

LONG TERM OBJECTIVE

The Coronation Global Strategic USD Income Strategy is an asset allocation strategy that invests across different fixed interest securities. It aims to achieve capital growth and a competitive annual yield, while preserving capital over rolling 12-month periods. Its benchmark is 110% of the Secured Overnight Financing Rate (SOFR). The strategy has a flexible mandate with no restriction on duration (interest rate sensitivity) and term. However, duration is unlikely to be more than three years. The strategy invests mainly in a combination of fixed, floating-rate and inflation linked securities of varying maturities, denominated in a spread of currencies and listed on recognised exchanges worldwide. Debt securities in which the strategy invests may be issued by governments, government agencies, supranational institutions, banks, credit institutions and other companies. Up to 30% of the strategy may be invested in debt securities with credit ratings between BBB+ and BBB- (or equivalent) and up to 10% may be invested in debt securities that are unrated or rated below BBB- (or equivalent). A maximum allocation of 10% to listed property is allowed. The strategy may make use of derivatives for efficient portfolio management.

INVESTMENT APPROACH

Coronation is a long-term, valuation-driven investment house. Our aim is to identify mispriced assets trading at discounts to their fair value through extensive proprietary research. The fixed income portfolios are positioned on a long term strategic market view, but this is balanced by taking advantage of shorter-term tactical opportunities when the market lags or runs ahead of that strategic view. As active managers, we consider investment decisions across the full spectrum of potential return enhancers. These include duration and yield curve positions, inflation-linked assets as well as yield enhancement through credit enhanced assets. We aim to maximise returns by actively combining both a top-down and a bottom-up approach to portfolio construction.

STRATEGY RETURNS GROSS OF FEES

Period	Strategy	Benchmark	Active Return
Since Inception (cumulative)	63.1%	32.9%	30.2%
Since Inception p.a.	3.5%	2.0%	1.5%
Latest 10 years p.a.	3.4%	2.7%	0.7%
Latest 5 years p.a.	3.9%	3.8%	0.1%
Latest 3 years p.a.	5.9%	5.4%	0.5%
Latest 1 year	4.4%	4.7%	(0.3)%
Year to date	0.3%	1.0%	(0.7)%
Month	(0.6)%	0.4%	(1.0)%

CURRENCY EXPOSURE

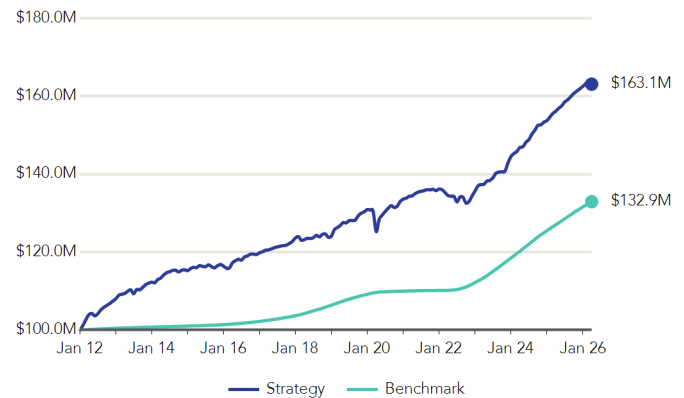
Currency	% Strategy
USD	100.0%

GENERAL INFORMATION

Inception Date	31 January 2012
Strategy Size *	\$918.0 million
Strategy Status	Open
Mandate Benchmark	110% of Secured Overnight Financing Rate (SOFRINDEX) Index
Redemption Terms	N/A
Base Currency	USD

*Strategy assets under management as at the most recent quarter end.

GROWTH OF US\$100M INVESTMENT



Benchmark: 110% of Secured Overnight Financing Rate (SOFRINDEX) Index

The benchmark has changed over time; performance is shown against the benchmark in effect during each measurement period. Full details of historic benchmarks are available upon request.

ASSET ALLOCATION

Asset Type	% Strategy
Fixed Rate Corporate Bonds	34.2%
Floating Rate Corporate Bonds	18.3%
Government ILBs	14.8%
Fixed Rate Government Bonds	14.4%
Floating Rate Government Bonds	13.8%
Cash	1.7%
Property	1.7%
Other	1.1%

EFFECTIVE MATURITY PROFILE

Term	% Strategy
0 to 1 year	42.8%
1 to 3 years	42.9%
3 to 7 years	7.2%
7 to 12 years	4.3%
Over 12 years	0.2%

STRATEGY STATISTICS

Modified Duration (incl. inflation-linked bonds)	1.3
Modified Duration (excl. inflation-linked bonds)	0.8

PORTFOLIO MANAGERS



Nishan Maharaj - BSc (Hons), MBA

Nishan is Head of Fixed Income at Coronation and a portfolio manager across all fixed income strategies. He joined Coronation in 2012 has 23 years' investment experience.



Seamus Vasey - BCom (Hons), MSc, CFA

Seamus is a fixed income and property analyst and portfolio manager in the Fixed Income team at Coronation. He manages our Active Bond, Flexible Fixed Income, Strategic Bond and Global Bond Strategies, as well as our Granite Hedge Funds. He joined Coronation in 2015 and has 22 years' investment experience.

REGULATORY DISCLOSURE AND DISCLAIMER

The Prospectus of Coronation Global Opportunities Fund and Fund KIID can be sourced on the following link: <https://www.coronation.com/en/institutional/strategy-information/literature/ucits-fund-library/umbrella-fund> and a Summary of Investor Rights can be sourced on the following link: <https://www.coronation.com/en/institutional/about-us/ucits-v-disclosure/>.

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The volatility of the Benchmark represented in the growth chart above may be materially different from that of the Strategy. In addition, the holdings in the accounts comprising the Strategy may differ significantly from the securities that comprise the Benchmark. The Benchmark has not been selected to represent an appropriate benchmark to compare the Strategy's performance, but rather is disclosed to allow for comparison of the Strategy's performance to that of a well-known and widely recognized Benchmark.

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REVIEW FOR THE QUARTER

The defining feature of Q1 was not how it started, but how it ended, and what this heralds for the rest of 2026 and beyond. At this stage, a rapid de-escalation and reopening of the Strait of Hormuz would likely provide for a significant positive impulse across most risk assets but a prolonged conflict introduces stagflationary dynamics that would test prevailing asset pricing, as well as policymakers' resolve, resources and analytical frameworks. The range of potential outcomes across all relevant time horizons is especially wide at this point and balancing prudence and opportunism wisely is the challenge.

Against this backdrop, the Strategy returned 0.2% for the quarter against the benchmark return of 1.0%.

The US Federal Open Market Committee (FOMC) had started 2026 with a policy rate range of 3.50-3.75% after having cut three times in the last four months of 2025. Initially, market expectations were strongly tilted towards a progression of the cutting cycle over the coming year, with a policy rate of well below 3% by year-end consistently priced. The Fed had become more cautious, however, and greater data dependency was cited alongside warnings of premature easing. The outbreak of the Middle East conflict naturally led to a sea-change in the environment. Rate-cut expectations were curtailed entirely, with even the potential for a hike required in the US in the coming months partially priced during March. The FOMC chose to restrain these expectations by signalling a preference for waiting and assessing the nature of the oil shock, rather than potentially pre-emptively tightening into what could be a more growth-damaging supply shock. Somewhat uniquely among the world's larger economies, policy expectations at quarter-end were still for net easing of rates in the US over a forward two-year horizon, even if the next 12 months were priced for no rate changes.

Among other major central banks, the swing in rate expectations following the onset of the energy crisis sparked in late February was equally dramatic. In the eurozone, prior expectations were for flat rates for an extended period before the potential for modest tightening from two years outwards. At quarter-end, this had pivoted to three hikes of 25 basis points (bps) each fully priced over the next 12 months. Even more dramatic was the swing in the UK. At end 2025 another two cuts had been anticipated, likely in the latter half of 2026. By the close of Q1, this had swung to two fully priced hikes in the coming months – a very different interest rate environment entirely. In Japan, the adjustment was less extreme. With the BoJ still enacting their normalisation strategy at the start of the year, pricing for this process was merely accentuated.

Across global duration, the quarter had two quite distinct chapters. In the US, Treasury yields had a constructive first few weeks of the year. An improving cyclical backdrop; low energy prices; firming Fed rate cut expectations, and dawning optimism around the reduced hampering effect of US tariffs, especially following the US Supreme Court's ruling against the emergency use of blanket tariffs, all helped push long-dated interest rates to levels last seen in 2024. But then the escalation of conflict in the Middle East changed all of that. US yields were driven higher as inflation expectations and risk premia were both notched higher, alongside a sharp readjustment to monetary policy expectations. Whatever safe haven bid arose over this time was overwhelmed. The net result for US Treasuries was actually a reasonably tame increase in yields from the start of the year to quarter-end, albeit with substantial intra-quarter ranges. Despite this, US Treasuries were actually one of the better-behaved G10 sovereign bond markets in Q1. The more substantial underperformers included Greece, the UK, and Italy.

US inflation-linked bonds mostly didn't have a strong Q1. Even as the events of March led to a spike in near-term inflation expectations, the increase in expected inflation accrual was matched by the rise in real rates. Indeed, longer-term inflation break-evens only saw modest rises from what was priced before the Middle East crisis. The clear message from markets was of anchored long-term inflation expectations consistent with other energy price shocks that have proven short-lived and been relatively quickly reversed.

The hard currency Emerging Market (EM) sovereign debt universe experienced a difficult quarter overall. From historically compressed spread levels, the sharp and substantial onset of the Middle East conflict motivated a repricing of risk premia across the complex. Unsurprisingly, oil-importing EMs were especially hard hit. And if this included having limited central bank flexibility and already deteriorating current account balances, then the sell-off was more acute. Yet, considering how historically tight these spreads had been, the overall widening seen was relatively modest.

The local EM sovereign debt asset class performed even more poorly than its Eurobond counterpart. Both capital and currency losses against the US dollar played their part. The yield on the J.P. Morgan GBI-EM Global Diversified Index started the year at 5.9% before reaching a low of 5.8% during February, but ended the quarter at c. 6.4%. However, there was some differentiation, as Brazil, Colombia, and the Dominican Republic posted strong positive quarters of +6.1%, +4.1%, and +4.4% in USD, respectively. The worst performers were Thailand, Turkey, and South Africa with -8.0%, -7.7%, and -6.9% (in USD).

US Investment Grade (IG) credit started 2026 by powering from already historically rich levels to spreads on par with or better than those experienced during the pre-GFC heyday. But while spreads were offering very little fundamental protection, outright yields remained reasonably attractive – especially when placed in the context of the past 10 years or so. With corporate credit fundamentals remaining solid; earnings healthy and supply absorption still seemingly vigorous, the spread widening seen as a consequence of the Middle East crisis was relatively contained, helped by yield-focused buyers belying spread weakness as it arose. The US IG Index (ICE BofA US Corporate Index) saw a low option-adjusted spread (essentially the yield spread over the risk-free rate) of 73bps reached during Q1 before selling off to a high of 94bps – the equivalent move was from a recent low of 79bps to over 120bps during the trauma instigated by the ‘Liberation Day’ events of April 2025. Unsurprisingly, greater susceptibility was seen across longer maturity and weaker quality credits – a typical, generalised risk-shock pattern.

The experience within the US high-yield (HY) space was of a similar configuration. The ICE BofA US High Yield Index started the year at unattractive valuation levels (c. 280bps spread level for the Index), before powering to a low of 264bps. Prior to the energy price surge later in the quarter, the most notable idiosyncratic features of major credit markets were the AI-related disruption theme and mounting anxiety about the inner workings of certain private credit managers. Following the geopolitical shock in the Middle East, a spread high of 346bps was seen in the HY index towards the end of the quarter. This is a meaningful sell-off, but doesn’t reflect market stress and certainly didn’t provide a broad-based bouquet of mispriced credits to accumulate, even if individual opportunities did present themselves.

Listed property assets had a fairly wide-ranging quarter, even relative to benchmark stock indices. The first two months saw widespread gains across geographies and sectors. Cyclical data flow was undoubtedly more supportive; energy prices had been receding, and interest rate expectations had been moving favourably in key markets. The result was broadly etched in the FTSE EPRA Global REIT Index (net TR, USD), which had nearly managed to clock double-digit gains by the end of February for the YTD. This was entirely unwound during March as the interest-rate-sensitive REIT sector took a double hit from concerns about revised growth outlooks for the rest of 2026 across all markets. A relatively more buffered region was North America, which still managed to achieve a positive total return of 5.0% for the quarter. But this was the exception rather than the rule, and the spectre of some form of stagflationary impulse was the overriding influence for the asset class over the latter part of Q1.

While individual security selection ensures that recycling across the Strategy’s core holding of high-quality, short-dated corporate debt is an ongoing feature of the Strategy in all environments, Q1 saw this become more lopsided than usual. From the last few months of 2025 and into January and February of this year, the Strategy had found it increasingly harder to replace richly priced holdings that were being trimmed or sold entirely. The net result was an overall reduction of spread risk, in particular, during these months.

The Strategy had still found a range of opportunities across select duration exposures; inflation-linked instruments; and in particular, listed property exposures. But despite this, the Strategy was running low aggregate risk across all its opportunity vectors as the crisis in the Middle East burst onto the scene. Thus, with the combination of ample liquidity and abundant risk capacity, the advent of the generalised risk-off event was one that the Strategy could use to increase risk taking, rather than seek enhanced risk mitigation measures. The bulk of the Strategy’s activity in March was in accumulating spread assets that had cheapened.

Indeed, the bigger regret (from an asset pricing perspective only), is that the substantial left-tail events that could subsequently arise from the unfolding energy crisis haven’t been more meaningfully priced. Hence, while many global fixed income markets have experienced quick and sharp weakness, these have been from especially rich levels and the subsequent cheapening has been useful, but not overwhelming. The net result is that, while the Strategy has opportunistically added risk in the past few weeks, the extent of weakness across global FI markets hasn’t reflected enough of the potential downsides perceived as within reasonable bounds to warrant taking larger positions here. Hence, the Strategy remains well supplied with both liquidity and risk appetite to capitalise even further on more widespread adjustment in risk premia, if this were to occur.