CORONATION TRUST IS EARNED™

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

Performance

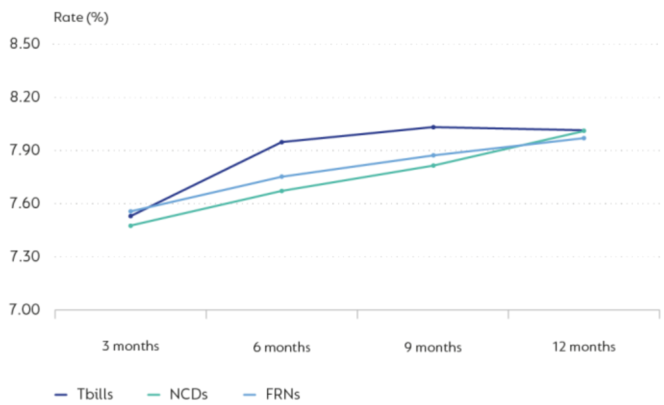
The Fund generated a return (net of management fees) of 1.93% for the first quarter of 2025 (Q1) and 8.38% over a rolling 12-month period. This return is ahead of the 3-month Short-Term Fixed Interest (SteFI) benchmark return of 8.03% over the one year.

Positioning and outlook

The South African Reserve Bank (SARB) cut the repo rate by 25 basis points (bps) during Q1, moving the repo rate to 7.50% from 7.75%. The SARB explicitly sets policy according to its assessment of the balance of risks, and it is clearly concerned about the impact of external policy changes and developments on the currency, and subsequently the outlook for prices. Furthermore, the SARB seems to be showing a clear preference for higher real rates and a more restrictive stance than seems warranted, despite the lowering of domestic inflation forecasts, well-anchored expectations at the target, and disappointing domestic demand. However, the global markets' volatility has made forecasting a complex exercise and the impact of tariffs on global trade and prices remains a big unknown.

During the quarter, the 3-month Johannesburg Interbank Average Rate (Jibar) decreased by 19bps, decreasing from 7.75% to 7.56%. The decrease was on the back of the implemented January repo rate cut. The rates markets have been volatile towards the latter part of Q1, pricing in uncertainty in monetary policy settings across the globe following tariff implementation. The forward rate agreement curve is almost pricing in two rate cuts in a year's time, and fears of a recession have started to emerge in the financial markets. We increased the Fund's position in 1-year money market floating rate notes and 9-months T-bills.

Figure 1
T-BILLS VS FIXED-RATE NCDS VS FRNS



Source: Bloomberg, SARB

Several corporates and banks accessed the debt capital markets in Q1, with corporates raising debt mainly for refinancing purposes and banks opting to issue vanilla and ESG-linked senior paper as well as capital instruments. A few corporate issuers opted to raise funding via private placements instead of public auctions. The spread compression in the credit market continues, albeit at a gradual pace. The Fund continues to source its credit holdings in the secondary market.

We remain cautious by investing only in instruments that are attractively priced relative to their underlying risk profiles. Capital preservation and liquidity remain a key focus for this Fund.

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