

WHAT IS THE FUND'S OBJECTIVE?

The fund seeks to maximise returns from a diverse range of primarily South African bonds. It aims to outperform the All Bond Index.

WHAT DOES THE FUND INVEST IN?

The Bond Fund can invest in fixed income instruments, issued by governments, parastatals and private companies, as well as cash. Exposure to foreign assets will typically not exceed 10%. The fund is mandated to make use of derivative instruments for efficient portfolio management purposes.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS**Risk Profile****Maximum growth/
minimum income exposures**

The fund is strategically managed to secure an attractive return by investing primarily in a range of government and corporate bonds. It will hold various tactical positions to benefit from the best opportunities as they emerge.

Investments are meticulously researched and subjected to a strict risk management process. Only quality instruments of reputable institutions will be considered. All factors that could affect these investments are carefully monitored, including inflation as well as currency and interest rates.

The risk of losing money over periods of more than a year is low, while it is slightly higher for periods of less than a year. The primary risk exposures are to changes in interest rates and corporate credit events.

HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The recommended term is three to five years.

WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who seek the benefits of an actively managed bond fund. The fund is particularly suited to those who require exposure to bonds as part of a diversified portfolio.

WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 0.75% (excl. VAT) is payable.

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 portfolio 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



STEVE JANSON
BBusSc



SEAMUS VASEY
BCom (Hons), MSc

GENERAL FUND INFORMATION

| | |
|----------------------------|--|
| Launch Date | 1 August 1997 |
| Fund Class | R |
| Benchmark | BEASSA ALBI Index |
| ASISA Fund Category | South African – Interest Bearing – Variable Term |
| Income Distribution | Semi-annually (March & September) |
| Investment minimum | R5 000 or R500/m debit order |
| Bloomberg Code | CORSPBD |
| ISIN Code | ZAE000019790 |
| JSE Code | CNSB |

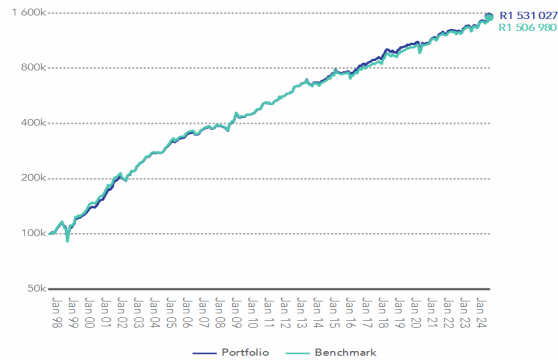
CLASS R as at 30 June 2024

| | |
|----------------------------|--|
| ASISA Fund Category | South African - Interest Bearing - Variable Term |
| Launch date | 01 August 1997 |
| Fund size | R 3.82 billion |
| NAV | 1369.71 cents |
| Benchmark | BEASSA ALBI Index |
| Portfolio manager/s | Nishan Maharaj, Seamus Vasey & Steve Janson |

| | | |
|------------------------------|--------|--------|
| Total Expense Ratio | 1 Year | 3 Year |
| Fund management fee | 0.85% | 0.86% |
| Fund expenses | 0.73% | 0.73% |
| VAT | 0.01% | 0.01% |
| Transaction costs (inc. VAT) | 0.11% | 0.11% |
| Total Investment Charge | 0.00% | 0.00% |
| | 0.85% | 0.86% |

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

| | Fund | Benchmark | Active Return |
|------------------------------|---------|-----------|---------------|
| Since Launch (unannualised) | 1431.0% | 1407.0% | 24.1% |
| Since Launch (annualised) | 10.7% | 10.6% | 0.1% |
| Latest 20 years (annualised) | 8.9% | 8.8% | 0.1% |
| Latest 15 years (annualised) | 8.8% | 8.6% | 0.1% |
| Latest 10 years (annualised) | 8.2% | 8.2% | (0.1)% |
| Latest 5 years (annualised) | 7.3% | 7.8% | (0.5)% |
| Latest 3 years (annualised) | 7.5% | 7.6% | (0.1)% |
| Latest 1 year | 14.3% | 13.7% | 0.5% |
| Year to date | 5.8% | 5.6% | 0.3% |

| | Fund |
|---------------------|-------|
| Modified Duration | 5.9 |
| Yield (Net of Fees) | 10.9% |

RISK STATISTICS SINCE LAUNCH

| | Fund | Benchmark |
|----------------------|---------|-----------|
| Annualised Deviation | 7.8% | 8.5% |
| Sharpe Ratio | 0.26 | 0.24 |
| Maximum Gain | 26.3% | 26.4% |
| Maximum Drawdown | (19.0)% | (22.3)% |
| Positive Months | 70.3% | 70.3% |

| | Fund | Date Range |
|-----------------------|--------|---------------------|
| Highest annual return | 34.9% | Sep 1998 - Aug 1999 |
| Lowest annual return | (7.0)% | Sep 1997 - Aug 1998 |

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|-----------|-------|---------|---------|---------|---------|---------|-------|---------|---------|---------|-------|-------|--------------|
| Fund 2024 | 0.75% | (0.57)% | (2.08)% | 1.50% | 0.79% | 5.44% | | | | | | | 5.81% |
| Fund 2023 | 3.01% | (0.85)% | 1.40% | (1.56)% | (5.27)% | 4.95% | 2.50% | (0.43)% | (2.59)% | 1.64% | 5.15% | 1.65% | 9.46% |
| Fund 2022 | 0.47% | 0.49% | 0.39% | (1.69)% | 0.93% | (3.26)% | 2.78% | 0.28% | (2.42)% | 0.77% | 4.31% | 0.58% | 3.46% |
| Fund 2021 | 0.83% | 1.00% | (3.20)% | 1.83% | 4.20% | 1.48% | 0.68% | 1.83% | (2.29)% | (0.20)% | 0.54% | 3.04% | 9.95% |

PORTFOLIO DETAIL

ASSET ALLOCATION BY INSTRUMENT TYPE

| | Domestic Assets | International Assets |
|----------------------------|-----------------|----------------------|
| Fixed Rate bonds | 87.7% | 8.3% |
| Cash and Money Market NCDs | 4.9% | (2.4)% |
| Inflation-Linked bonds | 1.6% | 0.0% |
| Floating Rate bonds | 0.0% | 0.0% |
| Total | 94.1% | 5.9% |

ASSET ALLOCATION BY ISSUER TYPE

| | % of Fund |
|-------------------------------------|---------------|
| Government | 84.4% |
| Banks: Senior Debt | 6.3% |
| State Owned Enterprises | 3.9% |
| Banks and Insurers: NCDs & Deposits | 2.4% |
| Other Corporates | 1.6% |
| Banks: Subordinated debt (>12m) | 1.0% |
| Banks: Subordinated debt (<12m) | 0.3% |
| REITs | 0.1% |
| Total | 100.0% |

TOP 5 ISSUER EXPOSURE

| | % of Fund |
|--------------------------|-----------|
| Republic Of South Africa | 83.5% |
| Standard Bank Of SA Ltd | 4.4% |
| Nedbank Ltd | 2.7% |
| Firststrand Bank Ltd | 2.4% |
| Transnet Soc Ltd | 2.1% |

MATURITY PROFILE DETAIL

| Sector | 30 Jun 2024 |
|----------------|-------------|
| 0 to 3 Months | 2.4% |
| 3 to 6 Months | 0.1% |
| 9 to 12 Months | 0.4% |
| 1 to 3 Years | 3.6% |
| 3 to 7 Years | 22.5% |
| 7 to 12 Years | 30.3% |
| Over 12 Years | 40.7% |

INCOME DISTRIBUTIONS

| Declaration | Payment | Amount | Interest | Dividend |
|-------------|-------------|--------|----------|----------|
| 28 Mar 2024 | 02 Apr 2024 | 61.27 | 61.27 | 0.00 |
| 29 Sep 2023 | 02 Oct 2023 | 65.61 | 65.61 | 0.00 |
| 31 Mar 2023 | 03 Apr 2023 | 65.38 | 65.28 | 0.10 |
| 30 Sep 2022 | 03 Oct 2022 | 58.71 | 58.71 | 0.00 |

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

SA fixed-income markets were on a roller coaster ride over the last quarter. 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 GNU emerged, calming investor angst. The FTSE/JSE All Bond Index (ALBI) was up 7.5% over the quarter, bringing its 12-month return to 13.7%. This is well ahead of cash, with a quarter-to-date (qtd) return of 2% 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 (less than 12-year maturity). The rand gained c.4% against the US dollar, which also put the ALBI's return ahead of global bonds (-3.6% in rands qtd and -2.6% over one year).

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.

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 meaningfully provide monetary policy support to the economy. 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.

SA registered a small primary surplus of 0.3% and a consolidated deficit of 4.9% (closer to 6% if we include Eskom support as an expenditure item as opposed to a transfer) in the 2023/24 fiscal year, but the outlook remains precarious. Firstly, the primary deficit required to stabilise debt is in excess of 1.5% and, secondly, the consolidated deficit is still a function of the difference between nominal growth and the country's funding cost. On the second point, SA's funding cost, even after the recent rally in bond yields, remains in excess of 10%, while SA's nominal growth rate at best is at 7% (2% real growth plus 5% inflation). This gap can only be closed, through stronger real growth, as stronger growth lifts revenues, reducing the need to fund, thereby reducing supply in the local bond market, and bringing down bond yields.

Higher real growth can be achieved through more efficient and focused spending in sectors that promote longer-term growth, as well as reforms that unlock potential and bottlenecks in the economy. An optimist might say that the recent GNU outcome is bound to see an acceleration in this process, given the inclusion of pro-reform opposition parties. However, a realist's view paints a slightly gloomier view. As outlined earlier, the ANC still controls the majority of the ministries, putting it in charge of 76%-78% of expenditure, while the DA only controls only 7%-8%, suggesting a very marginal (if any) benefit from better expenditure outcomes. Longer-term reforms are being enacted; however, the pace thereof remains sedate, suggesting that higher growth is out of reach in the medium term. This still leaves SA in the perilous position of accumulating debt at an unsustainable pace. There are financial repression levers that can be pulled to delay the day of reckoning, but if nothing is done with the extra time bought, the end result remains unpleasant.

The recent rally in SA fixed-income assets warrants a reassessment of the valuation metrics that drive the investment case for SA government bonds. As has always been the case, we prefer to glean the consistency of signals across a range of valuation metrics in order to draw our conclusions.

We start with our simple, top-down, fair value bond stack up, which is made up of the global risk-free rate (US 10-year) + [the SA – US inflation differential] + a SA-specific credit risk premium. We assign our long-term forecasts to each of the variables, which produces a result of 10.25% (4.25% + [5.5%-2.5%] + 3%), which compares to the current SA 10-year bond yield of 10.9%.

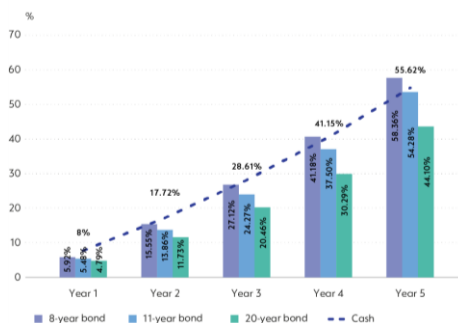
Next, we look at the performance of SA bonds relative to their emerging market counterparts. Firstly, we look at SA's credit spread versus similarly rated peers (SA versus the BB spread*) which, at the current level of 69bps, is within 20bps to 30bps of its pre-Covid levels. Next, we look at the SA 10-year government bond (SAGB) yield against its emerging market peer yields (representative by the Government Bond Emerging Markets Index) and the US 10-year Treasury Bill. Relative to other emerging markets, SA yields have seen significant compression since the formation of the GNU and now trade within 50bps of pre-Covid levels. However, compared to US yields, there has been significant compression to pre-Covid levels.

The rand has also seen a significant outperformance relative to its emerging market peer group over the last year. This has resulted in the long-term relative performance converging towards the peer group average, thus further eroding the embedded risk premium.

Finally, we look at a negative scenario, where bonds move wider by 100bps, each year for the next five years, to ascertain how much protection current yields offer. We compare the cumulative total return for various bonds on the yield curve relative to cash. The graph on the right shows that it is very clear that the margin of safety has narrowed significantly, with only the sub-10-year bonds offering protection in this negative scenario.

The conclusion from the above analysis of both the standalone and relative valuations of SAGBs suggests the risk premium has narrowed significantly. There might still be 20bps-50bps of valuation uplift. However, in order for this risk premium to narrow further would require a shift in the underlying fundamentals with regards to either inflation or fiscal accounts. An outcome, which at this point, seems unlikely. We thus view SAGBs as being fairly valued at current levels.

FIVE-YEAR TOTAL RETURN, SA CASH AND BONDS



Sources: Coronation, Bloomberg

ILBs have significantly underperformed nominal bonds over the last year (9.1% versus 13.7%). This has put their longer-term performance approximately 2% behind that of nominal bonds (3-year: 6.9% versus 7.6%; 5-year: 6.4% versus 7.8%; 10-year: 5.1% versus 8.2%). However, at current valuation levels, ILBs are now starting to look quite attractive. The table below shows the nominal bond yield for the equivalent ILB maturity and then the all-in nominal yield for the ILB using 4.5%, 5% and 5.5% inflation scenarios. The green cells highlight when the all-in nominal yield of the ILB is greater than the same maturity nominal bond. As a reminder, our expectation is for inflation to average between 5% and 5.5% over the longer term. It is clear from the below, that ILBs have become quite attractive, specifically up to the 2031 maturity (although, 2033, if we assume inflation averages closer to 5.5%).

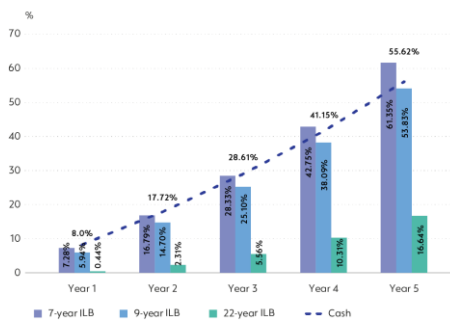
ILB VS NOMINAL BOND YIELD; INFLATION SCENARIOS

| ILB | Maturity | Real Yield | Equivalent Nominal Bond Yield | ILB YIELD ASSUMING INFLATION AT: | | |
|-------|-------------|------------|-------------------------------|----------------------------------|--------|--------|
| | | | | 4.5% | 5.0% | 5.5% |
| I2025 | 31-Jan-2025 | 5.2 | 8.40 | 9.934 | 10.460 | 10.986 |
| R210 | 31-Mar-2028 | 4.73 | 9.07 | 9.443 | 9.966 | 10.490 |
| I2029 | 31-Mar-2029 | 4.69 | 9.43 | 9.401 | 9.925 | 10.448 |
| I2031 | 31-Mar-2031 | 4.77 | 10.18 | 9.485 | 10.009 | 10.532 |
| I2033 | 28-Feb-2033 | 5.055 | 10.64 | 9.782 | 10.308 | 10.833 |
| R202 | 07-Dec-2033 | 5.06 | 10.79 | 9.788 | 10.313 | 10.838 |
| I2038 | 31-Jan-2038 | 5.06 | 11.52 | 9.788 | 10.313 | 10.838 |
| I2046 | 31-Mar-2046 | 5.08 | 11.70 | 9.809 | 10.334 | 10.859 |
| I2050 | 31-Dec-2050 | 5.105 | 11.66 | 9.835 | 10.360 | 10.886 |

Sources: Coronation, Bloomberg

Next, we look at the margin of safety that's provided by ILBs in a negative scenario, where they sell-off 75bps every year, over the next five years, with inflation averaging 6%, and then compare the total return of various ILBs relative to cash. Here again, ILBs up to a 7-year maturity (2031) offer significant protection relative to cash and a better return than even nominal bonds (see below).

5-YEAR TOTAL RETURN, RAND AND ILBS



Sources: Coronation, Bloomberg

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 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. But 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.

Portfolio managers
Nishan Maharaj, Steve Janson and Seamus Vasey

*BB is a non-investment grade rating, indicating a higher risk of default compared to investment-grade securities

IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION BOND 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 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. The fund is mandated to invest up to 10% of its portfolio 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 issuer type and top 5 issuer exposures are not reflected on a look-through basis. 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 R 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

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