CORONATION BOND FUND

Fund Information as at 31 July 2025

CORONATION
TRUST IS EARNED™

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

5/10
Moderate

Maximum growth/
minimum income exposures

Growth Assets: 0%
Income Assets: 100%

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

CORONATION BOND FUND

CORONATION
TRUST IS EARNED™

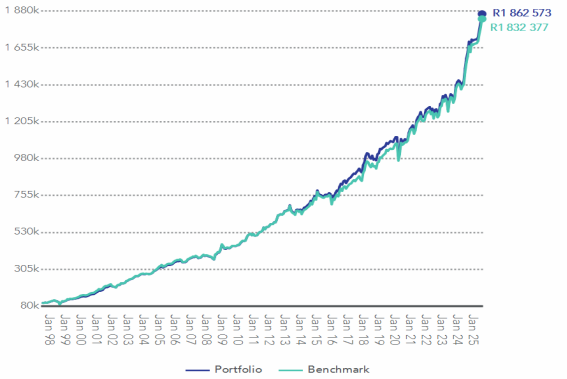
CLASS R as at 31 July 2025

ASISA Fund Category	South African - Interest Bearing - Variable Term
Launch date	01 August 1997
Fund size	R 4.97 billion
NAV	1519.88 cents
Benchmark	BEASSA ALBI Index
Portfolio manager/s	Nishan Maharaj, Seamus Vasey & Steve Janson

	1 Year	3 Year
Total Expense Ratio	0.86%	0.85%
Fund management fee	0.73%	0.73%
Fund expenses	0.01%	0.01%
VAT	0.11%	0.11%
Transaction costs (inc. VAT)	0.00%	0.00%
Total Investment Charge	0.86%	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)	1762.6%	1732.4%	1.6%
Since Launch (annualised)	11.0%	10.9%	0.1%
Latest 20 years (annualised)	9.0%	8.8%	0.2%
Latest 15 years (annualised)	9.2%	9.1%	0.1%
Latest 10 years (annualised)	9.4%	9.4%	0.0%
Latest 5 years (annualised)	11.4%	11.4%	0.0%
Latest 3 years (annualised)	13.4%	13.5%	(0.1)%
Latest 1 year	17.0%	17.0%	0.0%
Year to date	9.6%	9.5%	0.0%

	Fund
Modified Duration	6.1
Yield (Net of Fees)	9.4%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	7.8%	8.4%
Sharpe Ratio	0.31	0.28
Maximum Gain	26.3%	26.4%
Maximum Drawdown	(19.0)%	(22.3)%
Positive Months	70.8%	70.8%

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

PORTFOLIO DETAIL

ASSET ALLOCATION BY INSTRUMENT TYPE

	Domestic Assets	InternationalAssets
Fixed Rate bonds	80.8%	8.1%
Cash and Money Market NCDs	6.1%	(1.5)%
Inflation-Linked bonds	5.7%	0.0%
Floating Rate bonds	0.8%	0.0%
Total	**93.4%**	**6.6%**

ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Government	72.3%
Banks: Senior Debt	9.3%
Banks: Subordinated debt (>12m)	8.2%
Banks and Insurers: NCDs & Deposits	4.6%
State Owned Enterprises	3.3%
Other Corporates	2.0%
Banks: Subordinated debt (<12m)	0.3%
REITs	0.0%
Total	**100.0%**

TOP 5 ISSUER EXPOSURE

	% of Fund
Republic Of South Africa	81.9%
Standard Bank Of SA Ltd	5.4%
Nedbank Ltd	4.6%
Firstrand Bank Ltd	2.6%
Transnet Soc Ltd	1.7%

MATURITY PROFILE DETAIL

Sector	31 Jul 2025
0 to 3 Months	5.0%
6 to 9 Months	0.0%
9 to 12 Months	1.5%
1 to 3 Years	3.2%
3 to 7 Years	21.8%
7 to 12 Years	33.2%
Over 12 Years	35.4%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Interest	Dividend
31 Mar 2025	01 Apr 2025	66.79	66.79	0.00
30 Sep 2024	01 Oct 2024	66.76	66.76	0.00
28 Mar 2024	02 Apr 2024	61.27	61.27	0.00
29 Sep 2023	02 Oct 2023	65.61	65.61	0.00

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2025	0.30%	0.09%	0.07%	0.80%	2.93%	2.36%	2.70%						**9.57%**
Fund 2024	0.75%	(0.57)%	(2.08)%	1.50%	0.79%	5.44%	4.02%	2.41%	3.86%	(2.20)%	3.03%	(0.41)%	**17.48%**
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%**

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

Geopolitical risks and US policy uncertainty increased market volatility in the second quarter of 2025 (Q2-25). Developed market bond yields rose, with US 30-year Treasury yields exceeding 5%, driven by tariff policies, rising deficits, and inflation concerns. 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% over the month of June, bringing its return for Q2 to 5.88% and 18.36% over the last 12 months. Over all 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 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).

A big driver of local bond returns in Q2 was a pronouncement by the SA Reserve Bank (SARB) that, together with National Treasury, they were closer to an agreement to move the inflation target lower to a 3- percentage point target (+/-1% tolerance). As we have previously stated, the move towards a lower target will have significant longer-term benefits. However, over the shorter term, economic sacrifice could be higher than the SARB's current estimates, especially given the impact of global uncertainty on local growth. We hope that the SARB is given at least 18-24 months to reach the target so as not to stifle current growth prospects through the likely high real borrowing rates that could be a consequence.

The SARB presented a scenario for the nominal repo rate (the real policy rate still remains high at closer to 3%), showing it moving to a level of 6% over 12 months if inflation is anchored at 3%, which is 1% lower than it would be under a 4.5% target. This would be a good outcome for the economy, but can they anchor inflation closer to 3% and how would it impact bond yields if the nominal repo rate gets to 6%?

SARB's latest research on this matter, *Less risk and more reward: revising South Africa's inflation target*, was published as recently as 29 May 2025. They suggest that lower headline inflation could lead to lower inflation in stickier inflation segments, such as administrative prices and wages. Their key argument is that a wide range of input costs (domestic and imported) feed into various regulatory approaches to determining administrative prices, implying that lower headline inflation rapidly lowers administrative price inflation. Unfortunately, the state of infrastructure (water, electricity, logistics) in SA is dire and administrative prices have been increasing ahead of headline inflation in order to fund its rehabilitation. This is unlikely to change in the short to medium terms.

Currently, 9% of the inflation basket is derived from local administered prices and, if these continue to increase at 6% (electricity prices are set to increase by more than this over the next few years), then the rest of the basket needs to increase by 2.7% to bring inflation to 3%. Over 50% of the current inflation basket is driven by services prices, which are heavily influenced by wage inflation. Recent wage settlements have all been well above even the current 4.5% target. Additionally, long-term expectations for inflation, although lower, remain above 4.5%, despite inflation being below 4% for almost a year now. In previous episodes, when the target was explicitly moved lower (2017/2018), it took inflation expectation 18-24 months to adjust. These elevated expectations, combined with sticky administrative prices, suggest a much slower path to anchoring inflation at 3% and, thus, a much slower path to a 6% nominal repo rate.

A 6% nominal repo rate should benefit bonds, but should all bonds benefit equally or are there some areas of the curve that would do better than others?

Looking at the rolling three-year correlation of five-, 10- and 20-year bond yields versus the one-year expected cash return, it is clear that the five- and 10-year bonds are much more sensitive to one-year forward cash expectations, although this has decreased significantly since pre-Covid. The 20-year area of the curve is driven less by one-year forward expectations than by fiscal outcomes. Coming out of Covid, despite the repo rate plummeting, these bonds actually sold off due to the deterioration in the fiscal outlook, and this has continued to weigh as can be seen in their lower correlation than we saw pre-Covid. Current market pricing is for repo rate to reach 7% and stay there until the end of 2026. This is due to the fact that inflation is expected to pick back up to above 4% in the later part of 2025 and stay slightly closer to the midpoint of the band (4.5%) until the end of 2026. The average correlations of the five-, 10-, and 20-year bonds relative to returns from one-year forward cash are 90%, 60% and 40%, respectively. This suggests that if the repo rate moves towards 6%, five- and 10-year bonds are likely to see yields compress by between 60bps-90bps, while 20-year bonds could see yields lower by around 40bps. This would be a good tailwind for bond performance.

We can thus conclude that if the repo rate were to move lower to 6%, there is scope for bonds to deliver handsome returns, primarily in the five- to 10-year area. However, it would require inflation and the expectations thereof to be anchored at 3%. Given our expectations of inflation moving higher towards an average of above 4% until the end of 2026, how sticky some components of the basket currently are, and how slow expectations have been to reduce (even though recent experience has been lower), it seems unlikely that this tailwind will materialise in the next 12 to 15 months. This does not mean it cannot be achieved, but that over the next 12 to 15 months it seems unlikely that inflation will remain at 3% and it might transpire that the SARB might have to keep rates high (7%) for longer in order to secure credibility and belief in a lower inflation target.

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 extra will be spent over the next three years on a combination of infrastructure, wages, Social Relief of Distress Grant extension, and an increase in frontline worker headcount. The intention is that this will be funded by the contingency reserve (R21 billion), a reallocation of provisional expenditure (R81 billion), 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, hence, the debt to GDP ratio (debt:GDP) is at risk of increasing further. 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.

In order to consolidate our debt position, we need to run primary surpluses for 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 run primary surpluses of 2%-3%) to ensure debt:GDP does not increase further. This means that either we must spend 2%-3% less or we must increase our revenue by 2%-3% every year. The former will prove difficult to do with the current high levels of unemployment and deteriorating infrastructure. Budget 3.0 highlighted this with its increased expenditure envelope. This only leaves revenue as a viable alternative, and, since revenue depends on growth, we would need real growth in excess of 2%-3% per year in order for debt to stabilise at current levels.

10-year South African government bonds (SAGBs) are currently fairly priced for a 4.5% inflation outcome, which is more likely over the next one to three years, for reasons specified earlier (4.5% SA risk free rate + 4.5% SA inflation outcome – a 2.5% US inflation outcome and a 3.32% SA credit spread = 9.82% versus 9.86% currently). However, the yield curve is steep with the 20- and 30-year bonds trading at their widest spreads relative to the 10-year bond since Covid. One would imagine that with the yield curve this steep, longer end bonds (>15-year maturity) should offer attractive risk/return prospects.

The following table looks at the breakeven of the yield curve relative to cash (how much yields can rise before they equal a return of 8%) over three and five years. The bulk of protection sits in bonds with a maturity of less than 15 years. In addition, if we look at the total return prospects of each of these bonds, assuming only roll down (bond yields change as they get closer to maturity, if interest rates stay the same) over three and five years, then bonds with a maturity of less than 15 years are the most attractive. Combining this with the breakeven (inherent protection in yields relative to cash), suggests the sweet spot on the yield curve remains in the 10- to 15-year band.

BREAKEVEN YIELD CURVE RELATIVE TO CASH

Bond	Maturity	Breakeven to 8% cash 3-year	Breakeven to 8% cash 5-year	Bond total return 3-year	Bond total return 5-year
R213	28 Feb 2031	1.3%	9.1%	9.4%	8.9%
R2 032	31 Mar 2032	1.3%	5.0%	9.9%	9.4%
R2 033	31 Mar 2033	1.4%	4.1%	10.2%	9.7%
R2 035	28 Feb 2035	1.4%	3.6%	11.0%	10.5%
R209	31 Mar 2036	1.4%	3.1%	12.0%	11.2%
R2 037	31 Jan 2037	1.6%	3.5%	11.8%	11.1%
R2 038	31 Mar 2038	1.6%	3.5%	11.4%	11.0%
R2 040	31 Jan 2040	1.6%	3.4%	11.6%	11.4%
R214	28 Feb 2041	1.4%	2.9%	11.7%	11.6%
R2 044	31 Jan 2044	1.6%	3.2%	11.6%	11.2%
R2 048	28 Feb 2048	1.5%	3.0%	10.9%	10.8%
R2 053	31 Mar 2053	1.4%	2.9%	10.7%	10.6%

Sources: Coronation, Bloomberg

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. In the graph below, we show the expected total return of nominal bonds versus ILBs assuming static yields and inflation at 4.25%. The valuation argument for owing ILBs with a maturity of less than six years is still very strong as they provide a decent uplift relative to their nominal counterparts.

TOTAL RETURN ILB VERSUS NOMINAL BONDS

Sources: Coronation, Bloomberg

The global landscape remains uncertain; however, emerging markets have continued to outperform developed markets. SAGB's have flourished as local anxiety has eased and expectations for a lower inflation target has 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. As such, we would advocate for a neutral position in SAGBs, weighted more towards the 10- to 15-year area, with a decent allocation to shorter dated ILBs.

Portfolio managers
Nishan Maharaj, Steve Janson and Seamus Vasey
30 June 2025

You can soon read our full Bond Outlook article for the quarter to end June 2025 in the Insights section of our website.

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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