CORONATION STRATEGIC INCOME FUND

Fund Information as at 30 November 2019

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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 0.85% (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

Launch Date	2 July 2001
Fund Class	A
Benchmark	110% of STeFI 3-month index
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
Bloomberg Code	CORSTIN
ISIN Code	ZAE000031522
JSE Code	CSIF

CORONATION STRATEGIC INCOME FUND

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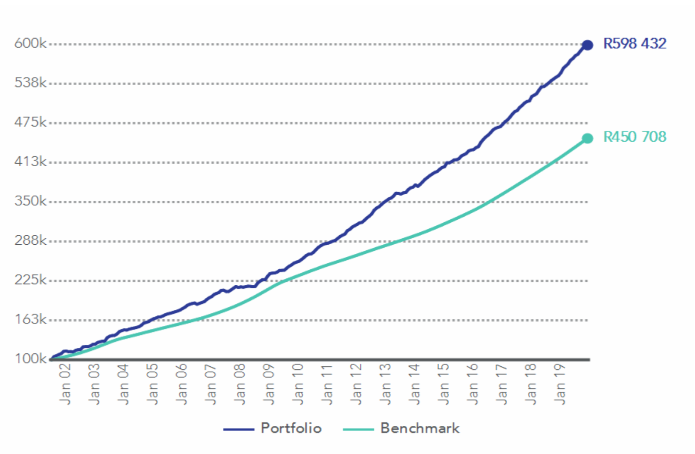
CLASS A as at 30 November 2019

Fund category	South African - Multi Asset - Income
Launch date	02 July 2001
Fund size	R46.30 billion
NAV	1569.88 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	0.99%	0.99%
Fund management fee	0.85%	0.84%
Fund expenses	0.02%	0.02%
VAT	0.13%	0.12%
Transaction costs (inc. VAT)	0.01%	0.01%
Total Investment Charge	1.00%	1.00%

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)	498.4%	350.7%	147.7%
Since Launch (annualised)	10.2%	8.5%	1.7%
Latest 15 years (annualised)	9.1%	7.8%	1.2%
Latest 10 years (annualised)	8.9%	6.9%	2.1%
Latest 5 years (annualised)	8.1%	7.5%	0.6%
Latest 3 years (annualised)	8.4%	7.7%	0.7%
Latest 1 year	8.8%	7.7%	1.2%
Year to date	7.9%	7.0%	0.9%

	Fund
Modified Duration	1.4
Modified Duration (ex Inflation Linkers)	1.0
Yield	8.5%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	2.5%	0.7%
Sharpe Ratio	0.84	N/A
Maximum Gain	60.5%	N/A
Maximum Drawdown	(1.3)%	N/A
Positive Months	93.2%	N/A

	Fund	Date Range
Highest annual return	18.7%	Nov 2002 - Oct 2003
Lowest annual return	2.6%	Jun 2007 - May 2008

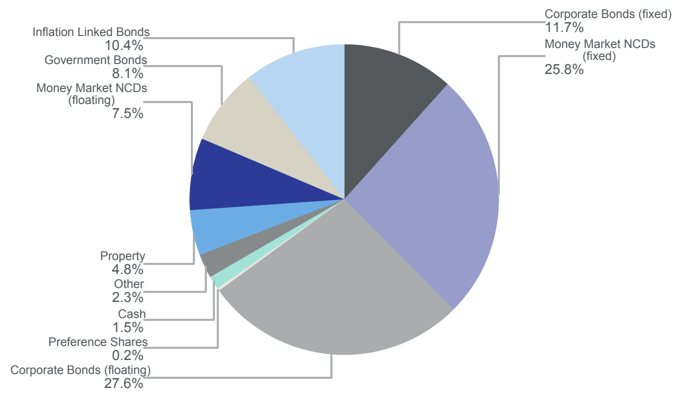
PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Nov 2019
Domestic Assets	89.8%
Cash	37.0%
Bonds	51.5%
Listed Property	3.8%
Preference Shares	0.2%
Other (Currency Futures)	(2.8)%
International Assets	10.2%
Cash	2.6%
Bonds	6.5%
Property	1.0%

PORTFOLIO COMPOSITION

As at 30 Nov 2019



INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2019	01 Oct 2019	30.22	0.52	29.70
28 Jun 2019	01 Jul 2019	29.49	0.36	29.13
29 Mar 2019	01 Apr 2019	28.95	0.84	28.11
31 Dec 2018	02 Jan 2019	31.03	1.12	29.91

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2019	1.3%	0.6%	0.6%	1.0%	0.5%	0.8%	0.4%	0.9%	0.8%	0.5%	0.3%		**7.9%**
Fund 2018	0.4%	0.4%	1.1%	1.0%	0.1%	0.5%	0.6%	0.7%	0.5%	0.5%	0.4%	0.9%	**7.3%**
Fund 2017	0.9%	0.5%	0.9%	1.0%	0.8%	0.4%	1.0%	0.6%	0.8%	0.5%	0.2%	1.4%	**9.3%**

Issue date: 2019/12/10

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 retail class of the fund.

The fund returned 0.5 % in October, bringing its total return to 8.9% for the 12-month period. This is ahead of the returns delivered by cash (7.0%) and its benchmark (7.7%) over the same one-year period.

Local bonds had a poor performance in October. The All Bond Index returned -0.35% for the month, with the 12+ year part of the curve taking most of the hit and returning -0.51%. The one- to three-year part of the curve held steady and generated 0.55%. Inflation-linked bonds also delivered disappointing performance and returned -0.50%. Cash returns remained positive and generated 0.55% for the month.

The month of October was plagued by weak GDP prints from developed economies for the third quarter of 2019 (Q3-19). This points to a synchronised slowdown in global economic activity, on the back of Brexit uncertainty, renewed central bank activity and ongoing trade talks between the US and China, among other macroeconomic and geopolitical anxieties. South Africa delivered a sombre Medium-Term Budget Policy Statement (MTBPS), and ratings agency Moody's changed the country's credit rating outlook from stable to negative but affirmed the sovereign credit rating at Baa3.

The Federal Reserve Board (the Fed) cut interest rates by 25 basis points (bps) to the 1.5% - 1.75% target range at its October meeting. Fed Chairman Jerome Powell indicated that future policy actions will be data dependent, and that the Fed will continue to assess the impact of the previous interest rate cuts on the economy. He also noted that US inflation has been well contained below the 2% target and consumer spending been strong over the last few months.

In the UK, Prime Minister Boris Johnson struck a deal with the EU that was later rejected by Parliament. This resulted in an application for a Brexit deadline extension to January 2020, and, subsequently, the announcement of a fresh election, scheduled for 12 December this year. The pound weakened slightly on the back of the failed Brexit deal, and economic data remains lacklustre.

The rand was up 1.3% over the month, ending at $1/R15.10. The rand's performance has lagged many of its emerging market peer group currencies, which is justified given the poor local fundamentals, and, more specifically the fiscal deterioration signaled at the MTBPS. The fund maintains its healthy exposure to offshore assets, and, 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. This has the added benefit of enhancing the fund's yield when bringing offshore exposure back into rand.

At the end of September, shorter-dated fixed-rate negotiable certificates of deposit (NCDs) traded at 7.85% (three year) and 8.33% (five year); slightly higher over the month. The spreads of floating-rate NCDs have dulled in appeal over the last few quarters due to a compression in credit spreads. There has been a reduced need for funding from banks in South Africa, given the low-growth environment. Fixed-rate NCDs continue to hold appeal due to the inherent protection offered by their yields and relative to our expectations for a stable repo rate. However, credit spreads remain in expensive territory (less than 100bps in the three-year area and 110bps in the five-year area). The fund continues to hold decent exposure to these instruments (less floating than fixed), but we will remain cautious and selective when increasing exposure. NCDs have the added benefit of being liquid, thus aligning the liquidity of the fund with the needs of its investors.

In South Africa, September headline inflation slowed to 4.1% year on year (y/y) vs August's 4.3% y/y. Core inflation moderated to 4.0% y/y from 4.1% y/y. The biggest contributor to the low number was a moderation in rental growth, while food inflation was largely unchanged at 3.7% y/y vs August's 3.8% y/y. Overall inflation pressures remain benign and inflation is well contained around the South African Reserve Bank (SARB)'s target midpoint.

Finance Minister Tito Mboweni's MTBPS disappointed markets, showcasing a budget deficit average of 6.2% of GDP over the next three years, increasing debt and debt service costs, and escalating the debt-to-GDP ratio to 71.3% in 2022/23. The country's finances have deteriorated significantly since the February budget, with state-owned-entity (SOE) bailouts and the large wage bill putting pressure on expenditure as revenue continues to disappoint. The revenue shortfall is expected to reach R50 billion this year and to increase further in the medium term. Overall, the statement painted a dire picture of the country's fiscal position and issued a strong warning to policymakers that any improvement needs to be contingent on tough political decisions about public sector wages, SOE bailout policies and improving nominal GDP growth.

Rating agency Moody's affirmed South Africa's Baa3 long-term foreign currency and local currency issuer rating but changed the sovereign credit rating outlook from stable to negative. Moody's decision to change the outlook from stable to negative reflects a loss of confidence in government's ability to address the deterioration in its finances and implement structural reforms to help revive economic growth. However, the rating agency cited the country's stable financial sector, resilience to a prolonged period of low growth and a robust macroeconomic policy framework as the main contributors in affirming the rating at Baa3.

South African inflation will remain benign and growth subdued, which would, at worse, allow policy rates to remain on hold. However, persistently low growth and the need for further support of SOEs will weigh heavily on government finances, resulting in wider budget deficits and a significant increase in the debt burden, as highlighted in the MTBPS. The outlook change to negative by Moody's, poses risk of a future subinvestment downgrade in the near term and a possible exit of South African government bonds (SAGBs) from the Citi World Government Bond Index. SAGBs trade at fair value at best and have a very limited margin of safety against a turn in global sentiment or a worsening in local economic conditions. Therefore, it is prudent to maintain a moderate allocation to SAGBs at current levels.

The local listed property sector was up 2.8% over the month, bringing its return for the rolling 12-month period to -4.7%. Listed property has been the largest drag on the fund's performance, primarily due to generalised equity weakness and idiosyncratic domestic issues relating to the pressure on tenant profitability as a result of lower GDP growth, which has had an unfavorable impact on the broader property sector. Despite the underperformance, from a valuation perspective, the sector remains very attractive. The changes in the property sector over the last decade (including the increased ability to hedge borrowings and large offshore exposures) should make listed property more resilient going forward. If one excludes offshore exposure, the property sector's yield is greater than 10%, which compares very favourably to the benchmark bond. The fund maintains holdings in counters that offer strong distribution and income growth, with upside to their net asset value. In the event of a moderation in listed property valuations (which may be triggered by further risk-asset or bond-market weakness), we will look to increase the fund's exposure to this sector at more attractive levels.

The Preference Share Index was up 1.1% over the last month and quarter, bringing its 12-month return to 20.1%. Preference shares offer a steady dividend yield linked to the prime rate and, depending on the risk profile of the issuer, currently yield between 9% and 11% (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 it 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 risks emanating from the dislocations between stretched valuations and the underlying fundamentals of the local economy. However, we believe that the fund's current positioning correctly reflects appropriate levels of caution. The fund's yield of 8.8% 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 31 October 2019

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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 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. Asset allocation and top 10 holdings are 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 (gross of fees) 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.

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)?

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 2018 (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

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.