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FIXED-INCOME INVESTING

in South Africa



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EXPLORING LOW-RISK AND LONG-TERM GROWTH

VOL.19

ALSO IN THIS ISSUE: WHAT IS FIXED INCOME? | SECURING THE FUTURE: THE CASE FOR PENSION FUND TRUSTEES INVESTING IN FIXED INCOME



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WHAT IS FIXED INCOME?

Welcome to your step-by-step guide to the world of fixed-income investing!

Fixed-income investments can play a valuable role in an investment portfolio by providing stable returns, capital protection and limited exposure to market volatility. However, fixed income is often misunderstood, so this publication will help you get the facts straight.

Before we start, it's important to understand the terminology. Fixed-income investments are known by different names, including debt investments and bonds. These all refer to more or less the same thing, as you will see below. Also, in this context, it's important to know that a bond is not the same as the mortgage on your home.

Fixed income in a nutshell

As the name suggests, a fixed-income investment refers to an investment vehicle that provides the investor (you or a retirement fund) with a predetermined income at regular intervals (for e.g., annually, biannually or quarterly), known as coupon payments.

When investing in a fixed-income product you essentially invest in debt: by investing, you lend money to the entity that issued the investment (often called a bond) for a certain term, and they periodically pay you interest on your loan during this term – in essence, they pay interest for the “privilege” of using your money. The interest rate at which the bond is issued depends on several factors, such as the issuer's credit risk, the bond's term and the current market interest rate. At the end of the investment term (known as the maturity date), the principal capital you invested is returned to you.

There are two ways in which you can grow your money when investing in bonds:

1. Receiving interest on the bond
2. Selling the bond on the secondary market for more than what you paid and realising a capital gain.

Keeping an eye on interest rate movements is important when investing in fixed income since changes in the interest rate will affect yields and bond prices. The South African Reserve Bank plays an active role in adjusting interest rates via managing the country's monetary policy to maintain price stability.

Why consider fixed income?

Fixed-income assets offer a compelling investment case for both individual investors and trustees of pension funds:

- They provide a stable and predictable income stream.
- They offer attractive yields compared to other asset classes, which only provide income in the long-term.
-

- They provide stability since the yield is less affected by market volatility compared to, for example, returns on equity investments.
- It's an effective way to diversify one's portfolio since market conditions will not have the same impact on fixed income as on other asset classes.

Investing in fixed-income opportunities in South Africa and broader Africa offer access to emerging market growth potential and allow investors to take advantage of the country's long-term growth prospects. The African Development Bank projects economic growth of 3,8% for Africa in 2024, supported by increased investment in infrastructure and reforms to enhance business competitiveness.

Types of fixed-income investments

1. Government bonds

The South African government issues bonds to raise money for infrastructure development (e.g. building roads or hospitals), public spending and to refinance existing debt. These bonds are considered relatively safe investments because they are backed by the government's ability to pay back the money. Investors can purchase these bonds directly from the South African government or on the secondary market.

Different types of government bonds cater to different investment needs. In addition to agreeing a fixed interest rate upfront (known as a fixed-rate or “vanilla bond”), the government also issues inflation-linked bonds (where interest payments are adjusted with inflation over time) and floating-rate bonds (where payments are adjusted based on changes in the prevailing interest rate).

Examples include RSA retail savings bonds, RSA government bonds (Treasury bonds) and zero-coupon bonds.

2. Corporate bonds

South African companies also issue bonds to raise capital to expand operations, refinance debt, or fund new projects. Corporate bonds typically offer higher yields than government bonds but carry a higher risk of default. The risk varies depending on the company's credit rating and other factors. Higher-rated corporate bonds (investment grade) can still be relatively low risk, while lower-rated ones (junk bonds) carry higher risk. Investors can buy bonds from listed and unlisted companies. These corporate bonds also extend to investing in state-owned entities (SOEs) such as SANRAL, Transnet, Eskom and ACSA.

Examples include Vodacom 2025 bonds, Standard Bank senior unsecured bonds and Eskom 2028 and Transnet 2027 bonds (SOE bonds).

3. Municipal bonds

Municipalities in South Africa can issue bonds to finance infrastructure projects such as water provision and conservation, sanitation, renewable energy and road maintenance. These bonds are backed by the municipality's ability to collect rates and taxes from residents. Municipal bonds typically offer tax advantages for local investors.

Examples include City of Johannesburg municipal bonds, City of Cape Town green bonds and eThekweni municipal bonds.

4. Fixed deposit accounts

South African banks offer fixed deposit accounts (or savings accounts) where investors can deposit a lump sum of money for a fixed period at a predetermined interest rate. Fixed deposit accounts provide guaranteed returns and are considered low-risk investments, but the returns are typically lower than other fixed-income investments like bonds.

5. Money market funds

The money market is where companies, governments and banks sell short-term loans or debts, amounting to millions. Individuals can invest in the money market via a money market fund – a type of unit trust that invests in different money market instruments from different institutions.

Money market funds offer higher liquidity, risk diversification and competitive yields compared to traditional savings accounts. However, the investment is usually suited for short-term investing (typically one year or less).

Examples include Treasury bills, money market funds, call deposits and negotiable certificates of deposit.

By including carefully selected fixed-income assets in your investment portfolio, you can build a more robust and future-proof portfolio that creates wealth for your pension fund members and contributes to South Africa's development.



It sounds counterintuitive but there is a thing like “good” debt. Many businesses and governments borrow money and repay it with interest over time. An investor (such as a retirement fund) can provide this capital in exchange for regular interest payments.

Fixed-income funds

As a rule of thumb, retirement funds do not invest directly in individual bonds, but rather in fixed-income funds. These funds are similar to unit trusts and invest in a mix of bonds. Because these funds are spread over various bonds they offer retirement funds a low-risk and diverse investment. Fixed-income funds usually pay regular dividends from the interest earned by the bonds, plus any money made from selling bonds at a higher price.

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FIXED INCOME EXPLAINED

How fixed income works

Investors / Bondholders



Loans in the form of retail bonds, treasury bonds, corporate bonds, municipal bonds, money-market funds and inflation-linked bonds are made by investors to issuers, who **promise to repay the principal amount plus interest at a pre-determined rate.**

Principal: The initial loan amount the investor invests in the bond, which will be repaid in full at maturity. Also called face value.

Interest Payments: The investor receives periodic interest payments (coupons) throughout the bond's term, typically semi-annually or annually.

Principal Repayment: At maturity, the issuer repays the bond's face value (principal) back to the investor.

Bond issuers



Government issuers (national government), corporate issuers (banks, insurers, companies, SOEs), municipal issuers (town and city municipalities)

Coupon Rate: The fixed interest rate paid by the issuer to the bondholder, typically expressed as a percentage of the bond's principal amount. The rate is set at the time of issuance and remains fixed for the lifetime of the bond unless the bond is an inflation-linked or floating-rate bond.

Maturity Date: The date when the principal amount of the bond becomes due and the issuer repays the principal amount to the bondholder.

Investors lend money to

Pension fund trustees & fixed income

Risks and considerations



Interest Rate Risk: Fluctuations in interest rates can affect the value of fixed-income assets. Keep abreast of Reserve Bank announcements. When interest rates rise, the market value of existing bonds typically falls (and vice versa).

Credit Risk: Risk that the issuer defaults on interest payments or fail to repay the principal amount. Always check their debt rating (see p. 7).

Inflation Risk: Fixed-income investments may lose purchasing power if inflation exceeds the fixed interest rate.

Strategy



Diversification: Spread investments across different types of fixed-income products to manage risk.

Maturity: Align the bond's maturity date with the investor's financial goals and risk tolerance. Ensure coupon payments also align with financial objectives.

Primary vs secondary bond markets

Investors can invest in bonds via the primary or secondary bond market. So, how do they differ and what are the relevant benefits and risks?

Primary bond market	Secondary bond market
Bonds are created and initially issued on the primary market.	Bonds that haven't yet reached maturity can be traded on the secondary market.
Investment options - Individuals can buy RSA Retail Savings Bonds directly from the government. These bonds can't be sold on the secondary market – investors are locked into the investment until maturity. - Institutional investors (such as retirement funds) can buy government bonds directly from the National Treasury. These bonds can be sold on the secondary market before maturity.	Investment options - Buying and selling bonds on the Johannesburg Stock Exchange (JSE) debt market directly or via a stockbroker. - Investing in bond exchange-traded fund (ETFs) that track a basket of government (and at times corporate) bonds with different maturities and yields via a stockbroker. - Investing in a bond unit trust that holds a wide range of carefully selected bonds via an investment service provider.
Key benefits Stable returns and low risk of default	Key benefits Liquidity and the potential of capital gains – see below.
Key risks Inflation and interest rate risk (in the case of a fixed-rate bond)	Key risk Capital loss – see below.

What determines the price or value of a bond?

Bonds can be bought and sold for face value or more or less than face value on the secondary market. Bond prices fluctuate based on the economic environment, most notably interest rates, which are determined by monetary policy. Generally, the relationship works as follows:



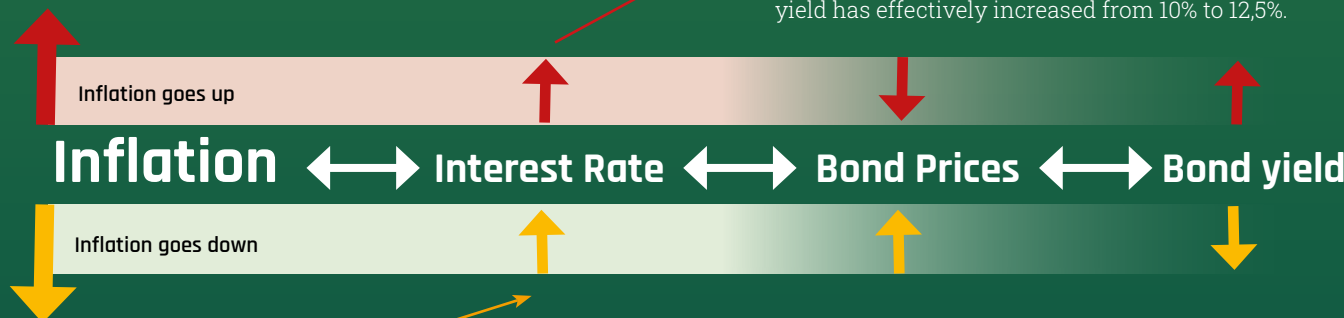
Quick Fact

The central bank will adjust the interest rate to stay within its inflation target – it's important to note that this relationship is not always linear or immediate.

A change in the interest rate makes it more/less expensive to borrow money

Buying bonds

You generally want to buy for less than face value to earn a higher yield. Let's say the current bondholder bought the bond for R2000 at a coupon rate of 10%. In an environment of increasing interest rates, bond prices will likely drop. If you buy it for R1 600, for example, you'll still earn R200 interest per year, but since you paid less for the bond, the yield has effectively increased from 10% to 12,5%.



Selling bonds

You generally want to sell for more than you paid to earn a capital gain. Ideally, you want to sell in a declining interest rate environment, which will push up bond prices.

Let's say you bought a bond with a face value of R1 000 with a coupon rate of 10% and an investment term of five years. After two years, you want to sell it. If you're able to sell it for R1 200, for example, you'll make a capital gain:

- Initial investment: R1 000
- Total return: R1 400 (R1 200 capital back + R200 interest earned)

The specific coupon rate and how long you've been invested will affect the scope of the capital gain (or loss if you sell for less), so make sure you do your calculations.

Your guide to investing in South African corporate bonds

South African corporate bonds are a compelling option for investors seeking attractive yields and diversification. As the local economy continues to evolve and grow, corporate bonds offer the opportunity to participate in the burgeoning business landscape while earning stable returns. In this guide, we explore the benefits, opportunities and considerations relating to investing in South African corporate bonds.

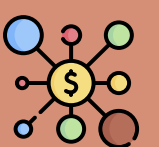
What are corporate bonds?

Businesses issue corporate bonds to raise capital for various reasons, including expanding operations, refinancing debt or

funding new projects. Each bond comes with unique terms, including the coupon rate (the amount of interest earned), investment term and applicable credit ratings, which means you can choose the option that is most appropriate for your risk appetite and investment goals.

Corporate bonds are issued by companies spanning various sectors. In the context of South Africa's diverse economy, sectors covered include finance, telecommunications, mining and manufacturing, to name a few. Corporate bonds are not limited to the private sector: State-owned enterprise (SOEs) or state-owned companies (SOCs) such as Transnet or Eskom also issue bonds.

Main benefits of investing in local corporate bonds

 Attractive yields	 Diversification	 Credit quality	 Potential for capital appreciation
South African corporate bonds often offer higher yields than government bonds and savings accounts, providing potentially better returns on your investment.	Investing in corporate bonds allows you to diversify your portfolio beyond the traditional asset classes such as shares and real estate, reducing the overall portfolio risk.	While corporate bonds do carry credit risk, many South African businesses have solid credit ratings. With proper research and informed investment decisions, you can have confidence that the issuer will likely meet its debt obligations.	As with all fixed-income investments, corporate bonds can experience some capital appreciation if interest rates decline or if the issuer's credit quality improves.

What to consider before investing in corporate bonds

To take full advantage of the potential benefits of investing in corporate bonds, it's crucial to ask the following questions before you make an investment decision.

1. Is the company financially sound?

South African SOEs have historically faced financial challenges due to mismanagement, inefficiency, governance issues and political interference. However, some SOEs have solid financials or are backed by government guarantees, which can mitigate risk. Before you invest, conduct thorough due diligence on the financial health, governance structure and business operations of the company whether it is private or state-owned.

2. Does it have a good credit rating?

Credit rating agencies such as [Moody's Ratings](#), [S&P Global](#) and [Fitch Ratings](#) assess the creditworthiness of bond issuers. A low credit rating indicates a higher risk of default and low credit quality. Credit ratings and reports are publicly available, so be sure to consult them before making a decision.

3. Is the risk-return trade-off worthwhile?

SOE corporate bonds typically offer higher yields than government bonds or investment-grade corporate bonds due to the perceived higher risk associated with SOE issuers. It's therefore vital to assess the potential returns or the yield to maturity (YTM) relative to the SOE's risk profile. Financial news platforms such as [Business Day](#),



[Moneyweb](#), [Bloomberg](#) and [Reuters](#) provide real-time data on bond yields.

4. Does it add diversification benefits to my portfolio?

In addition to the benefits of diversifying your portfolio by investing in several asset classes, it's also prudent to spread your risk within a specific asset class. In the case of corporate bonds, this means investing with different issuers and across sectors. It's best to avoid overconcentration in SOE bonds to reduce your risk exposure to specific issuers. Most financial institutions and investment platforms offer tools and resources (including fund performance data, market analysis and research reports) on their websites to help you optimise your portfolio diversification.

While you decide or once you have invested, it's a good idea to stay informed about developments that may affect the relevant companies and SOEs, such as changes in government policies, regulatory reforms, financial performance, market dynamics, economic indicators and industry trends. [Treasury](#), [Parliament](#) and the [Auditor-General](#) also provide reports, updates and analyses on the performance of SOEs.

Investing in South African corporate bonds presents an opportunity to earn attractive yields and potentially grow

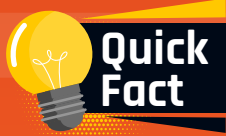
your capital. By understanding the nuances of the market and conducting thorough research, you can make an informed decision about how to incorporate corporate bonds into your investment portfolio in a way that supports your long-term investment objectives.

Rate the risk

Credit rating agencies (see no. 2) assign rates to bonds to indicate their quality. These ratings help investors understand how likely it is that the issuer will repay the bond's interest and principal on time. The agencies' rating systems differ slightly, but the lowest risk bonds are usually noted with AAA while CC or C points to the highest risk. For example, here are the latest ratings for Eskom Holdings SOC Ltd: Moody's: B2, S&P: B and Fitch: CCC-. All three agencies indicate a high credit risk.

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The value of professional financial advice:

If you're uncertain about whether you should invest in corporate bonds or which bonds to invest in, consider consulting a financial adviser. A qualified adviser can make a recommendation based on your risk profile and goals as well as their expert knowledge of the investment market.

SECURING THE FUTURE:

The case for pension fund trustees investing in fixed income

As stewards of pension funds entrusted with safeguarding the financial futures of retirees, pension fund trustees face the formidable task of navigating volatile markets while ensuring sustainable returns. In pursuit of this goal, embracing fixed-income investments emerges as a cornerstone strategy. This article aims to motivate the investment case for pension fund trustees to prioritise fixed-income investment within their portfolio, thanks to the asset's stability, diversification potential, and long-term income growth.

1. Stability Amid Market Volatility

In today's unpredictable economic landscape, characterised by fluctuating equity markets and geopolitical uncertainties, fixed-income investments offer a stable alternative. Bonds, a fundamental component of fixed-income portfolios, provide predictable income streams through regular interest payments, shielding pension funds from the turbulence of equity market fluctuations. As such, allocating a portion of pension assets to fixed-income instruments fosters resilience against market volatility (compared to equities), ensuring a consistent income stream to meet pension obligations even during downturns.

2. Diversification for Risk Mitigation

Diversification is the bedrock of prudent investment management, and fixed-income investments play a pivotal role in constructing a well-balanced portfolio. By incorporating fixed-income assets alongside equities and alternative investments, pension fund trustees can effectively mitigate portfolio risk. The low correlation between fixed income and equity returns ensures that during market downturns, fixed-income investments often exhibit inverse movements, providing a crucial hedge against equity market losses.

3. Long-Term Growth and Income Generation

Contrary to common misconceptions, fixed-income investments offer more than just stability – they also provide avenues for long-term growth and income generation. Through strategic allocation to diverse fixed-income assets such as government bonds, corporate bonds, and inflation-linked bonds, pension funds can achieve a balance between capital preservation and income generation.

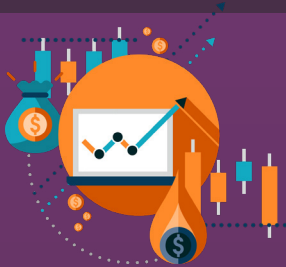
Including fixed-income assets in pension funds offers stable returns at lower risk. This is an important consideration as the capital preservation and capital appreciation will act as a valuable hedge against economic downturns and market cycles for pension funds.

With the South African bond market being attractive due to favourable interest rates, a diversified portfolio including fixed income can deliver higher yields in the long-term. With the African sovereign bond market valued at USD 275.83 bn and South Africa being the largest issuer of government bonds, at USD 83.67 bn - the depth of product expertise available in the market make it a worthwhile asset class to consider when building a diversified portfolio.

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EQUITY VS FIXED INCOME



EQUITY Ownership



Equities represent **ownership** in a company, entitling shareholders, such as retirement funds, to a portion of the company's profits and assets.



Returns from equities come from capital appreciation and dividends.



Equities carry **higher risk** compared to fixed income due to the volatility of share prices and uncertainty about company performance.



FIXED INCOME Loan



Fixed income represents **loans** made by investors to issuers, who promise to repay the principal amount plus interest at a predetermined rate.



Fixed-income investments provide regular **interest payments**, known as coupons, which are paid periodically until maturity, at which point the full initial capital investment is returned.



Generally considered **lower risk** compared to equities due to fixed returns and capital preservation. In the event of a bankruptcy, bondholders have a senior claim over equity holders.

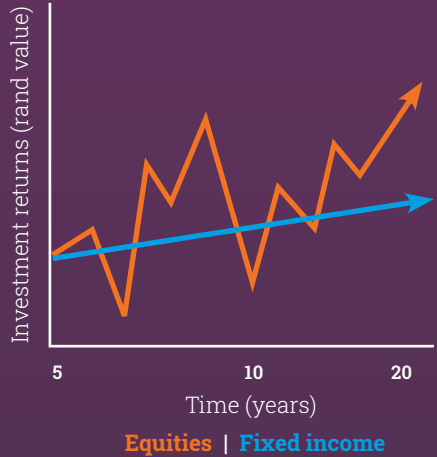
Reality check: What investing in equities versus fixed income looks like in practice

The same amount invested at the same time in a fixed-income product versus a carefully selected, diversified portfolio of equities will generally follow the pattern in the graph on the right.

There are two main trends to note:

- Over the long term, the **return on equities will ultimately be higher** than fixed income over the same period.
- During the investment term, the **value of returns on an equity investment will fluctuate** more than a fixed-income investment.

Another way to look at it is to consider the key features of each asset class, summarised in the table below. The graph and the table show that fixed income and equities meet different investment needs and play different roles in a well-balanced investment portfolio. How they are combined will ultimately depend on the investment objectives.



	Equities	Fixed income
Likelihood of returns keeping up with inflation over the long term	✓	✗
Stable and predictable returns	✗	✓
Potential for significant capital gains	✓	✗
Potential for significant capital losses	✓	✗
Sensitive to market movements	✓	✗

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THE EVOLUTION OF FIXED-INCOME INVESTING IN SOUTH AFRICA

Fixed-income investments have played a pivotal role in shaping South Africa's financial landscape, offering investors avenues for wealth preservation and income generation. They have undergone significant evolution over the years, shaped by economic, regulatory, and technical advancements.

It has been a transformative journey that has improved South Africa's fixed-income offering. This article provides a historical narrative of fixed-income investing in South Africa, tracing its evolution from early bond issuances to the vibrant market it is today.

Historical Context and Market Dynamics

The history of fixed-income investing in South Africa can be traced back to the 19th century with the issuance of government bonds to finance infrastructure projects and public debt. Bond markets gained momentum during the colonial era, serving as a primary source of funding for railway construction and government expenditures.

The post-apartheid era marked a significant expansion of South Africa's fixed-income market, fuelled by economic reforms and regulatory changes. The introduction of corporate bonds, municipal bonds, and other debt instruments contributed to market diversification and increased investor participation.

In 1981, Eskom was the first public entity to issue a bond, with the first corporate bond issued in 1992 by South African Breweries. Now over 1 500 corporate bonds (debt instruments) are listed on the JSE's Interest Rate Market. Over time, the market has expanded to include a diverse range of fixed-income securities, catering to the needs of both Institutional (i.e. retirement funds) and retail (i.e. individual) investors.

Innovation and Product Development

The evolution of South Africa's fixed-income market has been characterised by innovation and product diversification. The introduction of inflation-linked bonds (ILBs), exchange-traded bonds (ETBs) and other structured products has provided investors with greater choice and flexibility, according to National Treasury. The emergence of electronic trading platforms and digital investment solutions have revolutionised access to fixed-income instruments, fostering greater marketing participation.

Regulatory Reforms and Market Resilience

Regulatory reforms, including the inclusion of Basel III standards and the Financial Markets Act, have enhanced the transparency, integrity and resilience of South Africa's fixed-income markets, according to the JSE. These strengthened regulatory oversight and risk management practices have bolstered investor confidence, attracting both domestic and foreign capital to South Africa's bond market.

What is BASEL III?

Basel III is a set of international banking regulations developed by the Basel Committee on Banking Supervision (BCBS) to strengthen regulation, supervision, and risk management within the banking sector.

Key features of Basel III include:

- 1. Capital Adequacy Requirements:** Banks are required to maintain higher levels of capital to absorb potential losses during periods of financial stress.
- 2. Leverage Ratio:** Measures a bank's capital relative to its total assets, ensuring banks maintain a prudent level of capital relative to their overall risk exposure.
- 3. Liquidity Requirements:** Ensure banks maintain sufficient liquidity buffers to withstand liquidity stress scenarios.
- 4. Systemically Important Banks:** Basel III introduces additional capital requirements and regulatory measures for systemically important banks (often referred to as "too-big-to-fail" banks) to address their systemic risk and enhance financial stability.



Challenges and Opportunities

Despite progress, challenges persist, including liquidity constraints in certain segments of the fixed-income market. Market dynamics, such as interest rate fluctuations, inflationary pressures and regulatory reforms, have exerted a profound influence on fixed-income investment strategies, according to Absa's Global Market Trends in Fixed Income Report (2020). Opportunities abound for investors to capitalise on the attractive yields offered by South African fixed-income securities, particularly in the current interest-rate environment.

Conclusion

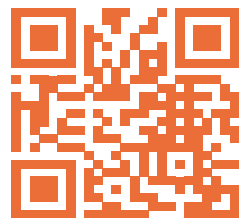
The history of fixed-income investing in South Africa is a testament to its resilience, adaptability, and enduring importance in the country's financial ecosystem. As the market continues to evolve, it remains a cornerstone of investment portfolios, offering stability, income, and opportunities for long-term wealth creation.

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In Sesotho, when you tell someone to “Atleha” you are telling them to prosper. By combining “Atleha” and “edu” we want to contribute to quality financial education.

Our purpose at Atleha-edu, a non-profit company (NPC), is to help ordinary South Africans save and invest for a better tomorrow. We do this through Financial Sector Code (FSC)-compliant awareness and interactive education programmes focused on retirement fund trustee, principal officer, management committee member, and fund member awareness and education initiatives.



We provide accessible, quality consumer financial educational (CFE) content via multiple platforms

Click below to view some of our educational content:



Per the requirements of [FSTC Guidance Note 500](#), all Atleha-edu resources on the Atleha-edu website are made available to retirement fund trustees, principal officers and members at no cost. Atleha-edu has full editorial control over educational content and funder branding.

Atleha-edu's CFE offers the following benefits:

- Retirement Fund Trustee and Member education on topical retirement fund issues, as envisioned by the Financial Sector Conduct Authority (FSCA) and Financial Sector Code (FSC)
- A mixture of educational publications, short articles, video and audio content (including translations into various African languages, such as isiZulu, Sesotho and isiXhosa)
- Educational content accredited for BATSETA Continuous Professional Development (CPD)
- All content is available at no cost
- No funder or service provider product marketing as per FSTC Guidance Note 500

Our funders and strategic partners:

Atleha-edu NPC receives FSC Consumer Financial Education funding from a number of industry partners and funders.

We are most grateful to the [ASISA Foundation](#), ASISA Academy, [Alternative Prosperity Foundation](#) and [BATSETA Council of Retirement Funds for South Africa](#) for their strategic partnership and funding and implementation support.

A full list of our funders is available via <https://atleha-edu.org/partner-with-us/>



Monitoring Evaluation and Learning (ME&L)

All our Atleha-edu educational content and initiatives are aligned to a formal Theory of Change and Monitoring Evaluation and Learning (ME&L) programme. An external Monitoring and Evaluation service provider reviews our ME&L programme on an annual basis. The ASISA Foundation also reviews all Atleha-edu educational content and initiatives where it has specifically been a funder or co-funder.

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Per the FSC requirements, an independent third-party service provider annually reviews all our Atleha-edu educational content and CFE initiatives and issues Atleha-edu NPC with an annual Independent Competent Persons Report (ICPR). The ICPR is provided to CFE funding partners who are then able to use the Atleha-edu ICPR when claiming FSC Scorecard points for their Consumer Financial Education spend through Atleha-edu NPC.

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Example question: Please choose the correct answer.

True or false? All South Africans are ready and prepared for their retirement.

- ☐ True
☒ False

1. Fixed income represents a _____ made by investors to issuers.

2. Which of these is NOT a fixed-income investment?
 Treasury bonds, corporate bonds, equities (shares), money-market accounts, RSA retail savings bonds and fixed deposits.

3. For investors, what is the main difference in asset ownership between fixed income and equities?

4. **True or false?** A fixed-income interest payment is called a coupon?

- ☐ True
☐ False

5. What is the maturity date?

6. **True or false?** State owned entities like Eskom, Transnet and ACSA can issue corporate bonds to bondholders?

- ☐ True
☐ False

7. At the date of maturity of a fixed-income investment, the principal amount _____ back to the bond holder.

8. Fixed-income investments do not provide investors / bondholders with portfolio diversification.

- ☐ True
☐ False

9. For pension fund trustees, why would an investment in fixed income be a worthwhile strategy?

10. In fixed income, what does the principal amount refer to?

