CORONATION SA INCOME FUND

Fund Information as at 30 April 2025

CORONATION

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WHAT IS THE FUND'S OBJECTIVE?

SA Income Fund aims to achieve a higher return than a traditional money market or ultra-short duration income fund.

WHAT DOES THE FUND INVEST IN?

SA Income can invest in South African bonds, fixed deposits, and other interest- bearing securities which have a fixed maturity date and either have a predetermined cash flow profile or are linked to benchmark yields.

The fund does not invest in any equity securities, real estate securities or cumulative preference shares. The fund will not invest in any assets deemed offshore for SARB reporting purposes.

The fund is mandated to use derivative instruments for efficient portfolio management purposes.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Risk Profile

2/10
Conservative

Maximum growth/
minimum income exposures

Growth Assets: 0%
Income Assets: 100%

SA Income is tactically managed to secure an attractive return, while protecting capital. The fund's weighted average modified duration is limited to a maximum of two.

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 six months and longer. Given its lack of 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 6 to 36 months;
- seek managed exposure to South African income generating investments;
- believe in the benefits of active management within the fixed interest universe;
- do not have appetite for exposure to offshore assets;
- the fund is particularly suited to those who require exposure to South African interest bearing securities as part of a diversified portfolio.

WHAT COSTS CAN I EXPECT TO PAY?

The annual management fee is 0.65%.

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	29 November 2023
Fund Class	A
Benchmark	Alexander Forbes STeFI Composite Index
ASISA Fund Category	South African – Interest Bearing – Short Term
Regulation 28	Complies
Income Distribution	Quarterly (March, June, September, December)
Investment minimum	R5 000 or R500/m debit order
ISIN Code	ZAE000327565
JSE Code	CSSIA

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CLASS A as at 30 April 2025

ASISA Fund Category	South African – Interest Bearing – Short Term
Launch date	29 November 2023
Fund size	R287.73 million
NAV	102.38 cents
Benchmark	AF STeFI Composite Index
Portfolio manager/s	Nishan Maharaj and Mauro Longano

	1 Year	3 Year
Total Expense Ratio	0.80%	0.80%
Fund management fee	0.65%	0.65%
Fund expenses	0.06%	0.06%
VAT	0.10%	0.10%
Transaction costs (inc. VAT)	0.00%	0.00%
Total Investment Charge	0.80%	0.80%

PERFORMANCE AND RISK STATISTICS

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	13.4%	12.0%	1.2%
Since Launch (annualised)	9.3%	8.3%	0.9%
Latest 1 year	9.9%	8.2%	1.7%
Year to date	2.8%	2.5%	0.3%

Yield (Net of Fees)	7.9%

RISK STATISTICS

Current		Fund
Weighted average time to maturity (credit)		2.6 years
Modified Duration		1.6 years
Modified Duration (ex Inflation Linked Bonds)		0.9 years
Since Inception	**Fund**	**STFIND**
Annualised Deviation	1.0%	0.1%
Sharpe Ratio	0.87	(1.04)
Maximum Gain	13.4%	12.0%
Positive Months	100.0%	100.0%
	Fund	**Date Range**
Highest annual return	9.9%	May 2024 - Apr 2025
Lowest annual return	9.0%	Feb 2024 - Jan 2025

CREDIT RATINGS

	% of Fund
AAA+ to A-	81.3%
BBB+ to B-	4.9%
CCC+ to C-	1.6%
CLNs	3.2%
No Rating	8.9%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2025	01 Apr 2025	1.79	0.00	1.79
31 Dec 2024	02 Jan 2025	1.96	0.00	1.96
30 Sep 2024	01 Oct 2024	2.06	0.00	2.06
28 Jun 2024	01 Jul 2024	2.03	0.00	2.03

PORTFOLIO DETAIL

ASSET ALLOCATION BY INSTRUMENT TYPE

	% of Fund
Cash and Money Market NCDs	27.3%
Fixed Rate bonds	35.7%
Inflation-Linked bonds	15.2%
Floating Rate bonds	18.6%
Credit Linked Notes (CLNs)	3.2%
Total	100.0%

ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Banks and Insurers: NCDs & Deposits	27.3%
Government	38.3%
Banks: Senior Debt	18.4%
Other Corporates	7.1%
Banks: Subordinated debt (>12m)	3.1%
Insurers	1.9%
State Owned Enterprises	1.6%
Banks: Subordinated debt (<12m)	2.3%
Total	100.0%

TOP 5 CREDIT EXPOSURE

	% of Fund
Republic Of South Africa	40.6%
Firstrand Bank Ltd	18.6%
Sa Reserve Bank	10.1%
Standard Bank Of SA Ltd	8.9%
Nedbank Ltd	5.6%

TOP 5 REFERENCE ENTITY EXPOSURE

	% of Fund
Republic of South Africa	2.3%
MTN	0.9%

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

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2025	0.6%	0.6%	0.7%	0.8%									**2.8%**
Fund 2024	0.8%	0.4%	0.3%	0.7%	0.8%	1.2%	1.1%	0.9%	1.1%	0.3%	0.8%	0.6%	**9.3%**
Fund 2023												1.0%	**1.0%**

Issue date: 2025/05/13

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

Performance and fund positioning

The Fund returned 1.93% over the last quarter (Q1), which was ahead of the STeFI composite benchmark return of 1.89%. Since inception, the Fund has returned 9.18% p.a., which is ahead of the benchmark return of 8.35% p.a.

Economic developments over the last quarter presented a mixed picture, influenced by ongoing global economic uncertainty and domestic developments surrounding the revised national budget. On the growth front, real GDP showed a weak recovery in Q4-24, with 0.6% quarter-on-quarter (q/q) growth, bringing the annual growth for 2024 to just 0.6%. While there was a rebound in agricultural output, services, and trade, this was offset by weakness in mining, manufacturing, utilities, and transport. Inflation continued to disappoint to the downside with the February print coming in lower than expected at 3.2% year-on-year (y/y). This was driven by softer food and discretionary goods prices and weaker-than-expected pass-through from the annual insurance survey, with core inflation at 3.4% y/y.

Despite subdued growth and inflation figures, the South African Reserve Bank's (SARB) Monetary Policy Committee maintained the repo rate at 7.5% during their March meeting, following January's 25 basis points (bps) reduction. The committee adopted a more conservative approach in response to heightened global economic uncertainties, despite revising inflation forecasts downward and noting subdued domestic economic activity. For 2025, the SARB projects headline inflation at 3.6%, with risk factors balanced but possible upward pressure in the longer term. Their GDP growth forecast for 2025 was moderately adjusted downward to 1.7%. The committee continues to monitor divergent global monetary policy trends carefully, with particular attention to the US Federal Reserve's prudent approach. While current economic indicators might support further monetary easing, our analysis suggests the SARB will likely maintain prevailing rates throughout the year, particularly considering the current fiscal environment.

A review of recent developments provides valuable context to the current fiscal predicament. The initial budget submission included proposals for incremental VAT increases of 0.5% over two consecutive fiscal years, combined with bracket creep adjustments. These measures were intended to support new expenditure initiatives, primarily focusing on infrastructure development, public sector compensation, essential services, and social grant continuation. National Treasury also made a commitment to fiscal discipline through enhanced expenditure monitoring and personnel reviews. While the initial budget framework showed promise, significant implementation hurdles emerged as key areas of concern. Current indications suggest the proposed revenue enhancement measures will proceed, though they may face challenges through various committees and judicial processes. In short, the budget outlook remains unclear.

Unfortunately, the budget details have been overshadowed by broader political dynamics. What should have been a demonstration of the Government of National Unity's (GNU) collective economic management has instead raised questions about the coalition's sustainability. It seems that all partners share some responsibility for this predicament. The ruling party undermined its relationship with the DA by seeking support from other parties for the budget. The DA, in response, attempted to leverage this situation to advance other priorities, such as concessions on the Expropriation Act and greater involvement in economic policymaking. While there is more certainty on the budget outcome despite opposition concerns, the lack of progress on other issues clearly remains problematic. Markets are likely to remain cautious until there is greater clarity on the GNU's future, and sadly, the actual impact of the budget on the future fiscal trajectory of the country seems to be a secondary consideration at this point.

The quarterly returns of fixed income asset classes were mixed. The FTSE/JSE All Bond Index (ALBI) returned 0.7% for the quarter. Within the ALBI, the one- to three-year and three- to seven-year buckets showed stronger performance, returning 2.08% and 2.02% respectively (both ahead of cash), while longer duration bonds (12+ years) underperformed cash significantly at -1.18%. The Fund's position remains concentrated in the shorter-dated areas of the curve, with holdings focused on the R186 and R2030, both of which outperformed cash. Given the continued attractiveness of government bonds relative to cash over the medium term, we view the sub-10-year portion of the curve as offering the optimal risk/reward opportunity for a cash-cognisant mandate. Consequently, our nominal duration increased marginally by 10bps over the quarter.

Inflation-linked bonds (ILBs) underperformed their nominal counterparts, with the index returning 0.7%, below cash returns. However, our short-dated ILB holdings, concentrated in the I2029, delivered a return of 2.44%. This exceeded cash returns, partly due to higher inflation carry over the next three months. While the subdued inflation outlook may constrain ILB returns in the medium term, real rates remain compelling, particularly if the SARB does become more dovish on monetary policy. Combined with our expected inflation profile, we project the I2029 return at around 9.5%, which remains attractive relative to cash. Though nominal bonds appear more attractive, ILBs serve as important portfolio diversifiers, especially in volatile environments. The Fund therefore maintains an approximately 15% allocation to short-dated ILBs, which decreased significantly following the maturity of our I2025 holdings in January 2025.

Money market opportunities were limited, with NCDs contracting further across the curve, reflecting tight credit market conditions and abundant banking system liquidity. Based on our view of unchanged repo rates, we increased exposure to two-year floating rate NCDs. We also found value in government floating rate notes up to five and a half years in maturity, with spreads exceeding 100bps. The Fund now maintains close to a 2% position in these instruments.

Credit market opportunities remain scarce as spreads continue to compress. Despite finding some small opportunities in the secondary market, our overall credit allocation will likely gradually decrease.

Outlook

We maintain a cautious stance for the year ahead, given continued political volatility and economic uncertainty, both locally and globally, alongside concerns about the central bank's high real rates potentially dampening domestic demand amid exceptionally subdued inflation. While the Fund invests in risk assets that may temporarily underperform cash, we remain focused on valuation and will invest only in instruments offering appropriate risk-adjusted returns. We expect domestic inflation to remain well controlled, averaging 3.5% for 2025. Key risks include the government's commitment to fiscal reform while maintaining growth stimulus.

Given the current Fund yield of 8.93% and its modest duration positioning, we believe it remains on track to deliver its target of cash +1.5% over the medium term.

Portfolio managers
Nishan Maharaj and Mauro Longano
as at 31 March 2025

IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION SA 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. 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)?

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

IMPORTANT INFORMATION REGARDING TERMS OF USE

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