CORONATION STRATEGIC INCOME FUND

Fund Information as at 30 November 2020

CORONATION
TRUST IS EARNED™

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.

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%) 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.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Risk Profile

2/10
Conservative

Maximum growth/
minimum income exposures

Growth Assets: 25%
Income Assets: 75%

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?

An annual fee of 0.85% (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 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

Launch Date	2 July 2001
Fund Class	A
Benchmark	110% of STeFI 3-month index
Fund Category	South African – Multi-asset – Income
Regulation 28	Complies
Income Distribution	Quarterly (March, June, September, December)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORSTIN
ISIN Code	ZAE000031522
JSE Code	CSIF

CORONATION STRATEGIC INCOME FUND

CORONATION
TRUST IS EARNED™

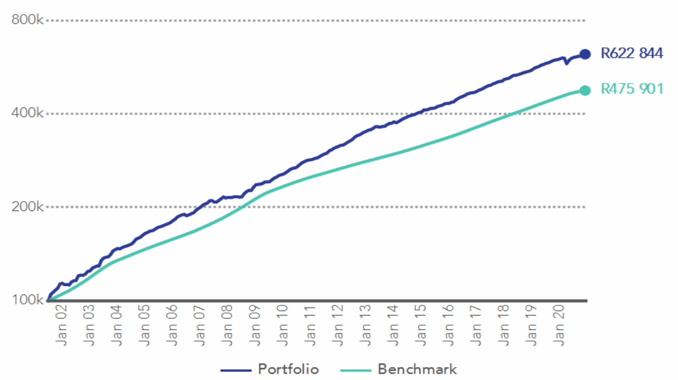
CLASS A as at 30 November 2020

Fund category	South African - Multi Asset - Income
Launch date	02 July 2001
Fund size	R45.34 billion
NAV	1535.18 cents
Benchmark/Performance Fee Hurdle	110% of the STeFI 3-month Index
Portfolio manager/s	Nishan Maharaj and Mauro Longano

	1 Year	3 Year
Total Expense Ratio	0.98%	0.99%
Fund management fee	0.84%	0.84%
Fund expenses	0.01%	0.02%
VAT	0.13%	0.12%
Transaction costs (inc. VAT)	0.00%	0.01%
Total Investment Charge	0.98%	1.00%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PERFORMANCE AND MODIFIED DURATION (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	522.8%	375.9%	146.9%
Since Launch (annualised)	9.9%	8.4%	1.5%
Latest 15 years (annualised)	8.7%	7.7%	1.0%
Latest 10 years (annualised)	8.2%	6.7%	1.5%
Latest 5 years (annualised)	7.6%	7.3%	0.3%
Latest 3 years (annualised)	6.9%	7.0%	(0.1)%
Latest 1 year	4.1%	5.6%	(1.5)%
Year to date	3.6%	5.0%	(1.4)%

	Fund
Modified Duration	1.7
Modified Duration (ex Inflation Linkers)	1.3
Yield	5.4%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	2.8%	0.7%
Sharpe Ratio	0.71	N/A
Maximum Gain	60.5%	N/A
Maximum Drawdown	(4.2)%	N/A
Positive Months	92.7%	N/A

	Fund	Date Range
Highest annual return	18.7%	Nov 2002 - Oct 2003
Lowest annual return	2.0%	Apr 2019 - Mar 2020

PORTFOLIO DETAIL

ASSET ALLOCATION BY INSTRUMENT TYPE

	Domestic Assets	International Assets
Cash and Money Market NCD's	22.6%	0.3%
Fixed Rate Bonds	22.4%	8.4%
Floating Rate Bonds	28.4%	2.3%
Inflation Linked Bonds	13.2%	0.6%
Listed Property	3.1%	0.3%
Preference Shares	0.2%	0.0%
Currency Futures	-1.9%	
Total	88.0%	12.0%

ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Government	23.0%
State Owned Entities	1.5%
Banks and Insurers: NCDs and Deposits	22.4%
Banks: Senior Debt	16.2%
Banks: Subordinate Debt (<12m)	6.7%
Banks: Subordinate Debt (>12m)	11.5%
Insurers	2.7%
Other corporates	12.2%
REITS	3.5%
Preference Shares	0.2%
Coronation Global Strategic Income	0.5%
Coronation Global Bond Fund	0.9%

TOP 5 ISSUER EXPOSURE

	% of Fund
Republic of South Africa Government Bonds	20.8%
FirstRand Limited	12.6%
Standard Bank of South Africa	11.6%
ABSA Bank Ltd	9.8%
Nedbank Ltd	7.1%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2020	01 Oct 2020	16.63	0.07	16.55
30 Jun 2020	01 Jul 2020	19.10	0.06	19.04
31 Mar 2020	01 Apr 2020	28.55	0.55	28.00
31 Dec 2019	02 Jan 2020	30.60	0.14	30.46

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2020	0.8%	(0.1)%	(4.1)%	2.5%	1.5%	0.7%	0.4%	0.6%	0.1%	0.3%	1.2%		**3.6%**
Fund 2019	1.3%	0.6%	0.6%	1.0%	0.5%	0.8%	0.4%	0.9%	0.8%	0.5%	0.3%	0.5%	**8.4%**
Fund 2018	0.4%	0.4%	1.1%	1.0%	0.1%	0.5%	0.6%	0.7%	0.5%	0.5%	0.4%	0.9%	**7.3%**

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

The Fund returned 1.2% in November, bringing its total return to 4.1% for the 12-month period.

Local bonds had a strong performance in the month of November. The All Bond Index delivered a total return of 3.25largely driven by a rally by long-term bonds (12+ years), which returned 5.33%. The 7-12-year part of the curve also delivered positive performance and returned 3.13%. Medium-term bonds (3-7 years) were 0.48% stronger, while the short end (1-3 years) of the curve returned -0.05%. Inflation-linked bonds (ILBs) also had a good month and returned 1.95%, while cash returns held steady at 0.27%.

Internationally, the news was dominated by a conflicting combination of improving activity data and an alarming rise in Covid-19 infection rates and escalating mobility restrictions. In turn, this was partially offset by more positive newsflow on the emergence of a vaccine, and the outcome of the US presidential election.

In the US, the Federal Open Market Committee left the target range for the federal funds rate unchanged at 0.00%-0.25% and confirmed that asset purchases will continue to run at the current pace. The Federal Reserve Board stated that it views current economic risk as balanced but will consider intervening should market conditions deteriorate. Headline inflation printed at 1.2% year-on-year (y/y) in October versus a 1.4% y/y increase in September. Medical care services prices continued to decline together with transport costs. Core inflation moderated to 1.6% y/y in October from 1.7% y/y in September.

In emerging markets, China's headline inflation slowed sharply to 0.5% y/y in October from 1.7% y/y in September. This moderation is on the back of a sharp decline in food prices and a slowdown in transport and household goods and services prices. Core inflation remained unchanged at 0.5% y/y. Elsewhere, the impact of Covid-19 on growth is still evolving, with many countries still battling rising infection rates and relatively stringent lockdown restrictions. Central banks, on balance, remain in an accommodative stance.

The rand was stronger, as it gained 5% against the US dollar over the month, ending November at US$1/R15.47. The easing of lockdown measures globally, and initial indications that the expected contraction would not be as severe as initially thought, served to buoy risk sentiment and emerging market currencies. However, the local fundamental backdrop remains quite poor. The Fund maintains its healthy exposure to offshore assets and, when valuations are stretched, will hedge/unhedge portions of its 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. In addition, the Fund currently has option structures in place to protect its holding if the rand moves materially below US$1/R16 on a sustained basis.

In South Africa, the South African Reserve Bank (SARB) held its last Monetary Policy Committee meeting for the year and left the repo rate unchanged at 3.50%. The vote was split, with three members voting for hold and two advocating for a cut. The SARB expects the economy to contract by 8% in 2020, before a rebound of 3.5% and 2.4% in 2021 and 2022, respectively. The SARB sees the risks to growth as balanced and is expecting a growth rebound of 50.3% seasonally adjusted average (saa) quarter-on-quarter in the third quarter of the year. Headline inflation is expected to average at 3.2% for 2020 and to remain low in 2021.

Headline inflation surprised at 3.3% y/y for October vs 3.0% y/y in September. Core inflation came in at 3.4% y/y in October from a 3.3% y/y print in September. The surprise jump in headline inflation was largely attributed to an increase in food prices. Transport costs and other prices remained flat. Recent data continues to point to a weak domestic consumer base that should continue to limit pricing power and keep inflation well anchored.

At the end of August, shorter-dated fixed-rate negotiable certificates of deposit (NCDs) traded at 4.91% (three-year) and 6.00% (five-year), higher than the previous month. Shorter-dated NCDs have pulled lower due to the significant interest rate cuts, recovery in bond yields and tightening of credit spreads. Short-dated fixed-rate NCDs continue to hold appeal due to the inherent protection offered by their yields and relative to our expectations for a lower repo rate. In addition, NCDs have the added benefit of being liquid, thus aligning the liquidity of the Fund 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.

South Africa is on the brink of a debt trap due to years of poor policy choices that have been exacerbated by the effects of the Covid-19 crisis. At the heart of the country's problems lies a large debt load that is being financed at exceptionally high levels of interest and beleaguered state-owned enterprises, key among them being Eskom. Policy choices are moving in the right direction; however, implementation is hampered by an incapacitated State and divided political motives within the ruling party. However, the valuation of South African government bonds (SAGBs) does embed a significant amount of risk premium, commensurate with the underlying risk, if not more. This valuation is specifically attractive in the longer end of the bond curve, due to high yields and low cash prices. ILB's in the front end of the curve (<7 years) offer an attractive pick up relative to their nominal counterparts with inherent inflation protection, while listed credit is unattractive, given expensive valuations. We believe bond portfolios should have a neutral to overweight position to SAGB's in the longer end of the curve, an allocation to ILB's in the short end of the curve, and low (if any) allocation to listed credit.

The local listed property sector was up 18.4% over November, bringing its return to -44.0% over the rolling 12-month period. Listed property has been the largest drag on the Fund's performance. This has resulted in a general rise in balance-sheet risk across the sector. The current crisis will reduce rental income, put pressure on asset values, increase the cost of borrowing for lower-quality businesses, and test inexperienced management teams. It is entirely possible that most of the companies will require additional capital and that dividends are suspended to preserve capital. One must be cautious not to take these at face value and understand how the key issues mentioned above affect that yield. We believe there are a few select large-cap counters that satisfy our stringent conditionality.

The FTSE/JSE Preference Share Index was up 10.4% over November, bringing its return to -17.5% over the 12-month period. Preference shares offer a steady dividend yield linked to the prime rate and, depending on the risk profile of the issuer, currently yield between 8% and 10% (subject to a 20% Dividends Tax, depending on the investor entity). The change in capital structure requirements mandated by Basel III will discourage banks from issuing preference shares. This will limit availability. In addition, most of the bank-related preference shares trade at a discount, which enhances their attractiveness for holders from a total return perspective and increases the likelihood of bank buybacks. Despite attractive valuations, this asset class will continue to dissipate, given the lack of new issuance and because of its associated risks being classified as eligible loss-absorbing capital (only senior to equity). The Fund maintains select exposure to certain high-quality corporate preference shares but will not actively look to increase its holdings.

We remain vigilant of the risks emanating from the dislocations between stretched valuations and the underlying fundamentals of the local economy. However, we believe that the Fund's current positioning correctly reflects appropriate levels of caution. The Fund's yield of 5.36% remains attractive relative to its duration risk. We continue to believe that this yield is an adequate proxy for expected Fund 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 30 November 2020

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 fund is managed in line with Regulation 28 limits, although it is not required as per the fund's supplemental deed. 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.

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 A 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 2020 (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.