

## WHAT IS THE FUND'S OBJECTIVE?

Active Income Plus aims to provide investors with a higher total return than traditional short duration income funds over the medium term.

## WHAT DOES THE FUND INVEST IN?

Active Income Plus Fund can invest in a wide variety of yielding assets, such as cash, government and corporate bonds, inflation-linked bonds and listed property, both in South Africa and internationally.

The fund's effective exposure to property and equities is typically limited to a maximum of 10%. Total exposure to international assets will typically be limited to 25% (on both an effective exposure and SARB offshore asset capacity basis).

The fund has a flexible mandate with no prescribed maturity or duration limits for its investments or for the portfolio as a whole. The fund is mandated to use derivative instruments for efficient portfolio management purposes and can invest in other collective investment schemes.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

## Risk Profile

Maximum growth/  
minimum income exposures

Active Income Plus is tactically managed to secure an attractive return, while protecting capital over the medium term.

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, it will not always outperform short-duration income funds 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 24-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).

Given its limited exposure to growth assets, the fund is not suited as the sole holding for investment terms of longer than five years.

## WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who

- ▶ are looking for a liquid alternative to medium-term fixed deposits (3-5 years);
- ▶ seek managed exposure to income generating investments;
- ▶ believe in the benefits of active management within the fixed interest universe;
- ▶ are looking for a conservatively managed fixed income building block for use as a component of a low to moderate risk multi-asset portfolio appropriate for funding income drawdown commitments

## 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](http://www.coronation.com).

## WHO ARE THE FUND MANAGERS?



**NISHAN MAHARAJ**  
BSc (Hons), MBA



**MAURO LONGANO**  
BScEng (Hons), CA (SA)

## GENERAL FUND INFORMATION

<b>Launch Date</b>	29 November 2023
<b>Fund Class</b>	A
<b>Benchmark</b>	Alexander Forbes STeFI Composite Index
<b>ASISA Fund Category</b>	South African – Multi-asset – Income
<b>Regulation 28</b>	Complies
<b>Income Distribution</b>	Quarterly (March, June, September, December)
<b>Investment minimum</b>	R5 000 or R500/m debit order
<b>ISIN Code</b>	ZAE000327516
<b>JSE Code</b>	CAIPA

CLASS A as at 31 August 2024

ASISA Fund Category	South African – Multi-asset – Income
Launch date	29 November 2023
Fund size	R 1.23 billion
NAV	104.79 cents
Benchmark	AF STeFI Composite Index
Portfolio manager/s	Nishan Maharaj and Mauro Longano

Total Expense Ratio	1 Year *	3 Year *
Fund management fee	0.87%	0.89%
Fund expenses	0.75%	0.75%
VAT	0.01%	0.02%
Transaction costs (inc. VAT)	0.11%	0.11%
Total Investment Charge	0.00%	0.01%
	0.87%	0.89%

## PERFORMANCE AND RISK STATISTICS

### PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	9.6%	6.4%	3.2%
Year to date	7.9%	5.6%	2.3%

Yield (Net of Fees)	8.7%
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### RISK STATISTICS

Current	Fund
Weighted average time to maturity (credit)	2.5 years
Modified Duration	1.5 years
Modified Duration (ex Inflation Linked Bonds)	1.2 years

Risk statistics will be published once a 12-month record has been established.

### CREDIT RATINGS

	% of Fund
AAA+ to A-	75.6%
BBB+ to B-	3.8%
CCC+ to C-	0.0%
CLNs	10.1%
No Rating	10.4%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
28 Jun 2024	01 Jul 2024	2.11	0.01	2.10
28 Mar 2024	02 Apr 2024	1.89	0.00	1.89
29 Dec 2023	02 Jan 2024	0.65	0.00	0.65

### MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2024	1.0%	0.2%	0.2%	0.6%	1.0%	1.9%	1.5%	1.2%					7.9%
Fund 2023												1.5%	1.5%

## PORTFOLIO DETAIL

### ASSET ALLOCATION BY INSTRUMENT TYPE

	Domestic Assets	International Assets
Cash and Money Market NCDs	29.8%	0.1%
Fixed Rate bonds	20.9%	6.3%
Floating Rate bonds	13.8%	0.5%
Inflation-Linked bonds	16.3%	0.3%
Credit Linked Notes (CLNs)	2.6%	7.5%
Listed Property	1.8%	0.0%
Preference shares	0.1%	0.0%
Other (Currency Futures)	0.0%	0.0%
<b>Total</b>	<b>85.3%</b>	<b>14.7%</b>
<b>Net offshore exposure after currency hedge</b>		<b>7.2%</b>

### ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Banks and Insurers: NCDs & Deposits	30.2%
Government	26.5%
Banks: Senior Debt	22.0%
Other Corporates	8.4%
Banks: Subordinated debt (>12m)	3.1%
Coronation Global Bond Fund	2.1%
State Owned Enterprises	2.1%
REITs: Equity and Debt	1.8%
Insurers	1.7%
Banks: Subordinated debt (<12m)	1.3%
Coronation Global Strategic Income	0.8%
Currency Futures	0.0%
<b>Total</b>	<b>100.0%</b>

### TOP 5 CREDIT EXPOSURE

	% of Fund
Republic Of South Africa	33.0%
Standard Bank Of SA Ltd	15.0%
Absa Bank Ltd	13.7%
Nedbank Ltd	10.3%
Firststrand Bank Ltd	6.1%

### TOP 5 REFERENCE ENTITY EXPOSURE

	% of Fund
Republic of South Africa	6.2%
Nepi	0.7%
CDX IG	0.6%
Sasol limited	0.2%
Prosus	0.6%

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

\*As this is a newly launched fund, the TER and TC's are based on an estimated calculation.

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

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

#### Performance and fund positioning

The Fund returned 1.87% in June. Since inception seven months ago, the Fund has returned 6.62%, which is ahead of cash (4.74%) and its benchmark (4.90%) over the period. We believe that the current positioning offers the best probability of achieving at least cash + 2% over the medium to longer term.

SA fixed income markets were on a roller coaster ride over the quarter to end June. The yield on the 10-year bond traded well over 12% into the elections before crashing down to sub 11% by the end of the second quarter of 2024 (Q2-24) as the details of the Government of National Unity (GNU) emerged, calming investor angst. The FTSE/JSE All Bond Index (ALBI) was up 7.5% over the quarter, bringing its twelve-month return to 13.7%. This is well ahead of cash, with a quarter-to-date (QTD) return of 2.0% and a one-year return of 8.3%, and inflation-linked bonds, with a QTD return of 2.4% and a one-year return of 9.1%. Bond performance was driven by the outperformance of bonds in the belly of the curve (i.e., less than 12-year maturity). The rand gained c.3% against the US dollar QTD, which also put the ALBI's return ahead of global bond bonds (-3.6% in rands QTD and -2.6% over one year).

The ANC's loss of its majority has ushered in a new era of coalition politics under the GNU. Hopes of a reduced cabinet (and lower wage bill) were dashed, with several dual deputy minister roles being introduced to appease members of the 11-party GNU. Key ministries within the cabinet still remain under the control of the ANC, with many underperforming ministers returning to their roles. The ANC still controls 22 out of 34 ministries, and the Democratic Alliance (DA) controls six. The ANC has 31 out of 38 deputy ministers, and the DA has five. Overall policy direction will still be shaped by the ANC in many of the key areas of economic development. More importantly, the implementation of said policy will be at the behest of the ANC, with limited influence from opposition parties. This opens up the risk of a continuation of the glacial pace of reform that we have become accustomed to. On the positive side, with the introduction of opposition parties into the various ministries, there should be increased scrutiny of the checks and balances within these ministries. Hopefully, this will reduce slippage, increase governance oversight, and keep the direction of policy on track. The durability of the GNU remains an area of concern, with the two largest parties still being ideologically different. It is concerning that cracks are already starting to emerge in the provincial structures, most notably the failure to reach an agreement on governing structure in SA's economic hub, Gauteng.

The boost to sentiment from the GNU has been felt in asset prices as the risk premium in SA fixed income has seen a significant reduction. However, the SA economy still faces significant challenges and, although the direction of travel is positive, one cannot be hasty in moving long-term economic forecasts. Marginal positive revisions might be warranted at this stage, but the road to higher sustainable growth lies in the pace and minutia of implementation.

Developed market central banks met in June, with the European Central Bank (ECB) administering the first rate cut, while the other central banks opted to keep policy rates on hold. Headline inflation readings remain stubbornly above the target range, although, food prices continue to moderate.

The Federal Reserve Board (Fed) left the Fed funds rate unchanged at the 5.25%-5.50% target range at the Federal Open Market Committee (FOMC) meeting in June. The Fed statement noted strong economic activity, resilient labour markets and the low unemployment rate in the US as conditions which continue to support tight monetary policy settings. Furthermore, the FOMC cautioned that it was not yet appropriate to reduce the target range, as inflation remains elevated, and more progress is needed to reach the 2% target range.

US headline inflation edged lower to 3.3% year on year (y/y) in May from 3.4% y/y in April, while core inflation reduced to 3.4% y/y from 3.6% y/y. The headline decline was due to continued moderation in food prices, a drop in transportation costs and declining vehicle prices. Housing, motor vehicle insurance and energy prices increased.

The rand ended the month at R18.19/US\$1. Local events, coupled with a favourable global risk backdrop, helped the ZAR recover significantly. Offshore credit assets and certain developed market bonds continue to flag as relatively 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.

Inflation in SA has proven to be stickier than anticipated, but recent developments in food and oil prices, combined with a stable rand, have helped produce a slightly better outcome. Our expectations remain for inflation to dip towards the midpoint of the band (4.5%) in the fourth quarter of this year (Q4-24) and remain at or above 5% over our forecast period. The South African Reserve Bank's (SARB's) commitment to getting inflation sustainably on a path to 4.5%, the need to keep the real policy rates high amidst a higher-for-longer global rate environment and high fiscal risks implies a higher real policy rate than past experience. In addition, talk of moving the inflation target towards 3% will also weigh on the SARB's ability to provide monetary policy support to the economy meaningfully. We continue to believe a real policy rate of 2%-2.5% remains appropriate in the current environment. This suggests a nominal repo rate of 7.5%, with rate cuts commencing in the third quarter of 2024; in increments of 25 basis points (bps). However, upside risks to inflation remain from higher administered prices (Eskom will apply for a 44% tariff hike in 2025) and sticky food inflation. Market expectations of the repo rate have converged towards our expectations, with limited room for further compression.

At the end of June, shorter-dated fixed-rate negotiable certificates of deposit (NCDs) traded at 8.86% (three-year) and 9.34% (five-year), lower compared to 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.

Global monetary policy remains conducive for risk assets, which should remain supportive of flows into emerging markets. SA has seen a significant reduction in risk premium following the formation of the GNU and the inclusion of the pro-reformist opposition into the cabinet. SA inflation has benefited from both local and global factors and should support a shallow rate-cutting cycle starting towards the tail end of 2024. However, low growth, upside risks to inflation and burgeoning deficits will continue to weigh on the longer-term outlook for SA unless reform implementation is accelerated. SA's bond yields have seen significant compression, with the margin of safety narrowing significantly, both from an absolute basis and relative to the emerging market peer group. There might be slightly more juice left in the SA bond rally. However, we believe that SA bonds now trade at or very close to fair value. A more positive shift in underlying fundamentals is needed to justify tighter valuations and outperformance. Thus, we would advocate positions closer to neutral in bond portfolios. The underperformance of ILBs in the recent SA fixed income rally has increased their attractiveness, which warrants a generous allocation, focused on maturities of less than 10-year maturity, even ahead of nominal bonds.

ILBs are securities designed to help protect investors against inflation. They are indexed to inflation so that the principal amount invested and, hence, the interest payments rise and fall with the inflation rate. The significant underperformance of ILBs relative to nominal bonds has resulted in a compression of breakeven inflation levels towards the 5% level. This compares favourably to our own expectations of inflation averaging 5-5.5% over the longer term. Risks on the inflation front still remain elevated, primarily due to administered and network industry prices. As such, ILBs, due to their inherent inflation protection and attractive total return expectations, warrant a decent allocation within portfolios, specifically those with a maturity of less than nine years (2033).

The local listed property sector was up 6.2% over the month, bringing its 12-month return to 26%. 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.

We believe that allocating significant amounts of capital to the local credit market is unwise and would represent a substantial opportunity cost in the face of attractive valuations in other, more liquid asset classes. The current level of credit spreads on offer is at historically compressed levels despite SA being close to the weakest economic position in its history. Corporate profitability and creditworthiness are inevitably tied to economic outcomes, with significant polarisation in performance.

The use of structured products, such as credit-linked notes (CLNs), has become ubiquitous within the local market. This market sector has grown exponentially over the last five years and has reached a market size of over R100 billion. Still, only a third of this market reprices, creating an inaccurate representation of asset volatility and pricing. CLNs mask the underlying/see-through credit risk as the issuing entity (predominantly local banks) is seen as the primary credit risk. The increased usage of CLNs has not expanded the pool of borrowers, instead it has only served to concentrate it. This is due to the ability to limit the volatility of these instruments by not marking them to market<sup>1</sup> based on the underlying asset price movements. This is why CLN repacks of SA government bonds have become so popular over the last five years. The combination of attractive yields and no volatility is an opportunity that not many would pass up, unless, of course, pricing transparency is important to the underlying investor. As a result, there can be significant unseen risks within fixed income funds. Investors need to remain prudently focused on finding assets whose valuations are correctly aligned with fundamentals and efficient market pricing.

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 10.15% (gross of 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 June 2024

<sup>1</sup> Valuations are not regularly adjusted to mirror their current value

**IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION ACTIVE INCOME PLUS 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 25%) 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](http://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)?**

The TER and Transaction Costs cannot be determined accurately because of the short life span of the Financial Product. Calculations are based on actual data where possible and best estimates where actual data is not available.

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](http://www.coronation.com)

**IMPORTANT INFORMATION REGARDING TERMS OF USE**

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