CORONATION STRATEGIC INCOME FUND

Fund Information as at 30 April 2023

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% on an effective exposure basis*) 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.

* Prudential (SARB) international exposure is typically limited to a maximum of 15%

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%.

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
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™

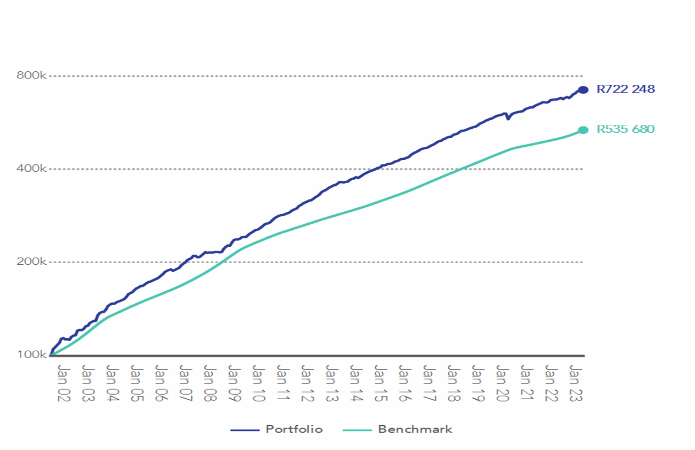
CLASS A as at 30 April 2023

ASISA Fund Category	South African - Multi Asset - Income
Launch date	02 July 2001
Fund size	R36.57 billion
NAV	1525.17 cents
Benchmark	110% of the STeFI 3-month Index
Portfolio manager/s	Nishan Maharaj and Mauro Longano

	1 Year	3 Year
Total Expense Ratio	0.81%	0.87%
Fund management fee	0.69%	0.74%
Fund expenses	0.01%	0.01%
VAT	0.10%	0.11%
Transaction costs (inc. VAT)	0.00%	0.00%
Total Investment Charge	0.82%	0.87%

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)	622.3%	435.7%	186.6%
Since Launch (annualised)	9.5%	8.0%	1.5%
Latest 20 years (annualised)	9.0%	7.6%	1.4%
Latest 15 years (annualised)	8.4%	6.9%	1.4%
Latest 10 years (annualised)	7.1%	6.5%	0.6%
Latest 5 years (annualised)	6.3%	6.0%	0.3%
Latest 3 years (annualised)	6.7%	4.9%	1.8%
Latest 1 year	6.8%	6.5%	0.3%
Year to date	2.7%	2.5%	0.1%

	Fund
Modified Duration	1.7
Modified Duration (ex Inflation Linkers)	1.4
Yield (Net of Fees)	9.1%

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	91.6%	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	21.7%	0.5%
Fixed Rate Bonds	25.6%	4.8%
Floating Rate Bonds	24.8%	6.7%
Inflation Linked Bonds	15.1%	0.3%
Listed Property	3.4%	0.8%
Preference Shares	0.1%	0.0%
Other (Currency Futures)	(3.7)%	0.0%
Total	86.9%	13.1%

ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Government	24.2%
State Owned Entities	3.1%
Banks and Insurers: NCDs and Deposits	25.4%
Banks: Senior Debt	20.5%
Banks: Subordinate Debt (<12m)	3.7%
Banks: Subordinate Debt (>12m)	3.2%
Insurers	2.4%
Other corporates	12.4%
REITS: Equity	4.2%
REITS: Debt	2.4%
Preference Shares	0.1%
Coronation Global Strategic Income	0.7%
Coronation Global Bond Fund	1.3%
Other (Currency Futures)	(3.7)%

TOP 5 ISSUER EXPOSURE

	% of Fund
Republic of South Africa Government Bonds	21.8%
Standard Bank Of SA Ltd	17.2%
Absa Bank Ltd	13.0%
Nedbank Ltd	11.3%
FirstRand Limited	9.0%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2023	03 Apr 2023	30.33	0.16	30.17
30 Dec 2022	03 Jan 2023	27.93	0.11	27.82
30 Sep 2022	03 Oct 2022	27.66	0.02	27.64
30 Jun 2022	01 Jul 2022	24.38	0.19	24.19

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2023	1.6%	0.1%	0.7%	0.3%									**2.7%**
Fund 2022	0.1%	0.1%	0.2%	0.5%	0.6%	(0.9)%	1.1%	0.6%	(0.7)%	1.2%	1.6%	0.7%	**4.9%**
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%**

Issue date: 2023/05/11

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.

Performance

The Fund returned 0.34% in April, bringing its 12-month total return to 6.77%, which is ahead of cash (5.90%) and its benchmark (6.51%) over the same period. We continue to believe that current positioning offers the best probability of achieving the Fund's cash + 2% objective over the medium to longer term.

Fund positioning

All March gains by local bonds were erased in April. The FTSE/JSE All Bond Index (ALBI) delivered -1.11%, with belly of the curve (7-12 years) being the main driver of the underperformance, down -1.38%. The long end of the curve (12+ years) was also weak at -1.31%, while medium-term bonds came in negative too for the month at -0.68%. Short-term bonds (1-3 years) returned -0.22%, while cash returns outperformed at 0.59% and inflation-linked bonds (ILBs) were up 0.40%.

The US economy grew by 1.1% quarter on quarter (q/q) in the first three months of the year (Q1-23), following an expansion of 2.6% q/q in the fourth quarter of 2022 (Q4-22). Most of the growth came from consumer spending, although subsequent data suggests this momentum faded in the later part of the quarter. Government spending was also positive, but business investment was muted, and inventories subtracted from economic growth. Growth is expected to slow over the coming months as the effects of monetary tightening, muted business investment, a slowdown in consumer spending and tightening credit conditions accumulate.

The US Federal Reserve Board (Fed) raised policy rates by 25 basis points (bps), moving the target rate range to 5% - 5.25% at the May Federal Open Market Committee (FOMC) meeting. The vote was unanimous and widely expected by the market. The Fed’s statement acknowledged a more resilient underlying economic performance than was expected in Q1-23, but highlighted that the cumulative effects of higher interest rates have yet to be felt. Combined with tighter credit conditions, the statement emphasised that future decisions will be even more data dependent, which may signal a willingness to pause.

US headline inflation slowed to 5.0% year on year (y/y) in March from 6.0% y/y in February, while core inflation increased slightly to 5.6% y/y from 5.5% y/y. Falling transport costs account for the easing in headline inflation, while food prices were flat, and an uptick in housing explained the rise in core inflation. Risks to inflation remain on the upside as the labour market conditions continue to be tight and wage pressures persist.

In emerging markets, China's economy grew by 2.2% q/q in Q1-23 from a revised rate of 0.6% q/q in Q4-22. The rebound in growth came mostly from personal consumption underpinned by strong growth in retail sales. Growth in industrial output remains below pre-pandemic levels while property investment continued to contract, even though housing sales have started to expand again.

The rand ended the month at R18.29/US$1. SA’s idiosyncratic problems (loadshedding and poor longer-term growth prospects, continued to weigh on the ZAR. Developed market bond yields have moved significantly lower, putting them slightly below our expectations of fair value. Credit assets have seen a substantial drop in valuations that has made them look very attractive. The Fund has utilised a significant part of its offshore allowance to invest in these types of assets. 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), headline inflation accelerated to 7.1% y/y in March from 7.0% y/y in February, while core inflation was unchanged at 5.2% y/y. The upside surprise was concentrated in food inflation, which rose from 14.0% y/y to 14.4% y/y. Outside of food inflation, a closer look at the data suggests a further broadening in price pressures. Goods inflation was largely unchanged despite falling fuel inflation, which was countered by a more generalised increase in other consumables, while services inflation remains low, mostly anchored by low housing inflation. The South African Reserve Bank is due to meet at the end of May and, given the persistence of core inflation, an additional 25bps rate hike may be on the cards.

At the end of April, shorter-dated fixed-rate negotiable certificates of deposit (NCDs) traded at 9.24% (three-year) and 9.71% (five-year), higher than the close at the end of the previous month. Our inflation expectations suggest that the 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.

ILBs are securities designed to help protect investors from inflation. They are indexed to inflation so that the principal and, hence, the interest payments rise and fall with the rate of inflation. Our current inflation forecasts suggest inflation for 2023 will average 6.2% and 5.8% in 2024. These are much stickier than our previous forecasts and with the move higher in real yields over the last 12 months (50bps), ILBs now offer an interesting investment opportunity - both versus their nominal counterparts and for the inherent protection they offer. Using inflation expectations of 5.5% - 6.5% over the next year, ILBs with a maturity of 10 years (and less) offer an attractive pick-up (0.3% - 2%) relative to their nominal counterparts and as such should be considered to make up a larger part of the bond portfolios, either in addition to current nominal holdings or as a substitute for them.

The environment for global fixed income remains unsettled. Thoughts of higher inflation have now been dowsed by concerns that recent bank failures lead to a larger global growth slide and deep recession. Despite the rally in global fixed income, SA has lagged its emerging market peers significantly given our own idiosyncratic problems with regards to undependable electricity supply and slow pace of reforms. Fiscal risks have escalated amid the façade of consolidation. However, the valuation of SA government bonds has adjusted relative to its peer group and still encompasses a significant risk premium. IBLs are now offering significant value given elevated inflation risks and should be incorporated into portfolios as substitutes for, or in addition to, shorter dated nominal bond holdings.

We believe that the corporate credit spreads currently on offer are not attractive, and do not reflect their inherent risks. As such, we have been allocating away from credit and allowing our investment in credit to become less material in our portfolios for quite some time. The local credit market has been influenced by a shortage in supply and an increase in liquidity. Issuance this year has been net negative, and according to ASISA data, savings continue to accumulate. A supply/demand imbalance of this magnitude continues to distort fundamental credit pricing. However, with the recent repricing in global interest rates and global credit markets, we believe these offer an attractive opportunity for investors.

The local listed property sector was up 5.75% over the month, bringing its 12-month return to 1.84%. Operational performance will remain in the spotlight as an indicator of the pace and depth of the sector’s recovery. The current poor growth outlook combined with an increase in cost base due to higher administered prices and second-round effects on loadshedding, will weigh on the sector’s earnings in the coming year. We believe that one must remain cautious due to the high levels of uncertainty around the strength and durability of the local recovery.

Outlook

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 9.92% (before fees) 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 April 2023

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 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. The yield disclosed on the MDD is current and calculated as at the MDD reporting date.

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 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.