

WHAT IS THE FUND'S OBJECTIVE?

SA Income Fund aims to achieve a higher return than a traditional money market or ultra-short duration income fund.

WHAT DOES THE FUND INVEST IN?

SA Income can invest in South African bonds, fixed deposits, and other interest-bearing securities which have a fixed maturity date and either have a predetermined cash flow profile or are linked to benchmark yields.

The fund does not invest in any equity securities, real estate securities or cumulative preference shares. The fund will not invest in any assets deemed offshore for SARB reporting purposes.

The fund is mandated to use derivative instruments for efficient portfolio management purposes.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Risk Profile

Maximum growth/
minimum income exposures

SA Income is tactically managed to secure an attractive return, while protecting capital. The fund's weighted average modified duration is limited to a maximum of two.

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 six months and longer. Given its lack of 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 6 to 36 months;
- ▶ seek managed exposure to South African income generating investments;
- ▶ believe in the benefits of active management within the fixed interest universe;
- ▶ do not have appetite for exposure to offshore assets;
- ▶ the fund is particularly suited to those who require exposure to South African interest bearing securities as part of a diversified portfolio.

WHAT COSTS CAN I EXPECT TO PAY?

The annual management fee is 0.65%.

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	29 November 2023
Fund Class	A
Benchmark	Alexander Forbes STeFI Composite Index
ASISA Fund Category	South African – Interest Bearing – Short Term
Regulation 28	Complies
Income Distribution	Quarterly (March, June, September, December)
Investment minimum	R5 000 or R500/m debit order
ISIN Code	ZAE000327565
JSE Code	CSSIA

CLASS A as at 30 September 2024

ASISA Fund Category	South African – Interest Bearing – Short Term
Launch date	29 November 2023
Fund size	R273.08 million
NAV	103.67 cents
Benchmark	AF STeFI Composite Index
Portfolio manager/s	Nishan Maharaj and Mauro Longano

	1 Year *	3 Year *
Total Expense Ratio	0.78%	0.80%
Fund management fee	0.65%	0.65%
Fund expenses	0.03%	0.05%
VAT	0.10%	0.10%
Transaction costs (inc. VAT)	0.00%	0.00%
Total Investment Charge	0.78%	0.80%

PERFORMANCE AND RISK STATISTICS

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	8.5%	7.1%	1.4%
Year to date	7.4%	6.3%	1.1%

Yield (Net of Fees)	8.5%
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RISK STATISTICS

Current	Fund
Weighted average time to maturity (credit)	1.5 years
Modified Duration	1.2 years
Modified Duration (ex Inflation Linked Bonds)	0.6 years

Risk statistics will be published once a 12-month record has been established.

CREDIT RATINGS

	% of Fund
AAA+ to A-	96.0%
BBB+ to B-	0.4%
CCC+ to C-	0.0%
CLNs	2.9%
No Rating	0.6%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2024	01 Oct 2024	2.06	0.00	2.06
28 Jun 2024	01 Jul 2024	2.03	0.00	2.03
28 Mar 2024	02 Apr 2024	1.94	0.00	1.94
29 Dec 2023	02 Jan 2024	0.59	0.00	0.59

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2024	0.8%	0.4%	0.3%	0.7%	0.8%	1.2%	1.1%	0.9%	1.1%				7.4%
Fund 2023												1.0%	1.0%

PORTFOLIO DETAIL

ASSET ALLOCATION BY INSTRUMENT TYPE

	% of Fund
Cash and Money Market NCDs	38.4%
Fixed Rate bonds	17.0%
Inflation-Linked bonds	24.7%
Floating Rate bonds	17.0%
Credit Linked Notes (CLNs)	2.9%
Total	100.0%

ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Banks and Insurers: NCDs & Deposits	38.4%
Government	27.5%
Banks: Senior Debt	18.0%
Other Corporates	6.9%
Insurers	3.0%
State Owned Enterprises	2.5%
Banks: Subordinated debt (<12m)	1.9%
Banks: Subordinated debt (>12m)	1.8%
Total	100.0%

TOP 5 CREDIT EXPOSURE

	% of Fund
Republic Of South Africa	29.9%
Nedbank Ltd	15.9%
Firstrand Bank Ltd	15.4%
Absa Bank Ltd	12.9%
Standard Bank Of SA Ltd	9.0%

TOP 5 REFERENCE ENTITY EXPOSURE

	% of Fund
Republic of South Africa	2.5%
MTN	0.4%

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 3.10% for the quarter to end September 2024, which is ahead of the STeFI Composite benchmark of 2.07%. Since inception last year, the Fund has returned 8.44%, which is ahead of the benchmark return of 7.07%.

The recent quarter continued to see positive sentiment filter through into domestic asset classes, which benefited the Fund via its holdings in nominal government bonds and longer-dated fixed rate NCDs. Economic data was also encouraging, with the August headline and core CPI measures beating expectations at 4.4% year-on-year (y/y) and 4.1% y/y, respectively. The main reasons for the slowdown in these measures were lower fuel prices, coupled with a moderation in both goods and services inflation.

Following on from the above, the SARB MPC started its cutting cycle with a 25 basis points (bps) cut, taking the repo rate to 8.0% and consequently providing additional support for duration assets (assets that are sensitive to interest rate changes). The decision was reached 'by consensus' and followed a more aggressive 50bps cut by the US Federal Reserve the night before. The decision acknowledged an improved inflation outlook, moderating inflation expectations (although still too high), and was accompanied by a meaningful near-term downward revision to inflation forecasts. Growth is further expected to improve, supported by consumer spending, network industry improvements and improved sentiment.

The subdued inflation outlook, together with a more positive view on growth, points to a sustained easing cycle from here. Our call remains for a further 25bps of easing in November 2024, with another 75bps in 2025, taking the repo rate down to 7%.

Quarterly returns for the fixed income asset classes in which the Fund can invest were all compelling relative to cash. The FTSE/JSE All Bond Index (ALBI) posted a return of 10.54%. Once again, bonds with a duration of 12+ years posted the strongest performance, returning 14.17%. However, all the ALBI constituents performed well ahead of cash and the Fund was able to take advantage of this through its unhedged holdings of R2030 and R213 nominal government bonds, which posted returns of 7.39% and 8.69%, respectively. The Fund also used this opportunity to lock in gains, and modestly reduced nominal bond duration. Going forward, we still believe that the sub-one-year area of the curve offers the best risk/reward opportunity for a cash cognisant mandate.

National Treasury also introduced two new nominal bonds (R2033 and R2038) to take advantage of maturity gaps on the funding curve. As issuance increases, these may well be candidates for a position within the Fund.

Unlike the previous quarter, which offered opportunities in the money market space, this last quarter proved to be uneventful. Increased certainty on the path forward for short-term rates led to NCDs and Treasury Bills (T-bills) trading significantly lower. As an example, one-year NCDs retraced from 8.9% to 8.2%, with 12-month T-bills retracing by a similar magnitude. As highlighted in our previous commentary, we anticipated that the absorption of GEFECRA proceeds (Gold and Foreign Exchange Contingency Reserve Account) totaling around R80bn into the banking system would create downward pressure on bank credit spreads. This certainly proved to be the case, with one-year NCD credit spreads reducing from 62.5bps to 55.5bps. In the absence of any real credit issuance in the debt markets, NCD spreads are likely to remain low.

The above provides a good introduction to our views on credit, which we continue to see as expensive despite the strong performance of alternative asset classes. Corporate credit has continued to be well bid, and consequently, spreads continue to compress. Our exposure to corporate credit reduced

marginally over the period due to short-dated maturities not being fully replaced.

Appetite for credit has been further supported by the fact that the government bond spreads above comparable maturity interest rate swaps have compressed significantly. As a result, investing into hedged nominal government bonds as an alternative to credit has become less attractive. Using the R2030 government bond as an example, its spread above the five-year interest rate swap retraced from 170bps to 138bps during the quarter. The Fund did hold some hedged government exposure but sold when the spread dipped below our performance target.

The Fund's position in inflation linkers increased by around 5% and remains significant. This was funded largely out of short-dated nominal government bonds, predominantly the R186. The SA Government Inflation-Linked Bond Index lagged its nominal counterpart significantly, although still posted a cash-beating return of 4.75%. However, as is always the case with the inflation-linked bonds (ILBs), the returns can differ dramatically between individual instruments.

By far the most significant holding in the Fund remained the I2025, which unfortunately returned below cash at 1.61%, and was particularly impacted by the strong downward revisions in the short-term inflation profile. Our increased linker position mostly came about by adding I2029 and I2033 bonds, which returned above cash at 2.74% and 4.35%, respectively. While our muted inflation profile over the next year does make the one-year total return profile of linkers unattractive relative to nominal bonds, there are reasons why these instruments still warrant a position in a cash-cognisant mandate:

1. Real rates in the instruments we hold remain high relative to history, and returns are still expected to beat cash. In this respect, returns are also more compelling than the rates on offer from money market instruments such as NCDs and T-bills. As examples, the one-year total returns for I2029 and I2033 are expected to be 8.6% and 9.4%, respectively, which is well above our expectation for an average cash rate of 7.5%. Our I2025 holdings act as a cash proxy in the absence of more attractive instruments, with only four months until maturity.
2. ILBs have also traditionally provided greater protection than their nominal counterparts in the event of an inflation shock, which can be particularly damaging for a portfolio that carries duration risk and has a cash-cognisant benchmark. In effect, we do not position our portfolios for a single outcome.

Outlook

Given recent strong asset returns, we remain vigilant on valuation and will continue to only invest in instruments that we believe offer appropriate returns for the underlying level of risk. The global backdrop is also likely to become more volatile in the coming months, with elections in major economies and possible flare-ups in geopolitical tensions. However, given the current fund yield of 9.30%, together with its modest duration positioning, we believe it remains on track to deliver its target of cash +1.5% over the medium term.

Portfolio managers

Nishan Maharaj and Mauro Longano
as at 30 September 2024

IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION SA 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. 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; 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

IMPORTANT INFORMATION REGARDING TERMS OF USE

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