

## 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, in a manner similar to that usually employed by retirement funds.

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% on an effective exposure basis\*) 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.

\* Prudential (SARB) international exposure is typically limited to a maximum of 15%

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

## Risk Profile

Maximum growth/  
minimum income exposures

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?

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

Launch Date	2 July 2001
Fund Class	A
Benchmark	110% of STeFI 3-month index
ASISA Fund Category	South African – Multi-asset – Income
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

CLASS A as at 31 January 2025

ASISA Fund Category	South African - Multi Asset - Income
Launch date	02 July 2001
Fund size	R37.66 billion
NAV	1583.06 cents
Benchmark	110% of the STeFI 3-month Index
Portfolio manager/s	Nishan Maharaj and Mauro Longano

Total Expense Ratio	1 Year *	3 Year *
Fund management fee	0.87%	0.86%
Fund expenses	0.74%	0.74%
VAT	0.01%	0.01%
	0.11%	0.11%
Transaction costs (inc. VAT)	0.00%	0.00%
Total Investment Charge	0.87%	0.86%

## PERFORMANCE AND RISK STATISTICS

## PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	768.4%	523.3%	245.1%
Since Launch (annualised)	9.6%	8.1%	1.5%
Latest 20 years (annualised)	8.6%	7.5%	1.2%
Latest 15 years (annualised)	8.4%	6.7%	1.7%
Latest 10 years (annualised)	7.7%	7.0%	0.7%
Latest 5 years (annualised)	7.5%	6.4%	1.0%
Latest 3 years (annualised)	9.0%	7.8%	1.2%
Latest 1 year	10.6%	9.0%	1.6%
Year to date	0.5%	0.7%	(0.2)%
Yield (Net of Fees)	8.4%		

## RISK STATISTICS

Current	Fund	Benchmark
Weighted average time to maturity (credit)		2.4 years
Modified Duration		2.0 years
Modified Duration (ex Inflation Linked Bonds)		1.3 years
Since Inception	Fund	Benchmark
Annualised Deviation	2.7%	0.7%
Sharpe Ratio	0.72	
Maximum Gain	60.5%	
Maximum Drawdown	(4.2)%	
Positive Months	91.5%	
	Fund	Date Range
Highest annual return	18.7%	Nov 2002 - Oct 2003
Lowest annual return	2.0%	Apr 2019 - Mar 2020

## CREDIT RATINGS

	% of Fund
AAA+ to A-	82.6%
BBB+ to B-	2.0%
CCC+ to C-	0.0%
CLNs	9.8%
No Rating	5.6%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Dec 2024	02 Jan 2025	32.37	0.10	32.27
30 Sep 2024	01 Oct 2024	33.39	0.02	33.38
28 Jun 2024	01 Jul 2024	34.19	0.26	33.93
28 Mar 2024	02 Apr 2024	30.99	0.00	30.99

## MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2025	0.5%												0.5%
Fund 2024	1.0%	0.2%	0.3%	0.5%	0.9%	1.7%	1.4%	1.2%	1.4%	0.2%	1.1%	0.7%	11.2%
Fund 2023	1.6%	0.1%	0.7%	0.3%	(1.1)%	2.1%	1.6%	0.9%	(0.3)%	0.7%	2.1%	1.4%	10.5%
Fund 2022	0.1%	0.1%	0.2%	0.5%	0.6%	(0.9)%	1.1%	0.6%	(0.7)%	1.2%	1.6%	0.7%	4.9%
Fund 2021	0.3%	0.7%	(0.3)%	1.1%	0.7%	0.7%	0.6%	0.8%	(0.2)%	(0.1)%	0.6%	1.4%	6.7%

## PORTFOLIO DETAIL

## ASSET ALLOCATION BY INSTRUMENT TYPE

	Domestic Assets	International Assets
Cash and Money Market NCDs	30.6%	0.1%
Fixed Rate bonds	22.1%	4.3%
Floating Rate bonds	17.1%	0.2%
Inflation-Linked bonds	15.9%	0.2%
Credit Linked Notes (CLNs)	3.0%	6.8%
Listed Property	2.2%	0.0%
Preference shares	0.2%	0.0%
Other (Currency Futures)	(2.7)%	0.0%
<b>Total</b>	<b>88.4%</b>	<b>11.6%</b>
<b>Net offshore exposure after currency hedge</b>		<b>2.3%</b>

## ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Banks and Insurers: NCDs & Deposits	30.7%
Government	27.3%
Banks: Senior Debt	22.9%
Other Corporates	9.2%
Banks: Subordinated debt (>12m)	5.2%
State Owned Enterprises	2.2%
REITs: Equity and Debt	1.7%
Banks: Subordinated debt (<12m)	1.4%
Insurers	1.3%
Coronation Global Bond Fund	0.8%
Coronation Global Strategic Income	0.0%
Currency Futures	(2.7)%
<b>Total</b>	<b>100.0%</b>

## TOP 5 CREDIT EXPOSURE

	% of Fund
Republic Of South Africa	32.5%
Standard Bank Of SA Ltd	19.5%
Nedbank Ltd	13.5%
Absa Bank Ltd	10.7%
Firstrand Bank Ltd	7.9%

## TOP 5 REFERENCE ENTITY EXPOSURE

	% of Fund
Republic of South Africa	6.1%
MAS	1.0%
Nepi	0.6%
Prosus	0.6%
CDX IG	0.5%

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 0.47% in January, bringing its 12-month total return to 10.62%, which is ahead of cash (8.16%) and its benchmark 9.01% over the same period. We believe that the Fund's current positioning offers the best probability of achieving its cash +2% objective over the medium to longer term.

Local bonds had an uninspiring performance in January. The FTSE/JSE All Bond Index (ALBI) returned 0.44%, with the long end of the curve (12+ years) flat at 0.08%. The belly of the curve (bonds maturing in 7-12 years) closed 0.49% higher, while medium-term bonds (maturing in 3-7 years) returned 0.76% and short-term bonds (maturing in 1-3 years) were up 0.77%. Cash returns were also flat at 0.64%, while inflation-linked bonds (ILBs) were down 0.32% for the month.

The US economy grew 2.3% quarter on quarter (q/q) in Q4-24 from 3.2% q/q in the third quarter of 2024 (Q3-24). For the 2024 calendar year, growth came in at 2.8% from 2.9% in 2023. Consumer spending was the main driver of growth, with most of the spending allocated to vehicle purchases and travel services. Government also contributed to growth, while business investment disappointed, dragging down gross fixed capital investment for the quarter. Both exports and imports contracted, thus leaving the contribution from net trade muted.

The Federal Reserve Board (the Fed) left the Fed funds rate target range unchanged at 4.25% - 4.50% at the Federal Open Market Committee (FOMC) January meeting, as expected. The FOMC noted that the economy has continued to expand at a solid pace and unemployment has stabilised within the Fed's tolerance range. Inflation has made strides towards reaching the 2% target, but it remains higher than where the Fed would like it to be.

US headline inflation ticked up to 2.9% year on year (y/y) in December from 2.7% y/y in November, while core inflation eased to 3.2% y/y from 3.3% y/y. Increases in food prices, transportation costs and energy services inflation were the main contributors to the headline inflation acceleration. Apparel, shelter and used car prices moderated. The moderation in the pace of disinflation has been below the Fed's preferred pace, thus supporting the more cautious monetary policy easing path.

The rand ended the month at R18.67/US\$1, slightly stronger than its close in the previous month but in line with its Emerging Market peer group. 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 offshore 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.

China's economy grew by 1.6% q/q in Q4-24 from 1.3% q/q in Q3-24. In 2024, the economy expanded by 5% from 5.2% in 2023. Most of the growth was led by strong industrial output, retail sales, and net exports. Furthermore, growth was induced by a broad range of stimulus measures implemented in September to revive stagnant economic momentum and address persistent challenges, including rising deflation risks, persistently weak demand, and the prolonged property sector downturn.

China's headline inflation slowed to 0.1% y/y in December from 0.2% y/y in November. The moderation was due to a big drop in food prices, household utilities, and transport costs. Medical costs, apparel, and recreation prices also eased. Deflation in the Producer Price Index continued, with inflation falling 2.3% y/y in December from 2.5% y/y in November.

The South African Reserve Bank (SARB) cut the repo rate by 25bps in a split decision, taking the repo rate to 7.5%, with four members voting to cut and two for an on-hold outcome at the January Monetary Policy Committee (MPC) meeting. The after-meeting statement continued the more cautious narrative which characterised the November 2024 decision, influenced strongly by external developments. The MPC explicitly sets policy according to its assessment of the balance of risks, and it is clearly concerned about the impact of external policy changes and developments on the currency, and subsequently the outlook for prices. The split vote also suggests a shift in the risk assessment to a generally more cautious footing.

Headline inflation increased slightly to 3.0% y/y in December from 2.9% y/y in November, while core inflation slowed to 3.6% y/y from 3.7% y/y. The uptick was due to increases in food and fuel prices, while prices for housing utilities, energy, and alcoholic beverages moderated. An unexpected downside came from weak rentals data, which is captured quarterly, that showed a market slowing in monthly rental increases when compared to September's survey.

At the end of December, shorter-dated fixed-rate negotiable certificates of deposit (NCDs) traded at 8.32% (three-year) and 8.84% (five-year), with both maturities being higher 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.

After a solid 2024, the road ahead is less certain. Inflation has remained well behaved and is expected to stay close to the midpoint of the current target band, however, the SARB's reluctance to ease rates might prove a headwind to bond yields and the economy going forward. In addition, local growth has remained lacklustre, and the growth required to shed the burden of our current debt load remains much higher than baseline forecasts. The risk premium on SA bonds has been much reduced and is commensurate, if not too idealistic, with SA's economic future. In addition, global risks remain high as the incoming US president's policy direction might stoke inflation and push global bond yields even higher still. We continue to maintain a neutral position on local bond yields considering their reduced risk premium, with very little exposure to local credit and a moderate allocation to ILBs given their attractive valuation and offsetting risk attributes.

The local listed property sector was down 3% over the month, bringing its 12-month return to 20.57%. Operational performance will remain in the spotlight as an indicator of the pace and depth of the sector's recovery. The current increase in the cost base, due to higher administered prices and second-round effects on deteriorating infrastructure in much of the country, 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.

Local credit spreads are at historically tight levels due to low levels of issuance and large swaths of capital looking for a home with reduced volatility. The use of structured products, such as credit-linked notes (CLNs), has become ubiquitous within the local market. This sector 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 by not marking them to market based on the underlying asset price movements. 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. Except for a few opportunities, we view the local credit market as unattractive relative to other asset classes.

#### 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 9.31% (gross of fees) remains attractive relative to its duration risk. 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 31 January 2024

**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 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) Ltd (FSP 548), 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)?**

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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