CORONATION ACTIVE INCOME PLUS FUND

Fund Information as at 31 July 2025

CORONATION
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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

3/10
Conservative

Maximum growth/
minimum income exposures

Growth Assets: 10%
Income Assets: 90%

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.

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 – Multi-asset – Income
Regulation 28	Complies
Income Distribution	Quarterly (March, June, September, December)
Investment minimum	R5 000 or R500/m debit order
ISIN Code	ZAE000327516
JSE Code	CAIPA

CORONATION ACTIVE INCOME PLUS FUND

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CLASS A as at 31 July 2025

ASISA Fund Category	South African – Multi-asset – Income
Launch date	29 November 2023
Fund size	R 1.93 billion
NAV	107.16 cents
Benchmark	AF STeFI Composite Index
Portfolio manager/s	Nishan Maharaj and Mauro Longano

	1 Year	3 Year
Total Expense Ratio	0.89%	0.88%
Fund management fee	0.75%	0.75%
Fund expenses	0.03%	0.03%
VAT	0.11%	0.11%
Transaction costs (inc. VAT)	0.01%	0.01%
Total Investment Charge	0.90%	0.89%

PERFORMANCE AND RISK STATISTICS

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	20.6%	14.1%	5.7%
Since Launch (annualised)	11.9%	8.2%	3.7%
Latest 1 year	11.4%	8.0%	3.4%
Year to date	6.4%	4.4%	2.0%

Yield (Net of Fees)	7.9%

RISK STATISTICS

Current	Fund
Weighted average time to maturity (credit)	4.0 years
Modified Duration	2.2 years
Modified Duration (ex Inflation Linked Bonds)	1.6 years

Since Inception	Fund	STFIND
Annualised Deviation	1.7%	0.1%
Sharpe Ratio	2.09	
Maximum Gain	20.6%	
Positive Months	100.0%	

	Fund	Date Range
Highest annual return	12.8%	May 2024 - Apr 2025
Lowest annual return	11.0%	Feb 2024 - Jan 2025

CREDIT RATINGS

	% of Fund
AAA+ to A-	77.2%
BBB+ to B-	3.8%
CCC+ to C-	0.0%
CLNs	11.8%
No Rating	7.3%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Jun 2025	01 Jul 2025	1.86	0.01	1.85
31 Mar 2025	01 Apr 2025	1.81	0.00	1.81
31 Dec 2024	02 Jan 2025	2.02	0.01	2.02
30 Sep 2024	01 Oct 2024	2.05	0.00	2.05

PORTFOLIO DETAIL

ASSET ALLOCATION BY INSTRUMENT TYPE

	Domestic Assets	International Assets
Cash and Money Market NCDs	22.8%	0.2%
Fixed Rate bonds	32.5%	6.9%
Floating Rate bonds	9.6%	(0.7%)
Inflation-Linked bonds	18.7%	0.4%
Credit Linked Notes (CLNs)	4.7%	7.1%
Listed Property	1.9%	0.0%
Preference shares	0.1%	0.0%
Other (Currency Futures)	(4.2%)	0.0%
Total	**86.1%**	**13.9%**
Net offshore exposure after currency hedge		**2.7%**

ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Government	44.4%
Banks: Senior Debt	21.2%
Banks and Insurers: NCDs & Deposits	22.9%
Other Corporates	4.0%
Banks: Subordinated debt (>12m)	3.9%
REITs: Equity and Debt	1.9%
Coronation Global Bond Fund	1.4%
State Owned Enterprises	1.0%
Insurers	0.9%
Banks: Subordinated debt (<12m)	0.3%
Coronation Global Strategic Income	2.3%
Currency Futures	(4.2%)
Total	**100.0%**

TOP 5 CREDIT EXPOSURE

	% of Fund
Republic Of South Africa	53.0%
Standard Bank Of SA Ltd	16.6%
Absa Bank Ltd	16.6%
Jp Morgan Chase Bank	4.5%
Firstrand Bank Ltd	4.1%

TOP 5 REFERENCE ENTITY EXPOSURE

	% of Fund
Republic of South Africa	8.6%
MTN	0.9%
MAS	0.7%
Nepi	0.5%
Prosus	0.4%

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	0.5%	0.6%	0.6%	1.4%	1.0%	1.0%	1.1%						**6.4%**
Fund 2024	1.0%	0.2%	0.2%	0.6%	1.0%	1.9%	1.5%	1.2%	1.5%	0.1%	1.1%	0.7%	**11.6%**
Fund 2023												1.5%	**1.5%**

Issue date: 2025/08/08

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

Performance and fund positioning

The Fund returned 1.00% in June, bringing its 12-month total return to 11.85%, which is ahead of cash at 7.82% and its benchmark at 8.07% over the same period. We believe the Fund's current positioning offers the best probability of achieving its objective of at least cash +2% over the medium to longer term.

Geopolitical risks and US policy uncertainty increased market volatility in the second quarter of 2025 (Q2). Developed market bond yields rose, with US 30-year Treasury yields exceeding 5%, driven by tariff policies, rising deficits, and concerns about inflation. Emerging market bonds faced volatility from US trade policies, but fundamentals remain robust in these markets, with many central banks continuing to cut rates, boosting local currency bonds. South African (SA) assets recovered from the shock of April's "Liberation Day" tariffs and anxiety about the stability of the Government of National Unity (GNU), boosted by expectations of a lowering of the inflation target later this year.

The FTSE/JSE All Bond Index (ALBI) returned 2.28% in June, bringing its return for Q2 to 5.88% and to 18.36% over the last 12 months. Over both these periods, bonds with a maturity of less than 12 years performed the best, as yields in this area saw significant compression. The SA 10-year bond yield compressed by c.70 basis points (bps) over the last quarter and 145bps over the last 12 months. However, yields on bonds with a maturity of greater than 10 years saw less compression, keeping the 20-year bond yield more than 100bps above that of its 10-year counterpart. Inflation-linked bonds (ILBs) continued to underperform both nominal bonds and cash, with a return of 0.62% over the last month, 0.88% over the quarter, and 7.29% over the last 12 months. The rand has underperformed its emerging market peer group over the last year but still has a positive performance versus the US dollar, which has pushed SA bond performance above that of the FTSE World Government Bond Index in rand terms (+0.17% month-to-date, +1.05% quarter-to-date, +5.59% over 12 months).

June's economic data was mixed, with inflation readings remaining sticky and central banks taking a cautious approach to further easing. Geopolitical tension heightened between Israel and Iran, causing a temporary spike in oil prices. Geopolitical risks remain a possible hindrance for global market performance in 2025.

The Federal Reserve Board (the Fed) left the target range for the Federal Funds Rate unchanged at 4.25%-4.5% at the June Federal Open Market Committee (FOMC) meeting. The post-meeting statement noted concerns for increasing inflation and a lower economic growth outlook as the main reasons for the hold. The Fed also revised unemployment rate and core inflation forecasts marginally upwards, citing increased uncertainty in global markets. Financial markets are pricing in 50bps of rate cuts for the year.

US headline inflation slightly increased to 2.4% year on year (y/y) in May from 2.3% y/y in April, while core inflation remained unchanged at 2.8% y/y. The uptick came from increases in food, transportation, and used as well as new vehicle prices. Elsewhere, energy costs declined, and shelter inflation was muted.

China's headline inflation fell 0.1% y/y in May, unchanged from April's deflation. Food and transportation costs remain very weak, while apparel and tourism-related costs increased. Producer Price Inflation also continued its deflationary streak, falling 3.3% y/y in May compared to a deflation of 2.7% in April.

The rand ended the month at R17.70/US$1, stronger than its close in the previous month but weaker than its Emerging Market peer group. 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 offshore 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.

SA headline inflation remained unchanged at 2.8% y/y in May, and core inflation was also unchanged at 3.0%. Food and non-alcoholic beverages contributed positively to headline inflation, while transport costs detracted following a fall in fuel prices in May. Tensions in the Middle East have temporarily led to a spike in oil prices, and the ongoing under-recovery in retail fuel prices suggests a possible July fuel price hike. Nonetheless, several factors continue to underpin a benign outlook for inflation: food inflation remains modest, and demand-related pricing is weak, with rentals, in particular, serving as a strong anchor to core inflation. We expect these trends to continue; however, base effects could see inflation accelerate modestly later in 2025.

Budget 3.0 was finally passed on 21 May 2025. Despite the collective sigh of relief on the passing of the budget, we must not lose sight of the fact that the underlying budget still came with a larger expenditure envelope. A significant R180 billion (in addition) will be spent over the next three years on a combination of infrastructure, wages, the extension of the Social Relief of Distress grant, and an increase in frontline worker headcount. The intention is that this will be funded by the contingency reserve (21b), a reallocation of provisional expenditure (81b), and the balance in revenue measures (bracket creep, unannounced additional policy measures, and increased revenue collection by SARS). All of the expenditure put in place cannot be rolled back, but revenue measures rely on growth outcomes. Thus, if growth continues to disappoint, the funding gap and, consequently, the debt-to-GDP ratio (debt:GDP) are at risk of further increasing. As it stands, we still have debt costs averaging 6% of GDP over the forecast period, consuming well over 20 cents of every rand collected as revenue. This does not place SA in a zone of comfort.

To consolidate our debt position, we need to run primary surpluses in the years to come. That is, we must spend less than we receive (before interest payments). Based on our current funding rate, growth rate, and debt:GDP, we need to spend 2%-3% less than our revenue (effectively running primary surpluses of 2%-3%) to ensure debt:GDP does not increase further. Spending less will prove difficult given the current high levels of unemployment and deteriorating infrastructure. Budget 3.0 highlighted this with its increased expenditure envelope. This only leaves increasing revenue by 2%-3% per year as a viable alternative, and, since revenue depends on growth, we would need real growth in excess of the stated 2%-3% per year in order for debt to stabilise at current levels.

At the end of June, shorter-dated fixed-rate negotiable certificates of deposit (NCDs) traded at 7.77% (three-year) and 8.25% (five-year), with both maturities 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 a decent exposure to these instruments (with fewer floating than fixed), but we will remain cautious and selective when increasing our exposure.

ILBs have continued their underperformance over the last quarter, primarily due to the SARB maintaining the real policy rate at elevated levels and realised inflation being below expectations for an extended period. However, inflation is currently close to, if not at, its trough, and we expect it to average 4%-4.5% over the next 12 months. This, combined with high starting real yields, makes ILBs quite attractive relative to certain nominal bonds. ILBs are also less correlated to nominal bonds, given their inherent risk-protection attributes. These are present since inflation in SA has historically been very closely tied to the currency performance, and because the currency is the release valve for any SA- (and global risk-off) specific difficulties, it has a direct feed-through to inflation. This makes ILBs a good risk offset to hold in a portfolio, specifically in uncertain times. The valuation argument for owning ILBs with a maturity of less than six years remains strong, as they provide a decent uplift relative to their nominal counterparts.

The global landscape remains uncertain; however, Emerging Markets have continued to outperform developed markets. SABGs have flourished as local anxiety has eased and expectations for a lower inflation target have bolstered prospects for a lower repo rate. They are now trading at or close to fair value, and to see a further rerating, one would need to see a significant change in fiscal prospects or monetary policy accommodation. Anchoring inflation at 3% will take longer, thus delaying any tailwinds for bonds from further policy easing and achieving substantial fiscal consolidation would require growth in excess of 2%-3% p.a. Global bond flows have turned more supportive of emerging markets, given their relatively cleaner balance sheets, and could support further compression in bond yields if that trend gains momentum. Valuation suggests that the best value on the yield curve sits in the 10- to 15-year band and in ILBs with a maturity of less than six years.

The local listed property sector was down 0.24% over the month, bringing its 12-month return to 25.89%. The durability of the operational performance will remain in the spotlight as an indicator of the pace and depth of the sector's recovery. The current increase in the cost base, due to higher administered prices and second-round effects on deteriorating infrastructure in much of the country, will weigh on the sector's earnings in the coming year. We believe that one must remain cautious given the high levels of uncertainty around the strength and durability of the local recovery.

Local credit spreads are at historically tight levels due to low issuance volumes and a large amount of capital seeking a home with reduced volatility. The use of structured products, such as credit-linked notes (CLNs), has become ubiquitous within the local market. This sector has experienced exponential growth over the last five years, reaching a market size of over R100 billion. However, 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; rather, 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 based on the underlying asset price movements. The combination of attractive yields and no volatility is an opportunity that not many would pass up, unless, of course, transparency of pricing 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. Except for a few opportunities, we view the local credit market as unattractive relative to other asset classes.

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 accurately reflects the appropriate level of caution, while its yield of 9.05% (gross of fees) remains attractive in relation to its duration risk. We continue to believe that this yield is an adequate proxy for expected portfolio 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 2025

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; 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

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.