CORONATION STRATEGIC INCOME FUND

Fund Information as at 31 August 2021

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.

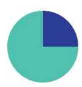
The fund has a flexible mandate with no prescribed maturity or duration limits for its investments. The fund is mandated to use derivative instruments for efficient portfolio management purposes.

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?

The annual management fee is 0.65%.

The annual management fee will reduce from 0.85% to 0.65% for the twelve-month period starting 1 April 2021 and ending 31 March 2022. From 1 April 2022, the management fee will be 0.75%.

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™

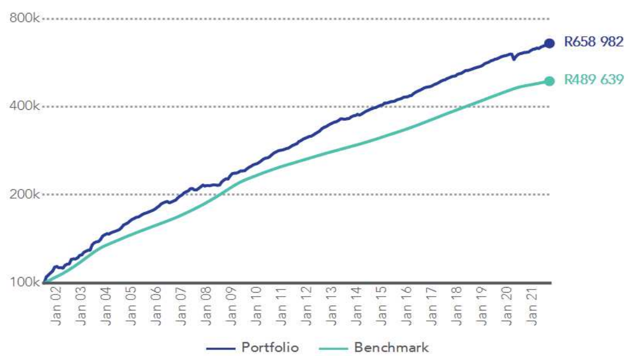
CLASS A as at 31 August 2021

Fund category	South African - Multi Asset - Income
Launch date	02 July 2001
Fund size	R41.85 billion
NAV	1562.86 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%	0.97%
Fund management fee	0.84%	0.83%
Fund expenses	0.01%	0.02%
VAT	0.13%	0.12%
Transaction costs (inc. VAT)	0.00%	0.01%
Total Investment Charge	0.98%	0.98%

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)	559.0%	389.6%	169.3%
Since Launch (annualised)	9.8%	8.2%	1.6%
Latest 20 years (annualised)	9.5%	8.2%	1.4%
Latest 15 years (annualised)	8.6%	7.5%	1.1%
Latest 10 years (annualised)	8.0%	6.5%	1.5%
Latest 5 years (annualised)	7.3%	6.7%	0.5%
Latest 3 years (annualised)	6.7%	6.0%	0.7%
Latest 1 year	7.4%	3.8%	3.6%
Year to date	4.8%	2.6%	2.3%

	Fund
Modified Duration	1.8
Modified Duration (ex Inflation Linkers)	1.3
Yield	5.4%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	2.7%	0.7%
Sharpe Ratio	0.75	N/A
Maximum Gain	60.5%	N/A
Maximum Drawdown	(4.2)%	N/A
Positive Months	92.6%	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	22.8%	0.3%
Fixed Rate Bonds	22.4%	7.7%
Floating Rate Bonds	27.3%	2.5%
Inflation Linked Bonds	13.9%	0.4%
Listed Property	4.3%	0.3%
Preference Shares	0.1%	0.0%
Other (Currency Futures)	(1.8)%	0.0%
Total	88.8%	11.2%

ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Government	20.6%
State Owned Entities	2.3%
Banks and Insurers: NCDs and Deposits	24.2%
Banks: Senior Debt	17.0%
Banks: Subordinate Debt (<12m)	8.2%
Banks: Subordinate Debt (>12m)	6.0%
Insurers	2.8%
Other corporates	12.7%
REITS	6.5%
Preference Shares	0.1%
Coronation Global Strategic Income	0.5%
Coronation Global Bond Fund	1.0%
Other (Currency Futures)	(1.9)%

TOP 5 ISSUER EXPOSURE

	% of Fund
Republic of South Africa Government Bonds	19.0%
Standard Bank of South Africa	11.4%
ABSA Bank Ltd	10.6%
FirstRand Limited	9.5%
Nedbank Ltd	8.8%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Jun 2021	01 Jul 2021	22.28	0.05	22.23
31 Mar 2021	01 Apr 2021	18.06	0.25	17.81
31 Dec 2020	04 Jan 2021	19.05	0.06	18.99
30 Sep 2020	01 Oct 2020	16.63	0.07	16.55

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2021	0.3%	0.7%	(0.3)%	1.1%	0.7%	0.7%	0.6%	0.8%					**4.8%**
Fund 2020	0.8%	(0.1)%	(4.1)%	2.5%	1.5%	0.7%	0.4%	0.6%	0.1%	0.3%	1.2%	0.9%	**4.5%**
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%**
Fund 2017	0.9%	0.5%	0.9%	1.0%	0.8%	0.4%	1.0%	0.6%	0.8%	0.5%	0.2%	1.4%	**9.3%**

Issue date: 2021/09/09

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

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

The Fund returned 0.8% in August, bringing its total return to 7.4% for the 12-month period. This return is ahead of cash (3.5%) and that of its benchmark (3.8%).

Local bonds delivered an unexciting performance in August. The All Bond Index returned 1.7%, supported by strong performance from the back end of the curve (12+ years), which delivered 2.5%. The long-term (7-12 years) part of the curve delivered 1.3% and medium-term bonds (3-7 years) returned an uninspiring 0.7%. Short-term bonds (1-3 years) returned 0.5% and cash returns were unchanged from the previous month at 0.3%. Inflation-linked bonds (ILBs) returned 1.2%.

Second-quarter GDP growth releases continue to show a rebound in growth for most economies. However, renewed restrictions in some countries are increasingly likely to dampen growth momentum in the third quarter of the year. Inflation releases for July also saw inflation pressure moderating in several countries, but the risk of price pressures persisting remains considerable. So far, both developed market central banks and their financial markets still expect these pressures to ease.

In the US, the Federal Reserve (Fed) Board chair Jerome Powell, reiterated at the Jackson Hole conference that the Fed views current inflation pressures as transitory. Nonetheless, he acknowledged that it is difficult to distinguish short-term inflation pressure in real time from longer-lasting bouts of price pressures. He also cautioned that even if the Fed decides to trim the pace and size of asset purchases this will not necessarily change the potential timing of a change in interest rates. At this stage, tapering of asset purchases is broadly expected in the fourth quarter of this year (Q4-21). Headline inflation was unchanged in July from June's 5.4% (year on year) y/y. Upward price pressure continues from food and used vehicles prices, while energy, fuel and transportation prices remained flat. Core inflation eased to 4.3% y/y in July from 4.5% y/y in June and core PCE inflation was unchanged at 3.6%.

In emerging markets, China's latest economic activity data came in weak as renewed restrictions bit. Retail sales data were weak and infrastructure investment contracted. Despite this, export sales growth remained resilient. Headline inflation slowed to 1% y/y in July from 1.1% y/y in June and spiking food prices have moderated. Prices of transport and communication, clothing, rent and fuel prices remain muted. Elsewhere in emerging markets, central banks in Russia, Brazil, Mexico and Korea have started to normalise interest rates at recent meetings.

The rand was slightly stronger over August, closing at 14.52 at the end of the month. Going forward, the cyclical tailwinds from strong commodity prices should continue to underpin the rand's valuation. The Fund maintains its healthy exposure to offshore assets. When valuations are stretched, it 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 South Africa (SA), Statistics SA (StatsSA) published rebased and re-benchmarked GDP statistics to better reflect demand, supply and price interactions in the economy. The re-basing shifted the base year from 2010 to 2015 and has improved the methodology and sample quality of the survey. The new data show that the economy is on average 9.6% larger between 2015 – 2020 than previously estimated, and the contraction of 2020 was less severe. Revised GDP estimates show the economy contracted 6.4% in 2020 vs the 7.0% contraction reported earlier. Second-quarter GDP will be released in the second week of September based on the new method.

Headline inflation came in at 4.6% y/y in July vs 4.9% y/y in June. Core inflation was broadly stable at 3.0% y/y in July vs 3.2% y/y in June. The main driver of the headline moderation was easing fuel-related base effects, a contained electricity tariff increase relative to expectations and a decline in non-alcoholic beverage inflation. Elsewhere, food inflation and vehicle prices posted a solid monthly gain, along with personal care and recreation and cultural goods and services.

At the end of August, shorter-dated fixed-rate negotiable certificates of deposit (NCDs) traded at 5.9% (three-year) and 6.9% (five-year), slightly higher than the close at the end of the previous month. SA's more moderate inflation expectations suggest that current pricing of these instruments remains attractive due to their lower modified duration and, hence, high breakeven relative to cash. In addition, NCDs have the added benefit of being liquid, thus aligning the Fund's liquidity with the needs of its investors. The Fund continues to hold decent exposure to these instruments (fewer floating than fixed), but we will remain cautious and selective when increasing exposure.

The prospects for the local economy have improved as reform progress has gathered momentum and global developments have provided tailwinds to the local recovery. Inflation is moving higher but should remain under control despite uneasiness around global inflation. The recovery in growth should gain more traction and spill into next year, which will provide more breathing space for the fiscus. Despite their recovery in Q2-21, SA government bonds (SAGBs), still embed a significant risk premium relative to cash. The steepness of the yield curve makes the 12- to 15-year area attractive, even if the local rate hiking cycle starts sooner than expected. For bond portfolios, we continue to advocate overweight positions to SAGBs focused in the 12- to 15-year area of the curve and allocations to ILBs with a maturity of less than eight years.

The local listed property sector was up 7.1% over August, bringing its 12-month return to 52%, and has been the largest drag on the Fund's performance. The balance sheet concerns coming out of the Covid-19 crisis have subsided somewhat as companies have managed to introduce dividend payout ratios (with some withholding dividends entirely) and selling assets. Going forward, operational performance will remain in the spotlight as an indicator of the pace and depth of the sector's recovery. We believe that one must remain cautious, given the high levels of uncertainty around the strength and durability of the local recovery. However, certain counters are showing value, given their unique capital structures and earnings potential. These counters remain a core holding within the Fund.

The FTSE/JSE Preference Share Index was up 5.7% over the month, bringing its 12-month return to 24.1%. 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, which will limit availability. Due to the reduced liquidity in this asset class and other instruments, at the same point in the capital structure, trading at more attractive valuations, the Fund will not look to increase its holdings and will maintain its current small exposure to specific corporate preference shares.

We remain vigilant of the risks emanating from the dislocations between stretched valuations and the local economy's underlying fundamentals. However, we believe that the Fund's current positioning correctly reflects appropriate levels of caution. The Fund's yield of 6.3% 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 31 August 2021

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.