in line with the subinvestment grade index (10 basis points [bps] more expensive than current index levels), while the graph on the right shows that the subinvestment grade index trades pretty much at its long-term average. Both metrics suggest that South Africa, even if Moody's were to move the country to subinvestment grade, at worst could see a widening of between 10 bps and 20 bps.

SOUTH AFRICA VERSUS BB INDEX

Source: Bloomberg

BB INDEX



Source: Bloomberg

In the table below, we show South Africa's government bond relative to its emerging market peers, both from a nominal bond perspective and an implied real perspective (using two-year expected average inflation). Once again, South Africa features as quite attractive relative to its peers, especially considering that Brazil has yet to pass a massively unpopular pension reform initiative to reduce its debt to GDP ratio from 80%, while Mexico's largest SOE (petroleum company Pemex) is in dire need of further financial support that will weigh on the Mexican fiscus and, hence, credit worthiness.

	Nominal Yield	Implied Real Yield
Brazil	8.97	4.87
Mexico	8.01	4.03
Indonesia	7.60	3.96
South Africa	**9.00**	**3.81**
India	7.35	3.67
Russia	8.19	3.53
Average	6.18	2.18
Turkey	17.18	2.12
Malaysia	3.76	1.80
Chile	3.97	1.04
China	3.06	0.89
Poland	2.83	0.66
Israel	1.81	0.48
Hungary	2.87	-0.12
Czech Republic	1.78	-0.41

Source: Bloomberg

If we construct a fair value for South African 10-year bonds using the global risk-free rate (US 10-year yields), the expected inflation differential (between South Africa and the US) and South Africa's credit premium, the result is 8.92% (3.0% + (5%-2%) + 2.92%). Current levels of 9.0% on South Africa's 10-year government bond therefore compare quite favourably to our fair value estimate. Given the long-term risks the local economy faces, predominantly from a further deterioration in Eskom, one would look to move from a neutral to slightly underweight allocation to South African government bonds, as levels move through our fair value estimate.

Chronic load shedding and poor local sentiment will continue to weigh on South Africa's growth outcomes. Inflation should remain under control, allowing policy rates in South Africa to, at worse, remain stable. Global monetary policy has once again turned more supportive for risk sentiment, which should help buoy emerging market valuations over the shorter term. At current levels, South African government bonds trade cheap to fair value estimates. However, given the longer-term risks posed to the economy from further SOE deterioration, allocations should be kept at a neutral level.

Portfolio managers
Nishan Maharaj, Steve Janson and Seamus Vasey
as at 31 March 2019

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 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. 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) (FSP 548) Ltd, 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. 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 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 September 2018 (updated annually). The 3 year TER is for a rolling 36-month period to the last 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.