CORONATION STRATEGIC INCOME FUND

Fund Information as at 28 February 2021

CORONATION

TRUST IS EARNED™

WHAT IS THE FUND'S OBJECTIVE?

Strategic Income aims to achieve a higher return than a traditional money market or pure income fund.

WHAT DOES THE FUND INVEST IN?

Strategic Income can invest in a wide variety of assets, such as cash, government and corporate bonds, inflation-linked bonds and listed property, both in South Africa and internationally.

As great care is taken to protect the fund against loss, Strategic Income does not invest in ordinary shares and its combined exposure to locally listed property (typically max. 10%), local preference shares (typically max. 10%), local hybrid instruments (typically max. 5%) and international assets (typically max. 10%) would generally not exceed 25% of the fund.

The fund has a flexible mandate with no prescribed maturity or duration limits for its investments. 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: 25%
Income Assets: 75%

Strategic Income is tactically managed to secure an attractive return, while protecting capital.

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 12-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). Note that the fund is also less likely to outperform money market funds in a rising interest rate environment.

Given its limited 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 12 to 36 months;
- seek managed exposure to income generating investments;
- are believers in the benefits of active management within the fixed interest universe.

WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 0.45% (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 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

Fund Launch Date	2 July 2001
Fund Class	P (previously class B4)
Class Launch Date	1 October 2012
Benchmark	110% of STeFI 3-month index
Fund Category	South African – Multi-asset – Income
Regulation 28	Complies
Income Distribution	Quarterly (March, June, September, December)
Bloomberg Code	CORSTB4
ISIN Code	ZAE000170403

CORONATION STRATEGIC INCOME FUND

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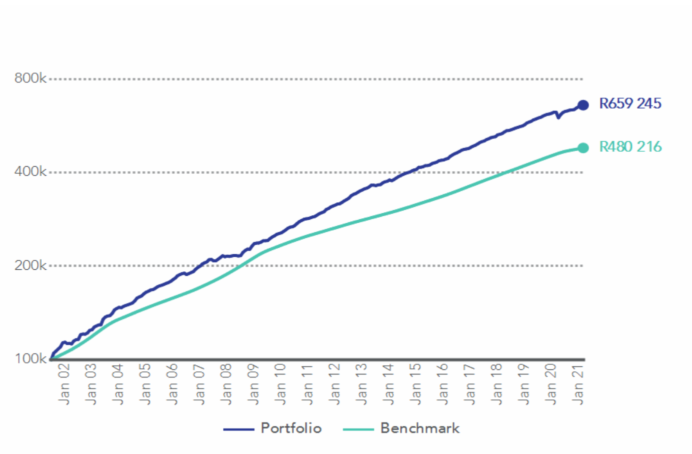
CLASS P as at 28 February 2021

Fund category	South African - Multi Asset - Income
Launch date	01 October 2012
Fund size	R43.97 billion
NAV	1546.64 cents
Benchmark/Performance Fee Hurdle	110% of the STeFI 3-month Index
Portfolio manager/s	Nishan Maharaj and Mauro Longano

	1 Year	3 Year
Total Expense Ratio	0.53%	0.53%
Fund management fee	0.45%	0.45%
Fund expenses	0.01%	0.02%
VAT	0.07%	0.07%
Transaction costs (inc. VAT)	0.00%	0.01%
Total Investment Charge	0.53%	0.54%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PERFORMANCE AND MODIFIED DURATION (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	559.2%	380.2%	179.0%
Since Launch (annualised)	10.1%	8.3%	1.8%
Latest 15 years (annualised)	8.8%	7.6%	1.2%
Latest 10 years (annualised)	8.6%	6.6%	2.0%
Latest 5 years (annualised)	8.2%	7.1%	1.1%
Latest 3 years (annualised)	7.3%	6.6%	0.6%
Latest 1 year	5.4%	4.7%	0.7%
Year to date	1.1%	0.6%	0.5%

	Fund
Modified Duration	1.8
Modified Duration (ex Inflation Linkers)	1.4
Yield	5.9%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	2.7%	0.7%
Sharpe Ratio	0.80	N/A
Maximum Gain	60.8%	N/A
Maximum Drawdown	(4.2)%	N/A
Positive Months	93.2%	N/A

	Fund	Date Range
Highest annual return	18.7%	Nov 2002 - Oct 2003
Lowest annual return	2.5%	Apr 2019 - Mar 2020

PORTFOLIO DETAIL

ASSET ALLOCATION BY INSTRUMENT TYPE

	Domestic Assets	International Assets
Cash and Money Market NCD's	20.6%	0.3%
Fixed Rate Bonds	23.9%	7.7%
Floating Rate Bonds	29.7%	2.4%
Inflation Linked Bonds	13.8%	0.3%
Listed Property	3.6%	0.3%
Preference Shares	0.2%	0.0%
Currency Futures	-2.6%	
Total	89.1%	10.9%

ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Government	24.2%
State Owned Entities	1.5%
Banks and Insurers: NCDs and Deposits	22.2%
Banks: Senior Debt	16.2%
Banks: Subordinate Debt (<12m)	8.1%
Banks: Subordinate Debt (>12m)	9.4%
Insurers	2.8%
Other corporates	12.7%
REITS	3.9%
Preference Shares	0.2%
Coronation Global Strategic Income	0.5%
Coronation Global Bond Fund	0.9%
Other (Currency Futures)	(2.6)%

TOP 5 ISSUER EXPOSURE

	% of Fund
Republic of South Africa Government Bonds	22.2%
FirstRand Limited	11.9%
Standard Bank of South Africa	11.9%
ABSA Bank Ltd	9.9%
Investec Ltd	5.2%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Dec 2020	04 Jan 2021	20.81	0.06	20.75
30 Sep 2020	01 Oct 2020	18.38	0.10	18.29
30 Jun 2020	01 Jul 2020	20.82	0.07	20.75
31 Mar 2020	01 Apr 2020	30.31	0.59	29.72

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2021	0.4%	0.7%											**1.1%**
Fund 2020	0.8%	(0.1)%	(4.1)%	2.5%	1.6%	0.8%	0.4%	0.6%	0.1%	0.3%	1.2%	1.0%	**5.0%**
Fund 2019	1.3%	0.6%	0.7%	1.0%	0.6%	0.8%	0.4%	0.9%	0.8%	0.6%	0.3%	0.5%	**8.9%**

Issue date: 2021/03/09

Please refer to page 4 of the Comprehensive Fact Sheet for important additional infomation, including change in cost disclosures.

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

The Fund returned 0.7% in February, bringing its total return to 5.4% for the 12-month period. This return is ahead of cash, at 4.2 %.

Local bond performance in February was disappointing. The All Bond Index delivered a meagre total return of 0.06%, %, with the long-term bonds (12+ years) returning 1.60% and being the only positive return contributor of the index. Medium-term bonds (3-7 year) had a poor return of -2.23% and short dated bonds (1-3 years) also experienced negative returns of -0.69%. The 7-12 years part of the curve returned – 0.53%. Inflation-linked bonds had a good month and returned 1.85%, while cash returns held steady at 0.26%.

Global economic news was dominated by a combination of ongoing lockdowns, vaccine rollout plans, uncertain additional stimulus and the anticipated pace of global growth recovery. Inflation has also emerged as a key risk for asset prices.

In the US, the economy grew by 4.1% q/q seasonally adjusted annualised (saa) in Q4-20, after increasing by 33.4% saa q/q in Q3-20. Positive contributions came from residential fixed investments, private inventory investment and government spending, while personal consumer spending detracted from growth, slowing relative to the previous quarter. Overall, the US economy contracted by 3.5% in 2020. The outlook for 2021 is promising with the ongoing rollout of the vaccine programme and passing of the $1.9 trillion Covid-19 stimulus plan. Headline inflation in January increased to 1.4% year-on-year (y/y) unchanged from December, while PPI surprised strongly to the upside. Food prices, transport, medical care services and transport kept the inflation number up, while apparel and energy costs were slightly lower in January. Core inflation declined to 1.4% y/y in January from 1.6% y/y in December.

In emerging markets (EMs), China's headline inflation contracted by 0.3% y/y in January from an increase of 0.2% y/y in December. The decline was due to falling transport costs, healthcare, apparel and utilities prices. China's manufacturing PMIs were disappointing in February, moderating to 50.6 points vs January's 51.3 points. Output fell as factories and business closed to accommodate Lunar New Year celebrations. Elsewhere in EMs, the impact of Covid-19 on growth is still evolving, with many countries still battling rising infection rates and relatively stringent lockdown restrictions. The rollout of the vaccine in 2021 has been slow but is expected to contribute to further recovery in economic activity in the latter part of the year. Central banks will continue to be accommodative and able to intervene when necessary.

The rand was relatively unchanged over February despite broader EM currency weakness, ending at US$1/R15.13. The onset of the second wave in many parts of the globe weighed on sentiment, however, underlying economic data continued to suggest better than previously expected global growth outcomes. In SA, specifically, this has led to slightly better expectations, which helped the currency outperformance over February. The Fund maintains its healthy exposure to offshore assets. When valuations are stretched, it will hedge/unhedge portions of its 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.

In South Africa, headline inflation increased slightly to 3.2% y/y in January from 3.1% y/y in December. The slight uptick came from accelerating transport costs. Food inflation moderated, while utilities inflation remained flat. Core inflation was unchanged at 3.3% y/y. Inflation pressure in the economy remains benign and both core and headline inflation are anticipated to remain close to the 4% mid-point of the range of the South African Reserve Bank.

At the end of August, shorter-dated fixed-rate negotiable certificates of deposit (NCDs) traded at 5.79% (three-year) and 6.93% (five-year), much higher than the previous month. This was in large part driven by a reprice in global rate expectations following the selloff in development market bonds. Shorter-dated NCDs have been pulled lower due to the significant interest rate cuts, recovery in bond yields and tightening of credit spreads. Short-dated fixed-rate NCDs continue to hold appeal due to the inherent protection offered by their yields and our expectations of a lower repo rate. 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 decent exposure to these instruments (fewer floating than fixed), but we will remain cautious and selective when increasing exposure.

The Finance Minister Tito Mboweni tabled the budget for 2021/22 fiscal year with a focus on containing government expenditure. The budget reduced the projected main budget deficit for fiscal 2020/21 to 12.3% from the 14% projected in the Medium-Term Budget Policy Statement (MTBPS) tabled in October 2020. Tax revenue receipts were bigger than expected by R99 billion, prompting the budget deficit reduction and enabling National Treasury to signal a lower borrowing requirement and reduction in issuance. The minister held firm on reducing expenditure only slightly, lowering the MTBPS baseline reduction of R307 billion with small allocations to Covid-19 provisions, Land Bank, SARs and a rise in the contingency reserves. National Treasury is expecting the economy to grow by 3.3% in 2021 from a contraction of 7.2% in 2020. Economic assumptions remain reasonably conservative.

Underlying economic conditions are easing but remain challenging given South Africa's poor starting point. Inflation will remain contained, but a stronger shift needs to be made towards higher growth without pushing the country further into a debt trap. Progress has been made by reallocating expenditure away from a bloated wage bill towards pro-growth elements, however, further unpalatable austerity might be required if reforms are not accelerated. South African Government Bonds still encapsulate a significant risk premium that provides a decent offset to the underlying fundamental backdrop. Shorter-dated ILB's, with their elevated real yields and inherent inflation protection, also provide an attractive allocation opportunity for bond portfolios.

The local listed property sector was up 9.7% in February, bringing its 12-month return to - 15.9%. Listed property has been the largest drag on the Fund's performance. The current crisis will reduce rental income, put pressure on asset values, increase borrowing costs for lower-quality businesses, and test inexperienced management teams. It is entirely possible that most of the companies will require additional capital and that dividends are suspended to preserve capital. One must be cautious not to take these factors at face value and understand how the key issues mentioned above affect that yield. We believe there are a few select large-cap counters that satisfy our stringent conditionality.

The FTSE/JSE Preference Share Index was down 1.2% in February, bringing its 12-month return to -7.2%. Preference shares offer a steady dividend yield linked to the prime rate and, depending on the risk profile of the issuer, currently yield between 8% and 10% (subject to a 20% Dividends Tax, depending on the investor entity). The change in capital structure requirements mandated by Basel III will discourage banks from issuing preference shares. This will limit availability. In addition, most of the bank-related preference shares trade at a discount, which enhances their attractiveness for holders from a total return perspective and increases the likelihood of bank buybacks. Despite attractive valuations, this asset class will continue to dissipate, given the lack of new issuance and because of its associated risks being classified as eligible loss-absorbing capital (only senior to equity). The Fund maintains select exposure to certain high-quality corporate preference shares but will not actively look to increase its holdings.

We remain vigilant of the risks emanating from the dislocations between stretched valuations and the local economy's underlying fundamentals. However, we believe that the Fund's current positioning correctly reflects appropriate levels of caution. The Fund's yield of 5.9% remains attractive relative to its duration risk. We continue to believe that this yield is an adequate proxy for expected Fund 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 28 February 2021

IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION STRATEGIC 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. The fund is mandated to invest a portion of its portfolio (typically up to a maximum of 10%) 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 fund is managed in line with Regulation 28 limits, although it is not required as per the fund's supplemental deed. 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. 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. Growth charts are shown in logarithmic scale (base 2).

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 P NAV prices with income distributions reinvested. Class A NAV prices were used for the period prior to the launch of Class P. 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. 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 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 September 2020 (updated annually). The 3 year TER is for a rolling 36-month period to the last 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