

## WHAT IS THE FUND'S OBJECTIVE?

Active Income Plus aims to provide investors with a higher total return than traditional short duration income funds over the medium term.

## WHAT DOES THE FUND INVEST IN?

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

The fund's effective exposure to property and equities is typically limited to a maximum of 10%. Total exposure to international assets will typically be limited to 25% (on both an effective exposure and SARB offshore asset capacity basis).

The fund has a flexible mandate with no prescribed maturity or duration limits for its investments or for the portfolio as a whole. The fund is mandated to use derivative instruments for efficient portfolio management purposes and can invest in other collective investment schemes.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

### Risk Profile



### Maximum growth/ minimum income exposures



Active Income Plus is tactically managed to secure an attractive return, while protecting capital over the medium term.

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, it will not always outperform short-duration income funds 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 24-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).

Given its limited exposure to growth assets, the fund is not suited as the sole holding for investment terms of longer than five years.

## WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who

- ▶ are looking for a liquid alternative to medium-term fixed deposits (3-5 years);
- ▶ seek managed exposure to income generating investments;
- ▶ believe in the benefits of active management within the fixed interest universe;
- ▶ are looking for a conservatively managed fixed income building block for use as a component of a low to moderate risk multi-asset portfolio appropriate for funding income drawdown commitments

## WHAT COSTS CAN I EXPECT TO PAY?

The annual management fee is 0.75%.

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](http://www.coronation.com).

## WHO ARE THE FUND MANAGERS?



**NISHAN MAHARAJ**  
BSc (Hons), MBA



**MAURO LONGANO**  
BScEng (Hons), CA (SA)

## GENERAL FUND INFORMATION

<b>Launch Date</b>	29 November 2023
<b>Fund Class</b>	A
<b>Benchmark</b>	Alexander Forbes STeFI Composite Index
<b>ASISA Fund Category</b>	South African – Multi-asset – Income
<b>Regulation 28</b>	Complies
<b>Income Distribution</b>	Quarterly (March, June, September, December)
<b>Investment minimum</b>	R5 000 or R500/m debit order
<b>ISIN Code</b>	ZAE000327516
<b>JSE Code</b>	CAIPA

CLASS A as at 30 November 2024

ASISA Fund Category	South African – Multi-asset – Income
Launch date	29 November 2023
Fund size	R 1.21 billion
NAV	105.55 cents
Benchmark	AF STeFI Composite Index
Portfolio manager/s	Nishan Maharaj and Mauro Longano

Total Expense Ratio	1 Year *	3 Year *
Fund management fee	0.89%	0.89%
Fund expenses	0.75%	0.75%
VAT	0.03%	0.03%
Transaction costs (inc. VAT)	0.11%	0.11%
Total Investment Charge	0.01%	0.01%
	0.90%	0.90%

## PERFORMANCE AND RISK STATISTICS

## PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	12.5%	8.5%	4.0%
Since Launch (annualised)	12.5%	8.5%	4.0%
Year to date	10.8%	7.7%	3.1%

Yield (Net of Fees)	8.6%
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## RISK STATISTICS

Current	Fund
Weighted average time to maturity (credit)	2.4 years
Modified Duration	2.3 years
Modified Duration (ex Inflation Linked Bonds)	1.5 years

Since Inception	Fund	Benchmark
Annualised Deviation	2.0%	0.1%
Sharpe Ratio	1.93	
Maximum Gain	12.5%	

Positive Months	Fund	Date Range
Highest annual return	100.0%	Dec 2023 - Nov 2024
Lowest annual return	12.5%	Dec 2023 - Nov 2024

## CREDIT RATINGS

	% of Fund
AAA+ to A-	79.3%
BBB+ to B-	4.0%
CCC+ to C-	0.0%
CLNs	10.4%
No Rating	6.3%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2024	01 Oct 2024	2.05	0.00	2.05
28 Jun 2024	01 Jul 2024	2.11	0.01	2.10
28 Mar 2024	02 Apr 2024	1.89	0.00	1.89
29 Dec 2023	02 Jan 2024	0.65	0.00	0.65

## MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2024	1.0%	0.2%	0.2%	0.6%	1.0%	1.9%	1.5%	1.2%	1.5%	0.1%	1.1%		10.8%
Fund 2023												1.5%	1.5%

## PORTFOLIO DETAIL

## ASSET ALLOCATION BY INSTRUMENT TYPE

	Domestic Assets	International Assets
Cash and Money Market NCDs	25.1%	0.1%
Fixed Rate bonds	25.8%	8.0%
Floating Rate bonds	16.2%	0.4%
Inflation-Linked bonds	17.6%	0.3%
Credit Linked Notes (CLNs)	2.7%	7.7%
Listed Property	1.8%	0.0%
Preference shares	0.1%	0.0%
Other (Currency Futures)	(5.8%)	0.0%
<b>Total</b>	<b>83.5%</b>	<b>16.5%</b>
<b>Net offshore exposure after currency hedge</b>		<b>3.0%</b>

## ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Government	34.0%
Banks and Insurers: NCDs & Deposits	25.5%
Banks: Senior Debt	22.6%
Other Corporates	8.3%
Banks: Subordinated debt (>12m)	5.4%
State Owned Enterprises	2.2%
Coronation Global Bond Fund	2.1%
REITs: Equity and Debt	1.8%
Insurers	1.8%
Banks: Subordinated debt (<12m)	1.3%
Coronation Global Strategic Income	0.8%
Currency Futures	(5.8%)
<b>Total</b>	<b>100.0%</b>

## TOP 5 CREDIT EXPOSURE

	% of Fund
Republic Of South Africa	39.0%
Standard Bank Of SA Ltd	13.6%
Nedbank Ltd	10.7%
Firstrand Bank Ltd	7.0%
Absa Bank Ltd	6.6%

## TOP 5 REFERENCE ENTITY EXPOSURE

	% of Fund
Republic of South Africa	6.4%
MAS	1.1%
Nepi	0.7%
Prosus	0.6%
CDX IG	0.6%

100% of CLN exposure is issuer valued with a daily or at worst weekly price frequency

\*As this is a newly launched fund, the TER and TC's are based on an estimated calculation.

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

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

#### Performance and fund positioning

The Fund returned 1.48% in September. Since inception almost a year ago, the Fund has returned 11.19%, which is ahead of cash 6.85% and its benchmark (7.07%) over the period. We believe that the current positioning offers the best probability of achieving at least cash + 2% over the medium to longer term.

Risky assets rejoiced in chorus at the near synchronous start to the global rate cutting cycle. The US Federal Reserve Board (the Fed) provided more reason for exuberance, with a jumbo reduction in lending rates of half a percentage point to mark the start of the rate cutting cycle. This was the first time in over 20 years that a US cutting cycle outside of hot wartimes or a crisis has started with such fervour. Global bond markets embraced the chords of jubilation from policymakers, as they rallied into the event, with almost every bond market in the world lower from a yield perspective over the quarter. South African (SA) assets, which have been enjoying renewed investor enthusiasm since the formation of the coalition government, topped the performance tables.

SA bonds returned 10.54% over the quarter, bringing their year-to-date (ytd) and one-year returns to 16.68% and 26.14%, respectively. As can be expected, cash has significantly lagged bond returns, by more than 10% ytd and over the one year. Falling inflation has been dreadful for inflation-linked bonds (ILBs). The instruments have managed to outperform cash over all periods; however, they have returned half of their nominal equivalents (4.75% quarter-to-date [qtd]; 6.89% ytd; 13.38% over 12 months). The rand has gained c.6% against the dollar since the start of the year, outperforming its emerging market peer group. This has meant that, despite the strong rally in global bond markets, local bonds have outperformed global bonds significantly (FTSE World Government Bond Index returned 6.95% qtd, 2.72% ytd and 11.02% over 12 months in US dollars). The primary reason for the strong performance of the local bond market has been a reduction in the risk premium post elections, which spurred a c.250 basis point (bps) rally (compression) in bond yields.

The Fed surprised the market by cutting the fed funds target range by 50bps to a range of 4.75% – 5% at the Federal Open Market Committee meeting in September. The Fed cautioned markets that the 50bps cut would not be the norm going forward. This quantum was put through on the back of moderating inflationary pressures and to help stabilise the labour markets.

US headline inflation slowed to 2.5% year/year (y/y) in August from 2.9% y/y in July, while core inflation remained unchanged at 3.2% y/y. The main driver of the moderation was another fall in energy costs, used as well as new car prices, and consumer discretionary goods. This was offset by shelter costs which increased, coupled with stubborn core goods and services prices that kept core inflation elevated.

In emerging markets (EM), the People's Bank of China announced a range of support measures for the sluggish Chinese economy, including rate cuts and fiscal stimulus, to help boost economic growth and get the domestic demand out of deflationary territory. The one-year medium-term lending rate was cut by 30bps to 2.0% and the reserve requirement for banks was reduced by 50bps to 9.5%, freeing up lending capacity. Some relief was aimed at the property market with relaxed lending credit policies being announced. While early financial market reaction was positive following the announcements, sustained momentum depends on the prompt implementation of announced measures and ability to deliver a rebound in domestic demand and a turnaround in the struggling property sector.

The rand ended the month at R17.27/US\$1, putting the currency's performance ahead of its EM peer group since the beginning of the year. Offshore credit assets and certain developed market bonds continue to flag as relatively attractive. The Fund has utilised a significant part of its offshore allowance to invest in these assets. When valuations are stretched, the Fund 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 its exposure synthetically, allowing it to maintain its core holdings in offshore assets.

In a widely anticipated move, the South African Reserve Bank (SARB) cut the repo rate by 25bps, taking it to 8% from 8.25% at the September MPC meeting. The tone of the after-meeting statement was dovish, acknowledging an improved inflation outlook, moderating inflation expectations, although still too high, and included some meaningful near-term downward revisions to the SARB inflation forecasts. Inflation in 2024 is expected to average around 4.6% from the previous estimate of 4.9%.

Headline inflation eased to 4.4% y/y in August from 4.6% y/y in July, while core slowed to 4.1% y/y from 4.3% y/y. The main contributor to the easing was also another fall in fuel prices, coupled with a moderation in goods inflation including water, household furnishings, communication equipment and broader services prices.

At the end of September, shorter-dated fixed-rate negotiable certificates of deposit (NCDs) traded at 8.03% (three-year) and 8.53% (five-year), significantly lower than compared to the end of the previous month. Our inflation expectations suggest that the current pricing of these instruments remains attractive due to their lower modified duration and, hence, high breakeven relative to cash. 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 global monetary policy easing cycle has boosted the wind in the sails of risky assets' performance. Global and emerging market bond yields are all significantly lower than at the start of the year. However, current market pricing of interest rate expectations seems ambitious, which suggests global bond yields are well priced at current valuations. SA bonds have enjoyed renewed investor optimism following the formation of the Government of National Unity and on the heels of the global bond rally. SA inflation expectations have reduced significantly but are now fairly priced in through repo rate expectations. The country's fiscal accounts remain at risk over the longer term and current bond valuations fully discount a more optimistic outcome. ILBs still offer value relative to nominal bonds, if inflation materialises higher than forecast or if real yields follow nominal bond yields lower. Bond portfolios should be positioned neutral duration at current levels with a healthy dose of ILBs for good measure.

The local listed property sector was up 5.16% over the month of September, bringing its 12-month return to 50.97%. Operational performance will remain in the spotlight as an indicator of the pace and depth of the sector's recovery. The current subdued growth outlook, combined with an increase in the cost base, due to higher administered prices and second-round effects on loadshedding, will weigh on the sector's earnings in the coming year. We believe that one must remain cautious given the high levels of uncertainty around the strength and durability of the local recovery.

We believe that allocating significant amounts of capital to the local credit market is unwise and would represent a substantial opportunity cost in the face of attractive valuations in other, more liquid asset classes. The current level of credit spreads on offer are at historically compressed.

The use of structured products, such as credit-linked notes (CLNs), has become ubiquitous within the local market. This sector of the market has grown exponentially over the last five years and has reached a market size of over R100 billion. However, only a third of this market reprices, creating an inaccurate representation of asset volatility and pricing. CLNs mask the underlying/see-through credit risk as the issuing entity (predominantly local banks) is seen as the primary credit risk. The increased usage of CLNs has not expanded the pool of borrowers, rather it has only served to concentrate it. This is due to the ability to limit the volatility of these instruments through not marking them to market<sup>1</sup> based on the underlying asset price movements. This is why CLN repacks of SA government bonds have become so popular over the last five years. The combination of attractive yields and no volatility is an opportunity that not many would pass up, unless, of course, transparency of pricing is important to the underlying investor. As a result, there can be significant unseen risks within fixed income funds. Investors need to remain prudently focused on finding assets of which the valuations are correctly aligned to fundamentals and efficient market pricing.

#### Outlook

We remain vigilant of the risks 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, while its yield of 9.45% (gross of fees) remains attractive relative to its duration risk (which measures the Fund's sensitivity to changes in interest rates). We continue to believe that this yield is an adequate proxy for expected portfolio 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 30 September 2024

<sup>1</sup> Valuations are not regularly adjusted to mirror their current value

**IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION ACTIVE INCOME PLUS 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 25%) 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 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. The yield disclosed on the MDD is current and calculated as at the MDD reporting date.

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](http://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)?**

The TER and Transaction Costs cannot be determined accurately because of the short life span of the Financial Product. Calculations are based on actual data where possible and best estimates where actual data is not available.

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 over the period referenced. 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 underlying 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 the previous financial year (updated annually). The 3 year TER is for a rolling 36-month period to the last available 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](http://www.coronation.com)

**IMPORTANT INFORMATION REGARDING TERMS OF USE**

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