



05/20

**COMPELLING ALTERNATIVES
FOR CASH INVESTORS**

COROLAB

Your guide to investment ideas

CORONATION

TRUST IS EARNED™



THE CORONATION CLIENT CHARTER

We strive to always put clients first

We have an unwavering
commitment to the long term

We focus on producing
top performance over all
meaningful periods

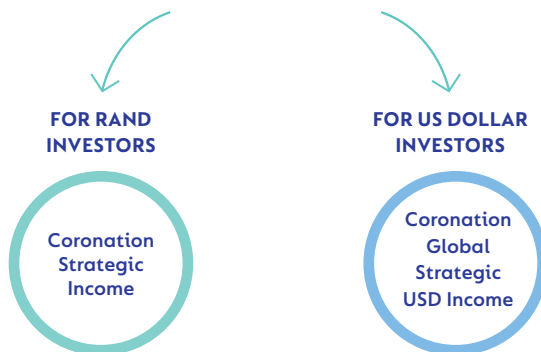
We are uncompromising
about ethics



The case for investing in a managed income fund

Investors may need to keep a portion of their savings in cash for different reasons. Business owners with lumpy cash flow may need to park some capital in cash to pay monthly bills such as salaries. Or, individuals who have just retired may wish to have a bucket of retirement savings that is not exposed to near-term market risk. Whatever the reason for needing access to cash in the short term (the next 12 – 36 months*), consider investing it in a managed income fund, which can deliver a better return than a deposit at a bank. Coronation offers two managed income funds for investors wanting to achieve a better return than domestic or US dollar cash. The Coronation Strategic Income Fund and the dollar-denominated Coronation Global Strategic USD Income Fund are both actively managed across the range of yielding asset classes.

CONSIDERATIONS IF YOU WANT TO ACHIEVE A BETTER RETURN THAN A DEPOSIT AT THE BANK



**Do you have a shorter investment time horizon?*

Investors who wish to set up an emergency cash fund may have a shorter time horizon (of less than 12 months) for which one of our cash funds, such as Coronation Jibar Plus, may be more suitable. Read more on page 12.

Managed income funds are typically not suitable for longer investment periods. Their limited exposure to growth assets constrains their ability to provide adequate protection against the eroding effects of inflation on one's purchasing power.

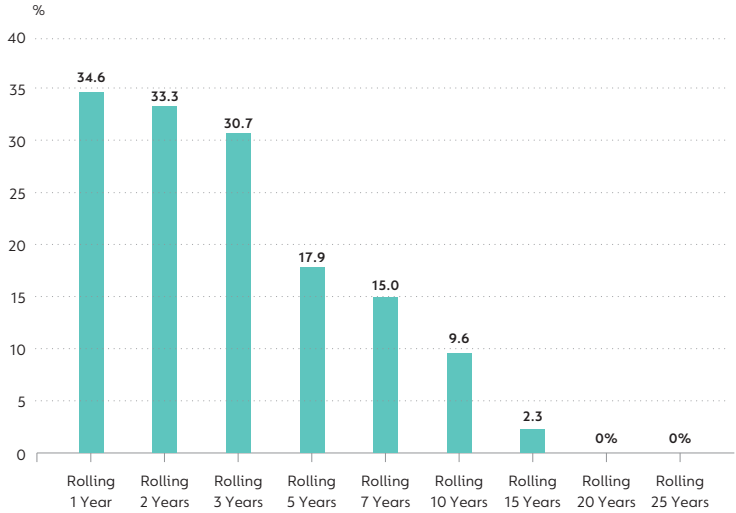
DO consider these funds if:	DON'T consider these funds if:
You need access to cash over the next 12 to 36 months.	You can invest for periods longer than 36 months.
You don't want to take on much short-term risk (over the next 12 to 36 months).	You need income to cover your everyday living expenses over an extended period of time.
	You want to grow your capital to protect your purchasing power.

The following graphs demonstrate the benefit of maintaining exposure to growth assets over an appropriate time horizon. As is clear from the figures on the next page, cash returns become less likely to outperform equities the longer you remain invested, and investing too conservatively dramatically depresses long-term wealth creation.



Figure 1

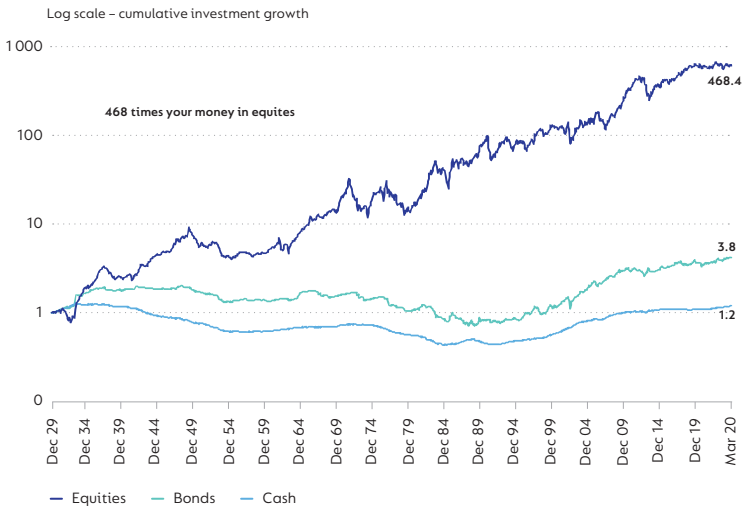
THE ODDS OF CASH OUTPERFORMING LOCAL EQUITIES REDUCES OVER TIME



Source: Bloomberg, using dataset from January 1925 to end-March 2020

Figure 2

REAL RETURNS – FROM 1930



Source: Coronation as at end-March 2020

How we improve the outcomes for cash investors

To have a chance of achieving a better return than that of a short-term deposit at a bank, investors need exposure to assets with a higher expected return than cash. The Coronation Strategic Income and Coronation Global Strategic USD Income Funds are managed to achieve this by:

1. Taking considered interest rate and credit risk where appropriate (see definitions below);

WHAT IS:

INTEREST RATE RISK

The possibility that the value of a bond (or other debt instrument) will decrease due to rising interest rates.

CREDIT RISK

The possibility that the investor might not be repaid by the issuer of the bond.

2. Increasing exposure to alternative sources of return (see definitions on page 7) when the likelihood of outperformance is expected to be high.

Achieving a higher return than cash, however, comes with higher levels of risk. We manage risk by following a robust and consistent investment process. We apply defensive asset allocation guidelines and conduct careful research to identify individual securities trading below our estimate of fair value.

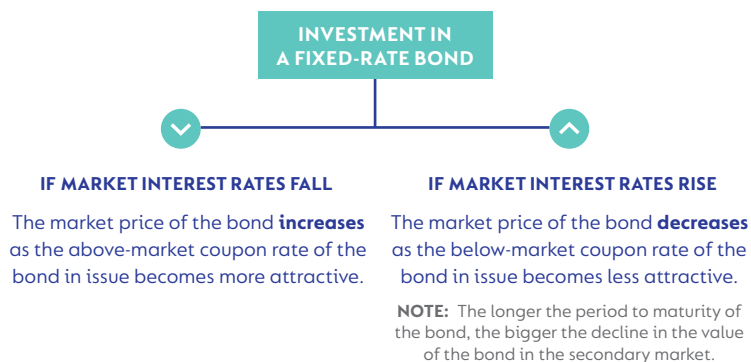
There are, however, no guarantees that our two managed income funds will always outperform cash or protect capital over short periods of time. Our risk objectives in both funds are to protect capital in rands or US dollars over all periods of six months and longer, and to achieve significantly less volatility than that of their respective benchmark bond indices.



Taking considered interest and credit risk

INTEREST RATE RISK

Most bonds pay a fixed rate of interest over a defined time period. This rate is set according to prevailing market interest rates at the time of issuing the bond. Here is how it affects the market price of the bond.



CREDIT RISK

In simple terms, bonds can be thought of as a contract or set of promises between two parties – the bond issuer and the lender. The risk for the lender is that the borrower is unable to return the capital at the stipulated time or make the agreed upon interest payments.

The credit risk associated with corporate bonds is higher than that of government bonds. In a worst-case scenario, government is assumed to be able to print money to make good on its obligations. Corporates therefore borrow at higher rates than governments. The difference between corporate and government interest rates is referred to as the 'credit spread'.

We are highly cognisant of credit risk and only invest in corporate bonds when we believe that the yield compensates for the risk, or when there is a general rise in credit spreads. All credit decisions are subject to oversight by Coronation's independently chaired Credit Committee.

Increasing exposure to alternative sources of return

<p>PROTECTS AGAINST RISING INTEREST RATES</p>	<p>Floating-rate notes¹</p> <p>The coupon payment on a floating-rate note depends on the level of money market interest rates and, on average, offers a yield pick-up of 1% over prevailing money market rates. It therefore makes sense to favour these instruments when interest rates are expected to remain flat or start to rise.</p>	<p>Corporate credit²</p> <p>In an improving economy (which typically coincides with a rising interest rate environment) the spread on good quality corporate credit tends to narrow, creating the opportunity for capital gains.</p>
<p>PROTECTS AGAINST RISING INFLATION</p>	<p>Inflation-linked bonds (ILBs)³</p> <p>During inflation upswings, ILBs offer both inflation protection and an uplift in yield, making them a great diversifier in any multi-asset class portfolio. ILBs are also less correlated to other asset classes and therefore reduce overall volatility within a portfolio.</p>	<p>Listed property⁴</p> <p>Listed property provides protection against rising inflation as rental income tends to increase in line with rising prices. Because price behaviour is more volatile than fixed interest investments, exposure to this asset class is limited to 10% of the overall portfolio for both Coronation Strategic Income and Coronation Global Strategic USD Income.</p>
<p>ACHIEVES DIVERSIFICATION</p>	<p>Preference shares⁵</p> <p>Because price behaviour is more volatile than fixed interest investments, exposure to this asset class is limited to 10% of the overall Coronation Strategic Income portfolio.</p>	<p>Convertible bonds⁶</p> <p>Convertible bonds pay a lower initial coupon than traditional corporate credit. The convertibility allows investors to share in the upside from rising equity prices, while benefiting from a fixed coupon should the share fail to reach its conversion price.</p>

1. Notes that offer a variable interest rate and reflect the changes in market interest rates.

2. Corporate bonds that provide a credit spread above government rates.

3. A bond with cash flows that are linked to the inflation rate.

4. Enables the investor to earn rental income from a diversified portfolio of retail, office, industrial and hospitality properties.

5. Hybrid instruments that pay a regular income in the form of dividends and are typically expressed as a percentage of the prime rate.

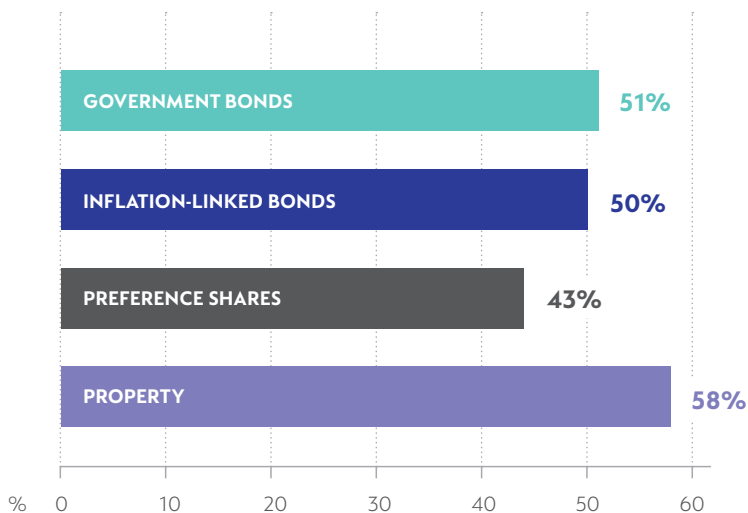
6. Corporate bonds that can be exchanged at the option of the holder for a specific number of shares at some point in the future.



Investors are not always rewarded for the additional risk of diversifying into other asset classes. A positive or negative contribution from these asset classes will depend on the prevailing market environment. Figure 3 below illustrates how often some of the asset classes detailed on page 7 have outperformed cash by 2% (the internal target of the Coronation Strategic Income Fund). Our view of changing market conditions, and how we respond in the positioning of our managed income funds, is therefore critical to successful outperformance over time.

Figure 3

PERCENTAGE OF MONTHS ASSET CLASS RETURN EXCEEDS CASH BY 2% OR MORE



Source: Coronation, as at end-March 2020.

Our approach to fixed interest investing

We take an active approach to fixed interest portfolio management. All investment decisions are driven by proprietary research across the full spectrum of potential return enhancers. These include duration and yield curve positions, off-benchmark positions through inflation-linked assets as well as yield enhancement through credit-enhanced assets. As is the case with equities, we believe value can be added within the fixed interest universe through bottom-up security selection when assets are mispriced. Critical to the success of our fixed interest funds is our dynamic response to changing market conditions through active management of portfolio duration. The fixed interest investment cycle (see Figure 4) guides our duration management, asset allocation and yield curve positioning. In its simplest form, the cycle is divided into two halves, which represent a falling inflation environment (good for bonds) and a rising inflation environment (bad for bonds). While the chart looks neat and even, the length of time it takes to move through each quadrant can be very different.

WHAT IS:

DURATION

A measure of the change in the price of a bond or other debt instrument in response to a change in interest rates. Bond prices and interest rates move in opposite directions.

YIELD

A measure of the annual income paid as a percentage of the price of a bond.

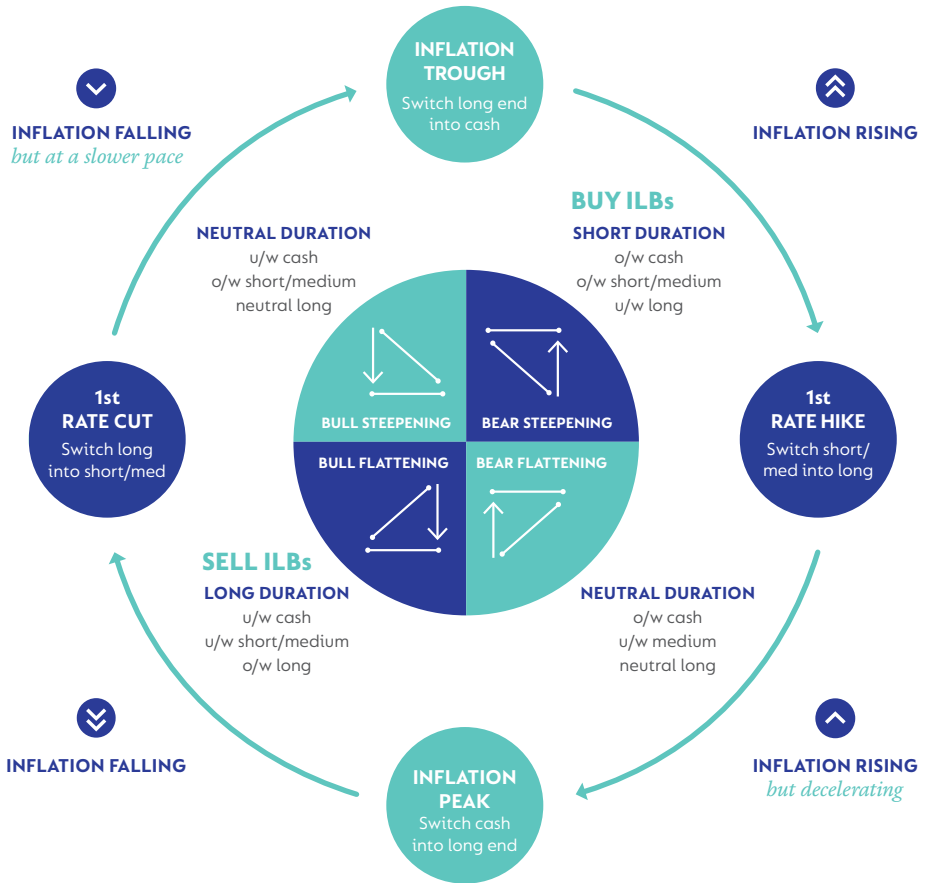
YIELD CURVE

A graph that plots the yields of similar-quality bonds against the length of time they have to run to maturity, ranging from shortest to longest.



Figure 4

THE FIXED INTEREST INVESTMENT CYCLE




Source: Coronation

Our fixed interest fund range

Coronation offers a range of actively managed funds that meet the needs of investors who are looking to invest for the short term, and to whom capital preservation is of primary importance. These funds are managed according to the same Coronation investment philosophy (disciplined, long-term focused and valuation-based) that we apply across our entire fund range. In addition to our flagship managed income funds, Coronation Strategic Income and Global Strategic USD Income, we offer a rand-denominated version of the latter for investors who wish to access this specialised portfolio without using their foreign investment allowances.

We also offer specialist bond (Coronation Bond) and listed property (Coronation Property Equity) funds.



INVESTORS WITH A TIME HORIZON OF <12 MONTHS		
FUND NAME	JIBAR PLUS	MONEY MARKET
LAUNCH DATE	3 April 2000	1 October 1999
 SUITABLE FOR INVESTORS WHO ARE	Preserving capital in rands over the very short term (e.g. for the purpose of setting up an emergency fund) without being exposed to interest rate volatility.	Preserving capital in rands over the very short term, but comfortable with the small increase in risk associated with investment-grade money market funds when compared to bank deposits.

INVESTORS WITH A TIME HORIZON OF BETWEEN 12 AND 36 MONTHS		
FUND NAME	STRATEGIC INCOME	GLOBAL STRATEGIC INCOME
LAUNCH DATE	2 July 2001	30 December 2011
 SUITABLE FOR INVESTORS WHO	Want to achieve a better return in rands than cash or bank deposits and are comfortable taking reasonable risks within the fixed interest universe.	Want to achieve a better return than that of US dollar bank deposits and are comfortable taking reasonable risks within the fixed interest universe. Are seeking to utilise their offshore allowance in a conservative manner.

For full details on fund composition, benchmarks, fees and highest and lowest annual returns, please refer to the respective comprehensive fact sheets available in the Personal Investments section of www.coronation.com or contact one of our Client Service consultants on 0800 22 11 77.

The Team

Nishan Maharaj leads our ten-person team of fixed interest specialists who provide key inputs to extract maximum value from each of the potential return enhancers for the benefit of our investors.

HEAD OF FIXED INTEREST

Nishan Maharaj

16 years



Head of Fixed Interest Research	Mauro Longano	9 Years
Portfolio Manager & Analyst	Seamus Vasey	16 Years
Portfolio Manager	Adrian Van Pallander	18 Years
Property Portfolio Manager	Anton De Goede	20 Years
Economist	Marie Antelme	19 Years
Portfolio Manager & Analyst	Steve Janson	13 Years
Portfolio Manager & Analyst	Sinovuyo Ndaleni	4 Years
Global Analyst	Stephen Peirce	26 Years
Trainee Property Analyst	Kganya Kgare	7 Years



Disclaimer:

All information and opinions provided are of a general nature and are not intended to address the circumstances of any particular individual or entity. As a result thereof, there may be limitations as to the appropriateness of any information given. It is therefore recommended that the reader first obtain the appropriate legal, tax, investment or other professional advice and formulate an appropriate investment strategy that would suit the risk profile of the reader prior to acting upon information. Neither Coronation Fund Managers Limited, Coronation Management Company (RF) (Pty) Ltd nor any other subsidiary of Coronation Fund Managers Limited (collectively "Coronation") is acting, purporting to act and nor is it authorised to act in any way as an adviser. Coronation endeavours to provide accurate and timely information but we make no representation or warranty, expressed or implied, with respect to the correctness, accuracy or completeness of the information and opinions. Coronation does not undertake to update, modify or amend the information on a frequent basis or to advise any person if such information subsequently becomes inaccurate. Any representation or opinion is provided for information purposes only. Unit trusts should be considered a medium- to long-term investment. The value of units may go down as well as up, and is therefore not guaranteed. Past performance is not necessarily an indication of future performance. Unit trusts are allowed to engage in scrip lending and borrowing. Performance is calculated by Coronation for a lump sum investment 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. Where foreign securities are included in a fund it may 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 Coronation Money Market fund is not a bank deposit account. The fund has a constant price, and the total return is made up of interest received and any gain or loss made on any particular instrument, in most cases the return will merely have the effect of increasing or decreasing the daily yield, but in the case of abnormal losses it can have the effect of reducing the capital value of the portfolio. Excessive withdrawals could place the fund under liquidity pressures, in such circumstances a process of ring-fencing of redemption instructions and managed pay-outs over time may be followed. A fund of funds invests in collective investment schemes that levy their own fees and charges, which could result in a higher fee structure for this fund. A feeder fund invests in a single fund of a collective investment scheme, which levies its own charges and could result in a higher fee structure for the feeder fund. 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. Unit trusts are traded at ruling prices set on every day trading. Forward pricing is used. For Domestic Unit Trust Funds and Tax Free Investments, including rand-denominated International Unit Trust Funds, 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). For these Funds, instructions must reach the Management Company before 14h00 (12h00 for the Money Market Fund) to ensure same day value. For International Unit Trust Funds that are denominated in a foreign currency, fund valuations take place at approximately 17h00 each business day (Irish Time) and instructions must reach the Management Company before 12h00 (SA Time) to ensure the value of the next business day. For Retirement Products, fund valuations take place at approximately 15h00 each business day, except at month end when valuation is performed at approximately 17h00 (JSE market close). For these Products, instructions must reach the Management Company before 14h00 to ensure the value of the next business day. Additional information such as fund prices, brochures, application forms and a schedule of fund fees and charges is available on our website, www.coronation.com. Coronation Fund Managers Limited is a Full member of the Association for Savings & Investment SA (ASISA). Coronation Asset Management (Pty) Ltd (FSP 548), Coronation Investment Management International (Pty) Ltd (FSP 45646) and Coronation Alternative Investment Managers (Pty) Ltd (FSP 49893) are authorised financial services providers.

For enquiries you can call us on 0800 22 11 77 or email us at clientservice@coronation.com. For new applications or transactions you can email your forms directly to transact@coronation.com or fax us on +27 21 680 2100. For more information or to invest online, visit us on www.coronation.com



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