

## LONG TERM OBJECTIVE

The Coronation Global Bond Strategy is a fixed income strategy that invests in a globally diversified portfolio of fixed income and money market instruments of varying maturities. The Strategy aims to maximise total return in a manner which is consistent with the preservation of capital and prudent investment management.

## INVESTMENT APPROACH

Coronation is a long-term, valuation-driven investment house. Our aim is to identify mispriced assets trading at discounts to their fair value through extensive proprietary research. The fixed income portfolios are positioned on a long term strategic market view, but this is balanced by taking advantage of shorter-term tactical opportunities when the market lags or runs ahead of that strategic view. As active managers, we consider investment decisions across the full spectrum of potential return enhancers. These include duration and yield curve positions, inflation-linked assets as well as yield enhancement through credit enhanced assets. We aim to maximise returns by actively combining both a top-down and a bottom-up approach to portfolio construction.

## STRATEGY RETURNS GROSS OF FEES

Period	Strategy	Benchmark	Active Return
Since Inception (cumulative)	44.2%	8.0%	36.2%
Since Inception p.a.	2.4%	0.5%	1.9%
Latest 15 years p.a.	2.6%	0.6%	2.0%
Latest 10 years p.a.	1.9%	0.1%	1.8%
Latest 5 years p.a.	0.6%	(2.0)%	2.6%
Latest 3 years p.a.	(1.1)%	(4.5)%	3.4%
Latest 1 year	(0.8)%	(1.7)%	0.9%
Year to date	(0.8)%	(1.7)%	0.9%
Month	(2.5)%	(2.1)%	(0.4)%

## CURRENCY EXPOSURE

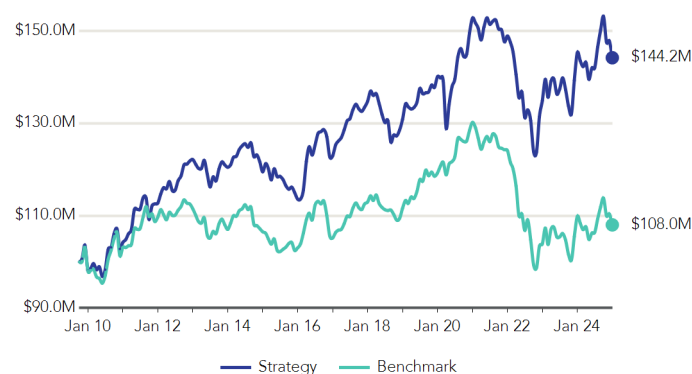
Currency	% Strategy
USD	43.0%
EUR	25.7%
JPY	13.1%
CNY	4.6%
AUD	3.3%
ZAR	2.5%
KRW	1.9%
GBP	1.6%
IDR	1.2%
Other	3.1%

## GENERAL INFORMATION

Inception Date	01 October 2009
Strategy Size *	\$30.0 million
Strategy Status	Open
Mandate Benchmark	Bloomberg Barclays Global Aggregate Bond TR Unhedged USD (LEGATRUU Index)
Redemption Terms	An anti-dilution levy will be charged
Base Currency	USD

\*Strategy assets under management as at the most recent quarter end.

## GROWTH OF US\$100M INVESTMENT



Benchmark: Bloomberg Barclays Global Aggregate Bond TR Unhedged USD (LEGATRUU Index)

## ASSET ALLOCATION

Asset Type	% Strategy
Fixed Rate Government Bonds	53.2%
Fixed Rate Corporate Bonds	23.5%
Government ILBs	13.7%
Floating Rate Government Bonds	5.3%
Other	2.2%
Cash	1.4%
Floating Rate Corporate Bonds	0.7%

## EFFECTIVE MATURITY PROFILE

Term	% Strategy
0 to 1 year	2.9%
1 to 3 years	25.1%
3 to 7 years	35.1%
7 to 12 years	27.1%
Over 12 years	9.8%

## STRATEGY STATISTICS

Modified Duration (incl. inflation-linked bonds)	(16.5)
Modified Duration (excl. inflation-linked bonds)	(17.4)

## PORTFOLIO MANAGERS



Nishan Maharaj - BSc (Hons), MBA

Nishan is Head of Fixed Interest at Coronation and a portfolio manager across all fixed interest strategies. He joined Coronation in 2012 has 21 years' investment experience.



Seamus Vasey - BCom (Hons), MSc, CFA

Seamus is a portfolio manager and analyst within the Fixed Interest investment unit with more than 20 years' investment experience. He manages assets within Coronation's specialist bond strategies. He also co-manages the Coronation Global Bond and Granite Hedge funds as well as the Global Strategic USD and Bond unit trust funds.



Steve Janson - BBusSc

Steve is a portfolio manager and analyst within the Fixed Interest investment unit, with 17 years' investment experience. Steve's current responsibilities include fixed income and property research responsibilities as well as co-managing the Coronation Active Bond Strategy and Coronation Bond unit trust fund.

## REGULATORY DISCLOSURE AND DISCLAIMER

The Prospectus and a Summary of Investor Rights can be sourced on the following link: <https://www.coronation.com/en/institutional/strategy-information/literature/>.

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## REVIEW FOR THE QUARTER

The final few months of 2024 were largely dominated by the anticipation and then subsequent reaction to the US Presidential election held in November. Arguably, much of the additional financial market volatility and relative asset price moves are increases in selective risk premia, pre-empting the implementation and effect of the new administration's policies and politics. As such, the scope for reversals and recalibration is undoubtedly high in the coming months.

While US political considerations dominated financial market agendas in Q4, macroeconomic data flow provided a complicating dynamic. After meaningful negative data surprises across Q3, these reversed aggressively in the last few months of the year, suggesting an underlying resilience to the US economy that had been under-appreciated. While economic activity data was mixed overall – with the housing market still under pressure – spending and labour market dynamics proved unexpectedly robust. Alongside the Republican Party's 'clean sweep', which has introduced an entirely new risk profile to the US – and global – outlook, the Federal Reserve Board's (the Fed) response over Q4 was to continue reducing the policy rate (2x 25bps cuts), but overall to pivot much more hawkishly. Indeed, while FOMC guidance previously suggested the likelihood of four additional rate cuts over 2025, this was cut back to only two additional cuts.

US rates rose substantially over Q4, across the yield curve. The US election results motivated bond markets to incorporate both a higher fiscal risk premium and inflation buffer. Shorter-end rates experienced some of this re-pricing but also incorporated a sharp adjustment in monetary policy expectations, as Fed guidance reversed course in response to both short-term data flow and the longer-term risks posed by a potentially seismic change in the political and policy landscape. The US 10-year Treasury yield started the quarter below 3.80% – around the lowest levels of 2024 – before rising to close the year above 4.50% – near the range highs seen over 2024. Notably, longer-tenor yields ended up relatively more elevated at end-2024, increasingly reflecting the market's gravest concerns for US interest rates: the incoming administration's potential lack of fiscal discipline.

Global bond yield movements largely reflected the repricing brought about by the sell-off in US Treasuries. However, this was naturally less prominent and adulterated by local conditions in each market. European bonds sold off, partly reflecting global rate repricing and a more cautious European Central Bank. However, inflation continues to be soft, and the outlook benign across most of the continent. Within the eurozone, differences in bond market performance by country mostly reflected cyclical divergences – as is typically the case. However, there are deep political schisms within many of Europe's major economies and some of these materialised assertively in the last months of 2024. Within bond markets, this was most clearly seen in French spreads, as fiscal ructions and an imploding government demanded a re-pricing of sovereign risk. The 10-year German Bund ended 2024 at c. 2.4% after starting the year at an extremely subdued 2.0%. The UK wasn't quite as fortunate. The new administration's first Budget contained quite a few surprises, particularly around higher borrowing levels. Indeed, deep fiscal concerns are unlikely to be far below the surface in this market for the foreseeable future. Despite this, the Bank of England retained their bias towards cutting rates further (currently 4.75%), even as the inflation backdrop has become less supportive of their stance. The 10-year UK Gilt ended the year around 4.6%, having started 2024 around 3.6% (with most of this increase occurring in Q4). Finally in DM, Japanese yields weakened over Q4, largely reflecting the impetus of global base rates, but also as the Bank of Japan continues to motivate for 'normalising' interest rates in Japan. Thus, even as the base rate remained steady at 0.25%, Japan remains one of the few economies globally still firmly set on a rising interest rate cycle. Last year was meaningful for Japanese rates. The 10-year yield started 2024 around 0.6% and ended north of 1.1% – levels last seen in 2011.

For global inflation-linked bond markets, 2024 was an unforgiving year. Of the Developed Market linker markets, only the US managed to eke out a small positive gain for the whole year (c. +1.8%), while all the rest produced really quite poor outcomes. The worst of which included: the UK (c. -10%), Australia (c. -10%), France (c. -9%), and New Zealand (c. -9%). These particularly adverse outcomes were all achieved over Q4 – the year-to-date (YTD) performances prior to this point had nearly all been positive. The US 10-year real yield moved from c. 1.6% by end-September to over 2.2% by year-end – around the yield highs seen earlier in the year. The German 10-year real yield saw a move from around its range lows of the year (c. 0.3%) up to the year's range highs (0.6%). But the most devastating adjustment – unsurprisingly – came in the UK. Here, the 10-year real yield moved from below 0.6% to well over 1.0% in Q4 – after starting the year at a barely positive 0.25%.

Within Emerging Market (EM) bonds, the hard currency-denominated sector fell c. 2.0% over the last quarter to provide an absolute return of c. +6.5% for the year. The vast bulk of performance came from spread compression (+6.6%), while base rates detracted (-0.1%). There was significant bifurcation elsewhere too. Investment Grade EM sovereign bonds achieved a sub-par +0.3% for the entire year, while High Yield EM USD government bonds shot the lights out with a total return of +12.9%. Notably, the lower-quality credit outperformance was dominated by extreme recoveries from a handful of highly distressed entities (e.g., Pakistan +42%, Ukraine +62%, Ecuador +70%, Argentina +102%, and Lebanon +117%).

For local currency EM sovereign bonds, 2024 ended up being a dud year (-2.4% in USD). The third quarter was an exceptionally strong period that was undone in the remaining months of 2024. For the most part, this was largely a currency story – and mainly really all about the US dollar. Coupons paid by EM bonds provided a return over the year of +5.6%; capital movements were largely inconsequential overall at -0.3%, but it was EM currency weakness of -7.3% that dictated the overall outcome. That said, there were a few notable underperformers: Hungary -9.4%, Mexico -15.4% and Brazil -39%. Notable top performers included: Thailand +6%, Malaysia +6.9% and South Africa +13.6%. The fourth quarter was largely a reflection of the year as a whole in terms of relative contributions. The market was down 7% overall; coupons accrued added 5.8% (ann.), while currency movements took off 6.6% and price declines averaged 1.8%. Re-pricing of global base rates and the USD were the primary forces acting on EM bonds over the remaining months of 2024.

Global spread markets had an interesting close to the year, although performances were mixed depending on which market you look at. In the US, the affirming cyclical economic backdrop and potential short-term boost to the US corporate sector from the incoming administration's 'business friendly' policies served to retain demand for US corporate credits. Thus, despite the substantial sell-off in US interest rates that dominated returns across fixed income markets in Q4, this was somewhat buffered in corporate credit markets by offsetting strength through tightening credit spreads. For example, the US investment grade (IG) market had a Q4 total return of -2.8% (yields moving from 4.7% to 5.4%); this would have been worse except for an offsetting excess return of +1% as spreads compressed c. 10bps. The US High Yield (HY) market reflected the same dynamic, although it managed a positive total return of +0.2% over the quarter as spreads also compressed, offsetting the repricing higher of base rates. In the other primary DM corporate credit market, the eurozone, corporate credit assets largely performed reasonably, especially in comparison to their US equivalents. This is as base rates didn't adjust quite as sharply higher in Europe, and there was additional room for even more spread compression in Europe relative to the US. For the year, US IG bonds provided a return of 2.8%; US HY gave 8.2%, while in Europe, IG provided 4.7% (EUR) in 2024 and HY 8.6% (EUR).

With respect to Strategy's activity over the quarter, as is mostly the case, the bulk of transactions related to the recycling of existing exposures that had drifted into modestly expensive territory and were replaced by new issues perceived to be relatively cheaply priced. This tends to occur within the higher-rated credit buckets involving short-dated issues (usually one to three years). There is also the natural recycling of maturing issues, given that the Strategy tends to have a meaningful and continuous liquidity ladder spanning from one quarter to the next.

The Strategy's aggregate interest rate exposure ended up largely unchanged from end-Q3 to end-Q4, although the composition was adjusted. As US rates sold off, the Strategy opportunistically added interest rate risk at select points on the yield curve. However, non-USD duration was reduced, especially in EM exposure which increasingly looked vulnerable in the face of a rapidly evolving US political and monetary environment. Aggregate credit exposure has been reduced even further over the last three months of the year – this has been valuation driven, even as the cyclical backdrop to corporate credit spreads has arguably improved in the short term. The Strategy's HY exposure is now especially low on a through-the-cycle basis; the capacity to acquire higher risk exposure as opportunities present themselves in the months ahead is encouragingly capacious.