

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, in a manner similar to that usually employed by retirement funds.

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

Maximum growth/
minimum income exposures

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

CLASS A as at 31 October 2023

ASISA Fund Category	South African - Multi Asset - Income
Launch date	02 July 2001
Fund size	R34.85 billion
NAV	1521.29 cents
Benchmark	110% of the STeFI 3-month Index
Portfolio manager/s	Nishan Maharaj and Mauro Longano

Total Expense Ratio	1 Year	3 Year
Fund management fee	0.87%	0.85%
Fund expenses	0.74%	0.73%
VAT	0.01%	0.01%
Transaction costs (inc. VAT)	0.11%	0.11%
Total Investment Charge	0.00%	0.00%
	0.87%	0.85%

PERFORMANCE AND RISK STATISTICS

PERFORMANCE AND MODIFIED DURATION (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	651.0%	459.4%	191.6%
Since Launch (annualised)	9.4%	8.0%	1.4%
Latest 20 years (annualised)	8.6%	7.4%	1.1%
Latest 15 years (annualised)	8.3%	6.8%	1.5%
Latest 10 years (annualised)	7.3%	6.6%	0.6%
Latest 5 years (annualised)	6.5%	6.1%	0.4%
Latest 3 years (annualised)	6.8%	5.6%	1.2%
Latest 1 year	9.2%	8.3%	0.9%
Year to date	6.7%	7.1%	(0.3)%
Yield (Net of Fees)	9.6%		

RISK STATISTICS

Current	Fund	
Weighted average time to maturity (credit)	2.7 years	
Modified Duration	1.8 years	
Modified Duration (ex Inflation Linkers)	1.5 years	
Since launch	Fund	Benchmark
Annualised Deviation	2.7%	0.7%
Sharpe Ratio	0.67	
Maximum Gain	60.5%	
Maximum Drawdown	(4.2)%	
Positive Months	91.0%	
	Fund	Date Range
Highest annual return	18.7%	Nov 2002 - Oct 2003
Lowest annual return	2.0%	Apr 2019 - Mar 2020

CREDIT RATINGS

	% of Fund
AAA+ to A-	82.2%
BBB+ to B-	2.2%
CCC+ to C-	0.0%
CLNs	9.4%
No ratings	6.3%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Sep 2023	02 Oct 2023	32.73	0.05	32.68
30 Jun 2023	03 Jul 2023	30.68	0.17	30.51
31 Mar 2023	03 Apr 2023	30.33	0.16	30.17
30 Dec 2022	03 Jan 2023	27.93	0.11	27.82

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%	(1.1)%	2.1%	1.6%	0.9%	(0.3)%	0.7%			6.7%
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%

PORTFOLIO DETAIL

ASSET ALLOCATION BY INSTRUMENT TYPE

	Domestic Assets	International Assets
Cash and Money Market NCD's	24.4%	0.4%
Floating Rate Bonds	22.2%	0.1%
Fixed Rate Bonds	21.6%	4.9%
Inflation Linked Bonds	16.6%	0.2%
Listed Property	3.3%	0.0%
Credit Linked Notes (CLNs)	2.6%	6.8%
Preference Shares	0.2%	0.0%
Other (Currency Futures)	(3.5)%	0.0%
Total	87.4%	12.6%
Net offshore exposure after currency hedge		2.2%

ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Banks: Senior Debt	27.8%
Banks and Insurers: NCDs and Deposits	24.8%
Government	20.4%
Other Corporates	11.5%
REITS: Equity and Debt	5.4%
Banks: Subordinate Debt (>12m)	4.0%
Banks: Subordinate Debt (<12m)	3.0%
State Owned Entities	2.5%
Insurers	2.0%
Coronation Global Bond Fund	1.3%
Coronation Global Strategic Income	0.8%
Other (Currency Futures)	(3.5)%

TOP 5 CREDIT EXPOSURE

	% of Fund
Republic of South Africa Government Bonds	25.2%
Standard Bank Of SA Ltd	19.9%
Absa Bank Ltd	14.4%
Nedbank Ltd	10.6%
FirstRand Limited	6.8%

TOP 5 REFERENCE ENTITY EXPOSURE

	% of Fund
Republic of South Africa	6.2%
MAS	1.0%
Prosus	0.6%
Nepi	0.6%
CDX IG	0.6%

100% of CLN exposure is issuer valued with a daily or at worst weekly price frequency

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

Performance

The Fund returned 0.74% in October, bringing its 12-month total return to 9.17%, ahead of cash (7.51%) and its benchmark (8.29%) over the same year. 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

Local bonds slightly recovered in October after a poor performance in September. The FTSE/JSE All Bond Index (ALBI) delivered 1.71%, with the long end of the curve (12+ years) posting the best performance of 1.99%. The belly of the curve (7-12 years) was up 1.79%, while medium-term bonds (3-7 years) delivered 1.32%. Short-term bonds (1-3 years) returned 1.07%, cash was up 0.68%, but inflation-linked bonds (ILBs) were down 0.98%.

October saw favourable third quarter of 2023 (Q3-23) real GDP reports for China and the US, while growth in the euro area contracted. China and US growth was mainly supported by consumer spending, while the European consumer remains under pressure. The developed market central banks kept policy rates on hold at the end of October and early November meetings, assessing the lagged impact of policy tightening measures, moderating inflation, and an easing in near-term inflation expectations.

In the US, real GDP was up 4.9% quarter on quarter (q/q) in Q3-23 from revised growth of 2.1% q/q in Q2-23. Contributors to the growth included increases in consumer spending, private inventory investment, local government spending, residential fixed investment, and exports. These were partly offset by weaker non-residential fixed investment and increases in imports. Consumers spent more on services like housing, utilities and health care, food services, and entertainment. Amid strong growth numbers, the market pricing of a near-term recession has receded.

The Federal Reserve Open Market Committee (the FOMC) kept rates on hold, leaving the target range unchanged at 5.25% - 5.5% at the meeting in early November. The decision to pause was taken despite strong economic growth in Q3-23 and tight labour markets. Federal Reserve Board Chair Jerome Powell indicated the FOMC would not rule out another rate hike at the December meeting as rising inflation, as well as intensifying global economic and political uncertainty, increase the case for greater precaution.

US headline inflation remained unchanged at 3.7% year on year (y/y) in September, while core inflation eased to 4.1% y/y in September from 4.3% y/y in August. Energy and housing costs kept headline inflation up while food prices continued to moderate. Nonetheless, core services inflation is still showing solid price increases largely driven by rent inflation, which is being offset by moderating core goods prices.

In emerging markets, China's economy grew by 1.3% q/q in Q3-23 from revised real growth of 0.5% q/q in Q2-23. Growth was positive in the retail sector, and industrial production growth remained unchanged from the prior quarter. Unfortunately, the property sector remains weak. There is little anticipation that recent stimulus will have a meaningful positive impact on growth in the near term.

The rand ended the month at R18.65/US\$1. SA's idiosyncratic problems and the turn in global risk sentiment continued to weigh on the ZAR. Offshore credit assets and certain developed market bonds have seen an improvement in valuation, making them look very attractive. The Fund has utilised a significant part of its offshore allowance to invest in these 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), the Minister of Finance presented the Medium-Term Budget Speech Policy (MTBPS) in early November. The MTBPS detailed a renewed and concerted effort to consolidate expenditure with details showing attempts to protect spending on social grants, healthcare, and education while cutting costs, underperforming grants, and forcing departments and public entities to absorb some of the unbudgeted increases in wages. Revenue collections were revised down due to weaker growth and lower commodity prices, while tax buoyancy was revised down over the medium term. Along with higher spending, primarily related to wages and the rise in debt service, National Treasury now sees the deficit widening to 4.7% of GDP from 4.6% in the previous year. The public sector borrowing requirement was revised up to accommodate the larger deficit, higher interest costs, and planned redemptions. The debt-to-GDP ratio is expected to rise to 74.7% in FY23, up from 70.9% in FY22.

Headline inflation accelerated to 5.4% y/y in September from 4.8% y/y in August, while core inflation slowed to 4.5% y/y from 4.8% y/y. Rising fuel prices and an increase in food inflation after four months of deceleration pushed up headline inflation. The bigger story was the easing in core pressures as the quarterly survey of housing prices saw an easing in both rental and owners' equivalent rent. We are

expecting headline inflation to rise again in October, but it should slow again in November as fuel prices adjust before rising again in January. The South African Reserve Bank is meeting at the end of November, and we expect the repo rate to be left unchanged.

At the end of October, shorter-dated fixed-rate negotiable certificates of deposit (NCDs) traded at 9.14% (three-year) and 9.75% (five-year), lower 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.

SA's fundamental outlook continues to be plagued by inflation that will remain above the midpoint of the target band, a deteriorating fiscal outlook and very little confidence in the current administration's ability to correct the trajectory. Local assets have continued to trade poorly, with the risk premium embedded in local bonds remaining elevated. The recent turmoil in global bond markets has added a further spanner to the works as the prospect of higher rates for longer and deteriorating debt outlook weigh on bond yields. However, the current valuation of global bond yields suggests an increased margin of safety, which could provide some comfort to global bond investors. This, combined with the healthy risk premium on offer in local bond yields, should offer some support to our local bond market.

ILBs are securities designed to help protect investors from inflation. They are indexed to inflation so that the principal amount invested and, hence, the interest payments rise and fall with the inflation rate. ILBs have offered protection to investors over the last quarter. However, current breakeven inflation across the ILB curve averages between 5.5% and 6%, which is well above even our own expectations for inflation over the medium term. It is only the shorter-dated ILBs (I2025, 1.3 years to maturity and I2029, six years to maturity) that flag as cheap from a valuation perspective. Risks on the inflation front still remain elevated, and these shorter-dated ILBs, due to their inherent inflation protection, warrant a decent allocation within portfolios.

Credit markets have remained relatively subdued. Net issuance this year has been paltry, with most of the issuance on the back of refinancing maturing bank-senior and subordinated debt. Despite the poor fundamental backdrop in SA, credit spreads have continued to tighten this year as net supply has dwindled. Senior bank credit has compressed significantly, with the gap between five- and seven-year terms almost non-existent. The compression of term premium in credit spreads indicates a market that is hungry for yield at any cost and not what one would expect in the poor economic environment. Subordinated bank credit (AT1 and AT2) has seen a similar compression, with AT2 spreads now just 30-40 basis points (bps) above senior spreads. This compression is quite dramatic, and although banks remain well-capitalised and very far from a failure, given the nature of the instruments, we feel current pricing to be too optimistic. Given their tight valuations, we consider current credit spreads unattractive and see better alternatives elsewhere. Current pricing of global interest rates and credit markets offers an attractive, risk-adjusted opportunity for investors.

The local listed property sector was down 3.3% over the month, bringing its 12-month return to -1.2%. 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 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 10.41% (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 31 October 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) Ltd (FSP 548), 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.