

## WHAT IS THE FUND'S OBJECTIVE?

The fund seeks to maximise returns from a diverse range of primarily South African bonds. It aims to outperform the All Bond Index.

## WHAT DOES THE FUND INVEST IN?

The Bond Fund can invest in fixed income instruments, issued by governments, parastatals and private companies, as well as cash. Exposure to foreign assets will typically not exceed 10%. The fund is mandated to make use of derivative instruments for efficient portfolio management purposes.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

## Risk Profile

Maximum growth/  
minimum income exposures

The fund is strategically managed to secure an attractive return by investing primarily in a range of government and corporate bonds. It will hold various tactical positions to benefit from the best opportunities as they emerge.

Investments are meticulously researched and subjected to a strict risk management process. Only quality instruments of reputable institutions will be considered. All factors that could affect these investments are carefully monitored, including inflation as well as currency and interest rates.

The risk of losing money over periods of more than a year is low, while it is slightly higher for periods of less than a year. The primary risk exposures are to changes in interest rates and corporate credit events.

## HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The recommended term is three to five years.

## WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who seek the benefits of an actively managed bond fund. The fund is particularly suited to those who require exposure to bonds as part of a diversified portfolio.

## WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 0.75% (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 portfolio 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



**STEVE JANSON**  
BBusSc



**SEAMUS VASEY**  
BCom (Hons), MSc

## GENERAL FUND INFORMATION

Launch Date	1 August 1997
Fund Class	R
Benchmark	BEASSA ALBI Index
ASISA Fund Category	South African – Interest Bearing – Variable Term
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORSPBD
ISIN Code	ZAE000019790
JSE Code	CNSB

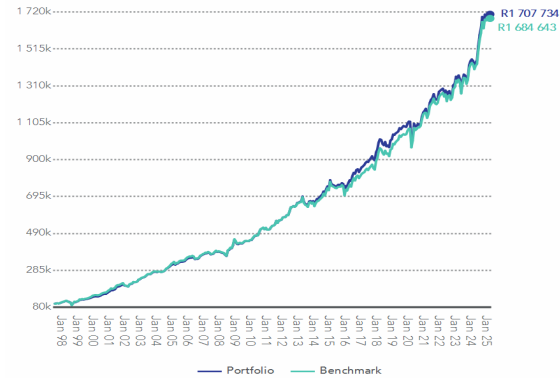
CLASS R as at 31 March 2025

<b>ASISA Fund Category</b>	South African - Interest Bearing - Variable Term
<b>Launch date</b>	01 August 1997
<b>Fund size</b>	R 3.92 billion
<b>NAV</b>	1460.15 cents
<b>Benchmark</b>	BEASSA ALBI Index
<b>Portfolio manager/s</b>	Nishan Maharaj, Seamus Vasey & Steve Janson

Total Expense Ratio	1 Year	3 Year
Fund management fee	0.86%	0.86%
Fund expenses	0.73%	0.73%
VAT	0.01%	0.01%
Transaction costs (inc. VAT)	0.11%	0.11%
Total Investment Charge	0.00%	0.00%
	0.86%	0.86%

## PERFORMANCE AND RISK STATISTICS

### GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



### PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1607.7%	1584.6%	1.4%
Since Launch (annualised)	10.8%	10.7%	0.1%
Latest 20 years (annualised)	8.8%	8.6%	0.2%
Latest 15 years (annualised)	9.0%	8.8%	0.1%
Latest 10 years (annualised)	8.4%	8.4%	0.0%
Latest 5 years (annualised)	11.5%	11.7%	(0.2)%
Latest 3 years (annualised)	9.7%	9.8%	(0.2)%
Latest 1 year	20.3%	20.2%	0.2%
Year to date	0.5%	0.7%	(0.2)%

	Fund
Modified Duration	5.9
Yield (Net of Fees)	10.2%

### RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	7.8%	8.4%
Sharpe Ratio	0.28	0.25
Maximum Gain	26.3%	26.4%
Maximum Drawdown	(19.0)%	(22.3)%
Positive Months	70.5%	70.5%

	Fund	Date Range
Highest annual return	34.9%	Sep 1998 - Aug 1999
Lowest annual return	(7.0)%	Sep 1997 - Aug 1998

### MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2025	0.30%	0.09%	0.07%										0.46%
Fund 2024	0.75%	(0.57)%	(2.08)%	1.50%	0.79%	5.44%	4.02%	2.41%	3.86%	(2.20)%	3.03%	(0.41)%	17.48%
Fund 2023	3.01%	(0.85)%	1.40%	(1.56)%	(5.27)%	4.95%	2.50%	(0.43)%	(2.59)%	1.64%	5.15%	1.65%	9.46%
Fund 2022	0.47%	0.49%	0.39%	(1.69)%	0.93%	(3.26)%	2.78%	0.28%	(2.42)%	0.77%	4.31%	0.58%	3.46%
Fund 2021	0.83%	1.00%	(3.20)%	1.83%	4.20%	1.48%	0.68%	1.83%	(2.29)%	(0.20)%	0.54%	3.04%	9.95%

## PORTFOLIO DETAIL

### ASSET ALLOCATION BY INSTRUMENT TYPE

	Domestic Assets	International Assets
Fixed Rate bonds	82.1%	8.6%
Cash and Money Market NCDs	5.5%	(0.7)%
Inflation-Linked bonds	3.5%	0.0%
Floating Rate bonds	1.0%	0.0%
<b>Total</b>	<b>92.1%</b>	<b>7.9%</b>

### ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Government	80.0%
Banks: Senior Debt	6.9%
State Owned Enterprises	5.0%
Other Corporates	4.8%
Banks and Insurers: NCDs & Deposits	1.8%
Banks: Subordinated debt (>12m)	1.5%
REITs	0.0%
Banks: Subordinated debt (<12m)	0.0%
<b>Total</b>	<b>100.0%</b>

### TOP 5 ISSUER EXPOSURE

	% of Fund
Republic Of South Africa	80.0%
Nedbank Ltd	4.8%
Standard Bank Of SA Ltd	4.6%
Firststrand Bank Ltd	3.3%
Transnet Soc Ltd	2.1%

### MATURITY PROFILE DETAIL

Sector	31 Mar 2025
0 to 3 Months	4.8%
3 to 6 Months	0.4%
1 to 3 Years	5.2%
3 to 7 Years	20.8%
7 to 12 Years	36.5%
Over 12 Years	32.2%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Interest	Dividend
31 Mar 2025	01 Apr 2025	66.79	66.79	0.00
30 Sep 2024	01 Oct 2024	66.76	66.76	0.00
28 Mar 2024	02 Apr 2024	61.27	61.27	0.00
29 Sep 2023	02 Oct 2023	65.61	65.61	0.00

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

The first quarter of 2025 was marked by significant shifts in global financial markets that have reverberated through South Africa (SA)'s economic landscape. Central banks, including the US Federal Reserve, signalled a cautious pivot, balancing growth concerns with persistent cost-of-living challenges. Global risk sentiment has soured as investors recalibrate their views and appetites amid new tariff policies and a strengthening dollar. The uncertainty on the magnitude of the impact of the Trump administration's tariffs, counter-tariffs by affected countries, the deteriorating diplomatic relationship between the US and SA, and recent tremors within the Government of National Unity (GNU) around the Budget have weakened the appeal of SA assets. Despite US bond yields compressing 30 basis points (bps) over the quarter, the SA 10-year bond weakened by c. 30bps due to SA-idiosyncratic issues (SA-US tensions and uncertainty with regards to Budget outcomes), driven by the steepening of the yield curve (maturities of 10-years plus moving more than shorter maturity yields). The FTSE/JSE All Bond Index (ALBI) and the FTSE/JSE Inflation Linked Bond Index (CILI) were both up 0.7% by the end of the quarter, behind cash at 1.83%, but still well ahead over the last 12 months (ALBI 20.16%; CILI 8.93%; Cash 8.03%). Emerging markets remained on the back foot through most of the last 12 months, however in the last quarter, the dollar weakened slightly. The rand was among the beneficiaries, strengthening 2.8% during the quarter, leaving it c. 50 cents stronger than the same point last year (18.84 versus 18.33). This helped the local bonds outperform global bonds in dollars (3.53% versus 2.57%) and keeps their performance well ahead of their global counterparts over the last 12 months (22.43% versus 2.10%).

The two fundamental issues that are persistent headwinds to local bonds are restrictive monetary policy and precarious government finances.

Local inflation has continually surprised the market and the South African Reserve Bank (SARB)'s expectations to the downside. This has been due to a combination of lower commodity prices (oil and food) and a very benign local demand environment. Inflation averaged 4.4% in 2024 and is expected to average 3.5% in 2025 and 4.6% in 2026. This is a significant moderation from the highs of 2022 and 2023 when it averaged 6.4%, pushing the repo rate to 8.25%. This moderation in inflation has also come in the wake of a marked slowdown in SA's growth profile, with growth in the last two years averaging sub 1%. Growth is expected to pick up, but only slightly, given recent global developments, and is likely to come in at approximately 1% in 2025 and approach 2% in subsequent years – contingent on the durability of the GNU. Although this is significantly better than what SA has experienced in the last decade, it is still a far cry from the level of growth required to create sustained employment and consumption demand within the economy.

The recent Trump administration tariffs combined with the loss of business confidence in SA due to the GNU instability, risks placing growth on a lower path. Real policy rates in SA are now at the most restrictive levels that they have been at since the early 2000s when inflation was in double digits, growth was c. 4%, and SA was only starting its inflation-targeting journey. Inflation is now very much under control at 4.5% but growth prospects remain in the doldrums. Why is it, then, that the SARB maintains real policy rates north of 4% when the historical norm has been 1.5%-2%? It is implicitly targeting inflation at a lower point (3%-3.5%). We maintain that a lower inflation target over the longer term is beneficial, however the high cost of funding in the local economy at a point when growth is faltering, is throttling the recovery, and rates should be 100bps to 150bps lower given current conditions. Unfortunately, the SARB is probably going to remain on this path, at best keeping rates stable going forward, unless global growth forces its hand. This might happen as the effects of the tariff hikes make their way through the global economy.

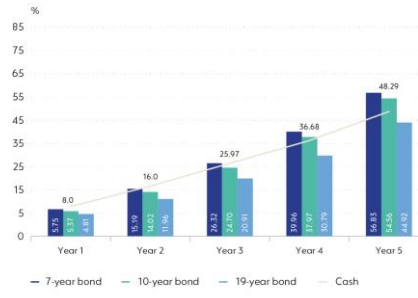
The recent Budget turmoil highlights the very difficult task that the country faces given its excessive debt load. On face value, the Budget sticks to its fiscal consolidation path by financing all new expenditure (increased front-line workers, Social Relief of Distress Grant and funding costs) through increased revenue measures (VAT hike, bracket creep and use of unallocated reserves). However, the increased expenditure is recurring and fixed, implying any fall off in growth and thus revenue, will create a larger funding shortfall, thus further reducing fiscal buffers and increasing the risks of a higher debt load going forward. In addition, National Treasury accounts for its debt servicing costs on a cash basis versus traditional accounting methods of accrual. This implies that it sets up its debt accumulation forecasts for disappointment, that is, it accumulates more debt than it forecasts. The risks are therefore heavily skewed towards a worse outcome on the Budget going forward if economic growth does not recover significantly. SA will continue to pay 20%-22% of every rand it collects as revenue towards its debt cost, with this number touching close to 30% in the next three years if funding costs don't come down or revenue doesn't bounce back significantly - i.e., SA sees higher growth.

Anaemic growth is at the heart of SA's fiscal mess. The formation of the GNU, which included the pro-business DA, helped bolster investor sentiment and removed downside tail risk from SA's policy choices. While we have not yet seen significant policy shifts, the presence of the DA in the coalition government was to halt deterioration, reduce slippage, and prioritise needed reforms, fostering an environment in which growth could accelerate towards 2%. This is still substantially lower than what is needed but higher than that of the last decade. At the time of writing, it seems very likely that this arrangement will not continue in its current form, that is, the DA will either leave the GNU or be removed from its current positions within government. This will be a significant step back in SA's recovery story and places the fiscal rehabilitation in great peril. Much of the reform process was started before the formation of the GNU and will definitely continue, but the risk is that the urgency behind implementation fades, lowering the growth trajectory. In addition, the recent Trump tariff actions will lower global growth, maybe not into recession, but enough to hurt a small export-driven economy on the southern tip of Africa. SA's current debt load, requires a minimum of 3% real growth in order to stabilise.

This leaves the outlook for South African government bonds (SAGBs) quite uncertain. Fundamentally, inflation should not pose a headwind for SAGBs given our relatively benign outlook. Lower growth could, however, provide some impetus for the SARB to reduce the repo rate, thus supporting the front end of the curve. Unfortunately, if growth does falter and reform implementation does not provide a fillip, the fiscal position will continue to deteriorate, weighing on the longer end of the yield curve as the bond supply would have to fill the void. The valuations of SAGBs are not cheap and, if we are to revert to levels last seen pre-GNU formation, bond yields could widen by a further 50bps-75bps. When looking at the SA 10-year bond yield versus the US 10-year treasury note and versus the emerging market representative yield, yields would need to widen in both cases to return to pre-GNU type levels.

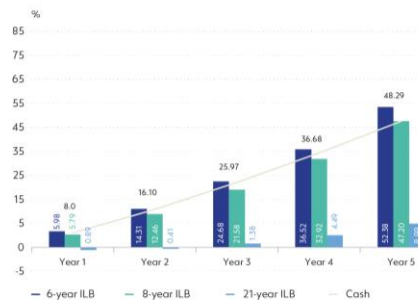
This is an extremely negative scenario and remains highly probable given the uncertain local and global landscape. A move wider in bond yields by 50bps-75bps would then place them at quite attractive yields (five years at 10%, 10 years at 11.7%, and 20 years at 13%). In our analysis (as per the two graphs alongside), we run a total return projection for nominal and inflation-linked bonds (ILBs) from current levels in a risk-off scenario (yields widen by 75bps-100bps per annum, cash rates reaching 8.5%, and inflation averaging 4.5%). It is quite instructive that even current yields offer investors quite significant protection relative to cash over a five-year period, with the best protection being offered by nominal bonds with a maturity of less than 10 years and ILBs with a maturity of less than eight years. Thus, although current yields might not encompass a large enough risk premium given the highly unsettled current landscape, bond yields still offer protection over the long term relative to cash, and the widening should be an opportunity to reengage into their value proposition.

#### 5-YEAR TOTAL RETURN (CASH & BONDS)



Source: Coronation, Bloomberg

#### 5-YEAR TOTAL RETURN (CASH & ILBs)



Source: Coronation, Bloomberg

ILBs still offer eye-watering real yields of 4%-5% across the curve. These guarantee the holder a return of 4%-5%, in excess of inflation to maturity. However, over the last year, their performance has significantly lagged that of nominal bonds. Since their return is tied to inflation outcomes and inflation has been moderating quite aggressively, their yields have continued to creep higher to compensate for the higher yields on offer in nominal bonds. Furthermore, since the SARB has not been easing rates (and by implication the real policy rate) as much as it has in the past given the current levels of inflation, the real policy rate has acted as a floor for ILB yields (see graph below). We continue to believe that the real policy rate remains too high given SA's current growth and inflation outlook, and should moderate in times to come, thus supporting ILBs, allowing their yields to compress. Since these instruments carry a higher modified duration (capital at risk due to yield movements) than nominal bonds, they will outperform in such a scenario.

#### SA ILBs VS REAL POLICY RATE



Source: Coronation, Bloomberg

ILBs are also less correlated to nominal bonds given their inherent risk-protection attributes. These are present since inflation in SA has historically been very closely tied to the currency performance and because the currency is the release valve for any SA- (and global risk-off) specific difficulties, it has a direct feed through to inflation. This makes ILBs a good risk-offset to hold in a portfolio, specifically during risk-off events.

The changes in the global landscape have become less favourable for risk and emerging market assets. The effects of a global trade war will leave global growth floundering and export-driven economies will struggle in such an environment. The slowdown in global growth, once the immediate inflationary shock retreats, should compel global monetary policy to turn supportive, thus supporting global developed market fixed income. SA's recent political turbulence makes it ill-placed in an unfriendly world. Local inflation should remain relatively well behaved, but a growth slowdown will have negative consequences for the country's finances, suggesting a further risk premium needing to be priced into local bond yields. This would be further solidified if the GNU is reconfigured in a less growth and business-supportive manner. SA bonds are at risk of a wider repricing in yields and bond portfolios should remain neutral but ready to take advantage of weakness when it prevails. In addition, ILBs should be present in portfolios to provide some risk offset should the worse outcome materialise.

#### Portfolio managers

Nishan Maharaj, Steve Janson and Seamus Vasey  
31 March 2025

You can soon read our full Bond Outlook article for the quarter to end-March in the Insights section of our website.

**IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION BOND 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 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. 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. The asset allocation by issuer type and top 5 issuer exposures are not reflected on a look-through basis. 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 R 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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