

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.

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%) 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.

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 0.45% *

* The annual management fee was reduced from 0.45% to 0.35% for the twelve-month period starting 1 April 2021 and ending 31 March 2022. From 1 April 2022, the management fee has reverted to 0.45%.

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

Fund Launch Date	2 July 2001
Fund Class	P (previously class B4)
Class Launch Date	1 October 2012
Benchmark	110% of STeFI 3-month index
ASISA Fund Category	South African – Multi-asset – Income
Regulation 28	Managed in accordance with Reg 28 limits
Income Distribution	Quarterly (March, June, September, December)
Bloomberg Code	CORSTB4
ISIN Code	ZAE000170403

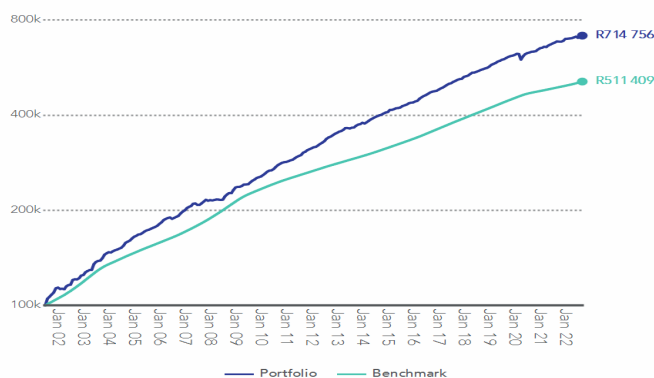
CLASS P as at 31 August 2022

ASISA Fund Category	South African - Multi Asset - Income
Launch date	01 October 2012
Fund size	R38.64 billion
NAV	1530.51 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	0.47%	0.49%
Fund expenses	0.40%	0.41%
VAT	0.01%	0.01%
Transaction costs (inc. VAT)	0.06%	0.06%
Total Investment Charge	0.00%	0.00%
	0.47%	0.49%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PERFORMANCE AND MODIFIED DURATION (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	614.8%	411.4%	203.4%
Since Launch (annualised)	9.7%	8.0%	1.7%
Latest 20 years (annualised)	9.3%	7.8%	1.5%
Latest 15 years (annualised)	8.5%	7.1%	1.4%
Latest 10 years (annualised)	7.7%	6.3%	1.4%
Latest 5 years (annualised)	6.8%	6.0%	0.8%
Latest 3 years (annualised)	5.6%	4.9%	0.7%
Latest 1 year	4.3%	4.4%	(0.2)%
Year to date	2.4%	3.1%	(0.7)%

	Fund
Modified Duration	1.8
Modified Duration (ex Inflation Linkers)	1.4
Yield (Net of Fees)	8.2%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	2.7%	0.7%
Sharpe Ratio	0.79	N/A
Maximum Gain	60.8%	N/A
Maximum Drawdown	(4.2)%	N/A
Positive Months	92.1%	N/A

	Fund	Date Range
Highest annual return	18.7%	Nov 2002 - Oct 2003
Lowest annual return	2.5%	Apr 2019 - Mar 2020

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2022	0.1%	0.1%	0.2%	0.5%	0.6%	(0.9)%	1.1%	0.6%					2.4%
Fund 2021	0.4%	0.7%	(0.2)%	1.2%	0.7%	0.7%	0.6%	0.9%	(0.1)%	(0.1)%	0.6%	1.5%	7.1%
Fund 2020	0.8%	(0.1)%	(4.1)%	2.5%	1.6%	0.8%	0.4%	0.6%	0.1%	0.3%	1.2%	1.0%	5.0%
Fund 2019	1.3%	0.6%	0.7%	1.0%	0.6%	0.8%	0.4%	0.9%	0.8%	0.6%	0.3%	0.5%	8.9%
Fund 2018	0.4%	0.5%	1.2%	1.0%	0.1%	0.6%	0.6%	0.7%	0.5%	0.6%	0.4%	0.9%	7.7%

PORTFOLIO DETAIL

ASSET ALLOCATION BY INSTRUMENT TYPE

	Domestic Assets	International Assets
Cash and Money Market NCD's	20.4%	0.2%
Fixed Rate Bonds	26.6%	7.1%
Floating Rate Bonds	25.4%	5.9%
Inflation Linked Bonds	14.0%	0.1%
Listed Property	3.8%	0.7%
Preference Shares	0.1%	0.0%
Other (Currency Futures)	-4.4%	0.0%
Total	85.9%	14.1%

ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Government	25.1%
State Owned Entities	3.0%
Banks and Insurers: NCDs and Deposits	18.3%
Banks: Senior Debt	19.3%
Banks: Subordinate Debt (<12m)	4.5%
Banks: Subordinate Debt (>12m)	6.2%
Insurers	2.2%
Other corporates	12.1%
REITS: Equity	4.5%
REITS: Debt	2.7%
Preference Shares	0.1%
Coronation Global Strategic Income	0.6%
Coronation Global Bond Fund	1.0%
Other (Currency Futures)	0.0%

TOP 5 ISSUER EXPOSURE

	% of Fund
Republic of South Africa Government Bonds	22.8%
Standard Bank Of SA Ltd	15.5%
FirstRand Limited	11.4%
Absa Bank Ltd	10.8%
Nedbank Ltd	10.2%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Jun 2022	01 Jul 2022	25.69	0.19	25.51
31 Mar 2022	01 Apr 2022	22.23	0.05	22.19
31 Dec 2021	03 Jan 2022	25.23	0.07	25.16
30 Sep 2021	01 Oct 2021	24.18	0.20	23.97

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

The Fund returned 0.58% in August, bringing its 12-month total return to 4.28%, which is lower than cash (4.03%) and that of its benchmark (4.45%) over the same period.

Local bond performance was essentially flat in August. The FTSE/JSE All Bond Index delivered 0.31%, with the long end of the curve (12+ years) delivering 0.23%. Long-term bonds (7-12 years) posted returns of 0.27%, while medium term bonds (3-7 years) returned 0.57% and short-term bonds (1-3 years) delivered 0.46%. Cash returns came in at 0.42% and inflation linked bonds (IBLs) were up 2.54%.

Inflation remains an ongoing challenge with upside surprises to data across regions. However, while US data seems to have peaked as falling fuel prices are impacting headline inflation, inflation in the Euro area and the UK is expected to accelerate further as tariffs are adjusted to reflect higher gas prices. For the second quarter of 2022 (Q2-22) GDP growth readings for Euro area and UK were mixed, however, the outlook remains weak for both regions.

In the US, headline inflation slowed to 8.5% year on year (y/y) in July from 9.4% y/y in June. Core inflation was unchanged at 5.9% y/y. The slowdown was due to a moderation in energy costs, while other measured inflation increased at a more moderate pace than preceding months. Speaking at the Jackson Hole symposium, Federal Reserve Board (the Fed) chairman Jerome Powell, emphasised the Federal Open Market Committee's commitment to returning inflation to 2%. He noted that at current levels, the policy rate is deemed neutral, but that a move into restrictive territory is expected to be necessary to achieve the inflation target. As a result, further monetary policy tightening is likely, although the extent and duration of a restrictive stance will depend on incoming data.

In emerging markets, the People's Bank of China cut its lending rate by 10bps to 2.75%. The latest economic reports show weak growth and muted credit extension as the catalyst for policy easing, with authorities hoping to help stimulate domestic demand as the economy stagnates. New Covid-related lockdowns pose significant risk to growth, with the official 5.5% GDP target firmly out of reach.

The rand ended the month at R17.12/US\$1. Recent geopolitical tensions and expectations around aggressive global monetary policy normalisation weighed on risk appetite as global liquidity reduces in the face of elevated inflation. 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 the Fund's exposure synthetically, allowing it to maintain its core holdings in offshore assets.

In South Africa (SA), headline inflation accelerated to 7.8% y/y in July from 7.4% y/y in June, while core inflation increased to 4.6% y/y in July 4.4% y/y in June. The main inflation drivers remain rising transport costs and the prices of food and non-alcoholic beverages. Looking ahead, moderating pump prices for fuel should see headline inflation pressures ease, although we expect core inflation to rise slowly from here, underpinned by gains in both goods and services inflation.

At the end of August, shorter-dated fixed-rate negotiable certificates of deposit (NCDs) traded at 8.70% (three-year) and 9.17% (five-year), higher than the close at the end of the previous month. The recent move is due to a repricing in bond yields in the local market. 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.

Central banks globally have started down a path of rapid monetary policy normalisation in the wake of much higher and persistent inflation. In many cases, policy rates are expected to move into restrictive territory, which carries the risk of sending the global economy into recession. There has been a profound impact on global risk sentiment and expectations are for emerging market central banks to adopt a similar stance. In SA, the market has priced a much more aggressive monetary policy normalisation cycle, despite a more gradual rise in local inflation. Bond yields have widened in line with the deterioration in global risk sentiment and a repricing of global bond yields, but still encapsulate a significant risk premium. We continue to believe that bond yields in the 10-year area of the curve offer significant value for bond portfolios and allocations to ILBs should still be maintained but focused in the shorter end of the yield curve.

The local listed property sector was down 5.95% over the month, bringing its 12-month return to -3.97%. The balance sheet concerns in the sector have subsided, as companies have managed to introduce dividend payout ratios (with some withholding dividends entirely) and selling off assets in order to recapitalize themselves. Going forward, operational performance will remain in the spotlight as an indicator of the pace and depth of the sector's recovery. We believe that one must remain cautious due to the high levels of uncertainty around the strength and durability of the local recovery. However, certain counters are showing value, given their unique capital structures and earnings potential. These counters remain a core holding within the Fund.

The FTSE/JSE Preference Share Index was down 0.63% over the month, bringing its 12-month return to 46.05%. The most recent performance has been bolstered by an announcement by the banks of their intent to repurchase a significant portion of their outstanding preference shares. Preference shares offer a steady dividend yield linked to the prime rate and, depending on the risk profile of the issuer, currently yield between 8% and 10% (subject to a 20% Dividends Tax, depending on the investor entity). The change in capital structure requirements mandated by Basel III will discourage banks from issuing preference shares, which will limit availability. Due to the reduced liquidity in this asset class and the availability of other instruments at the same point in the capital structure that are trading at more attractive valuations, the Fund will not look to increase its holdings and will maintain its current small exposure to specific corporate preference shares.

We remain vigilant of the risks emanating 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. The Fund's yield of 8.77% remains attractive relative to its duration risk. We continue to believe that this yield is an adequate proxy for expected Fund 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 August 2022

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 fund is managed in line with Regulation 28 limits, although it is not required as per the fund's supplemental deed. 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.

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 P NAV prices with income distributions reinvested. Class A NAV prices were used for the period prior to the launch of Class P. 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

IMPORTANT INFORMATION REGARDING TERMS OF USE

This document is for information purposes only and does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase any particular investment. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance upon the information.