CORONATION STRATEGIC INCOME FUND

Fund Information as at 31 July 2022

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 0.75% *

* The annual management fee reduced from 0.85% to 0.75% on 1 April 2021. In addition, there was also a fee holiday reducing the fee to 0.65% for the twelve-month period starting 1 April 2021 and ending 31 March 2022. From 1 April 2022, the management fee has reverted to 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
ASISA 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™

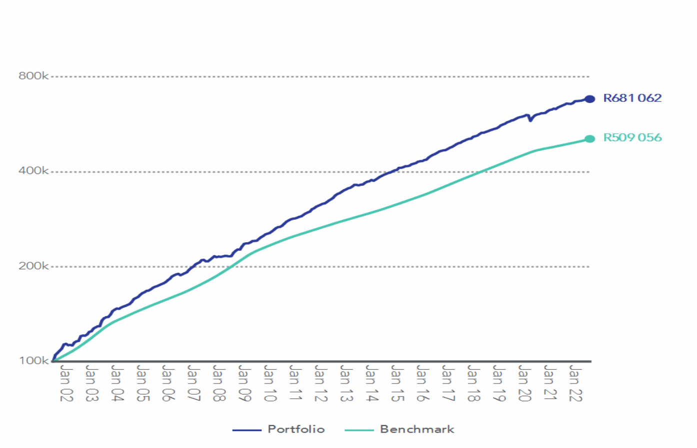
CLASS A as at 31 July 2022

ASISA Fund Category	South African - Multi Asset - Income
Launch date	02 July 2001
Fund size	R38.65 billion
NAV	1521.54 cents
Benchmark	110% of the STeFI 3-month Index
Portfolio manager/s	Nishan Maharaj and Mauro Longano

	1 Year	3 Year
Total Expense Ratio	0.87%	0.90%
Fund management fee	0.74%	0.77%
Fund expenses	0.01%	0.01%
VAT	0.11%	0.12%
Transaction costs (inc. VAT)	0.00%	0.00%
Total Investment Charge	0.87%	0.90%

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)	581.1%	409.1%	172.0%
Since Launch (annualised)	9.5%	8.0%	1.5%
Latest 20 years (annualised)	9.0%	7.8%	1.2%
Latest 15 years (annualised)	8.2%	7.1%	1.1%
Latest 10 years (annualised)	7.3%	6.3%	0.9%
Latest 5 years (annualised)	6.4%	6.1%	0.3%
Latest 3 years (annualised)	5.3%	5.0%	0.3%
Latest 1 year	4.2%	4.3%	(0.1)%
Year to date	1.6%	2.6%	(1.1)%

	Fund
Modified Duration	1.8
Modified Duration (ex Inflation Linkers)	1.5
Yield (Net of Fees)	8.0%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	2.7%	0.7%
Sharpe Ratio	0.70	N/A
Maximum Gain	60.5%	N/A
Maximum Drawdown	(4.2)%	N/A
Positive Months	91.7%	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	14.9%	0.3%
Fixed Rate Bonds	27.6%	7.1%
Floating Rate Bonds	25.2%	5.8%
Inflation Linked Bonds	13.8%	0.1%
Listed Property	4.1%	0.8%
Preference Shares	0.1%	0.0%
Other (Currency Futures)	0.0%	0.0%
Total	85.9%	14.1%

ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Government	24.9%
State Owned Entities	3.0%
Banks and Insurers: NCDs and Deposits	15.5%
Banks: Senior Debt	21.4%
Banks: Subordinate Debt (<12m)	4.4%
Banks: Subordinate Debt (>12m)	6.1%
Insurers	2.8%
Other corporates	12.3%
REITS: Equity	4.9%
REITS: Debt	2.7%
Preference Shares	0.1%
Coronation Global Strategic Income	0.6%
Coronation Global Bond Fund	1.0%
Other (Currency Futures)	0.0%

TOP 5 ISSUER EXPOSURE

	% of Fund
Republic of South Africa Government Bonds	22.7%
Standard Bank Of SA Ltd	15.3%
FirstRand Limited	11.3%
Nedbank Ltd	10.1%
Absa Bank Ltd	9.5%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Jun 2022	01 Jul 2022	24.38	0.19	24.19
31 Mar 2022	01 Apr 2022	20.92	0.04	20.88
31 Dec 2021	03 Jan 2022	23.89	0.06	23.83
30 Sep 2021	01 Oct 2021	22.83	0.19	22.63

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2022	0.1%	0.1%	0.2%	0.5%	0.6%	(0.9)%	1.1%						**1.6%**
Fund 2021	0.3%	0.7%	(0.3)%	1.1%	0.7%	0.7%	0.6%	0.8%	(0.2)%	(0.1)%	0.6%	1.4%	**6.7%**
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%**

Issue date: 2022/08/11

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 1.05% in July, bringing its 12-month total return to 4.22%. This latter return is above cash (3.88%) and that of its benchmark (4.28%) over the same period.

Local bonds recovered strongly in July from the lows of June. The FTSE/JSE All Bond Index delivered 2.44%, with the long end of the curve (12+ years duration) delivering the best returns (+ 3.33%). Long-term bonds (7-12 years) posted a recovery of 2.23%, while medium-term bonds (3-7 years) returned 0.62%, and short-term bonds (1-3 years) delivered 0.26%. Cash returns came in at 0.36% and inflation-linked bonds (ILBs) fell -1.23%.

July saw the US and China reporting economic contractions for the second quarter of 2022 (Q2-22). The reasons for the contractions were mixed, with China affected by lockdowns and the US experiencing weaker government spending and a drag from inventories drawdowns. Central banks continue to tighten monetary policy settings to curb rising inflation.

In the US, the economy contracted by 0.9% quarter on quarter (q/q) in Q2-22, following a contraction of 1.6% q/q in the first quarter of 2022 (Q1-22), placing the economy in a technical recession. The contraction was led by a decline in fixed capital investment, government spending and a sharp decline in inventory accumulation. Personal consumption was positive, although weaker than expected. The economy remains in a vulnerable position as it continues to be plagued by high inflation and tight monetary settings.

The Federal Reserve Board (the Fed) raised the target range of the Federal Funds rate by 75 basis points (bps), moving the target range to between 2.25% and 2.50%. The Fed's statement highlighted that further rate hikes are deemed appropriate in the coming months to curb inflation. Headline inflation increased to 9.4% year on year (y/y) in June from 8.6% y/y in May. Core inflation was unchanged at 6.0% y/y. Elevated inflation is not just a reflection of non-core prices related to demand and supply shocks, but also a broader base of domestic price pressures, including rising wage costs and deteriorating expectations.

In emerging markets, China's economy contracted by 2.6% q/q in Q2-22 from revised growth of 1.4% q/q in Q1-22. The contraction was a result of the lockdowns that were imposed in China's major cities from March to May of this year to control the spread of Covid-19. Production across many sectors was halted and consumer spending was limited due to restricted mobility. Weak growth has prompted expectations of additional stimulus and the People's Bank of China has signalled its willingness to ease, if needed.

The rand ended the month at R16.60/US$1. Recent geopolitical tensions and expectations around aggressive global monetary policy normalisation weighed on risk appetite as global liquidity reduces in the face of elevated inflation. When valuations are stretched, the Fund 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), the South African Reserve Bank (SARB) raised the repo rate by 75bps to 5.5% at the MPC meeting in July. The vote split was more of a surprise than the large hike, with one member voting for a 50bps hike, three members opting for 75bps and one member voting for 100bps. The SARB also materially revised 2022's average headline inflation to 6% – significantly up from 5.1%, premised on near-term price pressures associated with rising fuel prices, food inflation and global price pressures filtering through to SA's main trading partners.

Headline inflation printed at 7.4% y/y in June from 6.5% y/y in May, while core inflation accelerated to 4.4% y/y from 4.1% y/y. Food and energy prices continue to be the key drivers of the acceleration in headline inflation. Administered and regulated prices are also under pressure; currency volatility and uncertain global capital flows are additional potential risks.

At the end of July, shorter-dated fixed-rate negotiable certificates of deposit (NCDs) traded at 8.47% (three-year) and 9.07% (five-year), much lower than the close at the end of the previous month. The recent move due to a repricing in both bond yields and repo rate expectations in the local market. Our 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.

Central banks globally have started down a path of rapid monetary policy normalisation in the wake of much higher and persistent inflation. In many cases, policy rates are expected to move into restrictive territory, which carries the risk of sending the global economy into recession. There has been a profound impact on global risk sentiment and expectations are for emerging market central banks to adopt a similar stance. In SA, the market has priced a much more aggressive monetary policy normalisation cycle, despite a more gradual rise in local inflation. Bond yields have widened in line with the deterioration in global risk sentiment and a repricing of global bond yields, but still encapsulate a significant risk premium. We continue to believe that bond yields in the 10-year area of the curve offer significant value for bond portfolios and allocations to ILBs should still be maintained but focused in the shorter end of the yield curve.

The local listed property sector was down 8.81% over the month, bringing its 12-month return to 9.75%. The balance sheet concerns in the sector have subsided, as companies have managed to introduce dividend pay-out ratios (with some withholding dividends entirely) and selling off assets in order to recapitalize themselves. 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 6.9% over the month, bringing its 12-month return to 55.4%. The most recent performance has been bolstered by an announcement by the banks of their intent to repurchase a significant portion of their outstanding preference shares. 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 8.84% 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 July 2022

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 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.