

# CORONATION GLOBAL CAPITAL PLUS [ZAR] FEEDER FUND

Fund Information as at 31 December 2017

## WHAT IS THE FUND'S OBJECTIVE?

Global Capital Plus is in the first instance managed to achieve reasonable investment growth over time. Our intent is that the fund should meaningfully outperform an investment in developed market cash over any five-year period. In addition, we aim to preserve capital over any 12-month period.

## WHAT DOES THE FUND INVEST IN?

Global Capital Plus can invest in all listed asset classes including shares, listed property, bonds and cash. The fund will primarily have exposure to developed economies (including the US, Europe and Japan) but can also invest in emerging markets.

The fund is managed to suit the needs of more conservative investors who want to invest for longer than three years. Exposure to growth assets (shares and listed property), which pose more risk than income assets, will typically not exceed 50%.

The intent is to keep the fund fully invested in foreign assets at all times. It will have exposure to a variety of currencies, with a general bias towards developed markets, specifically to the US dollar and euro.

The fund is allowed to make use of exchange traded funds and financial instruments to implement its investment views.

This feeder fund aims to remain fully invested in units in the Global Capital Plus Fund, which is domiciled offshore. The only other assets that will be held at feeder fund level is local and foreign cash for liquidity purposes.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

### Risk Profile



6/10

Moderate

### Maximum growth/ minimum income exposures



■ Growth Assets: 50%

□ Income Assets: 50%

Global Capital Plus aims to protect capital over any 12-month period in all market conditions, while offering real investment growth over the long term. However, capital is not guaranteed.

The fund invests in a broad range of different assets and many countries. Global currency movements may intensify investment gains or declines.

A conservative multi-asset fund which aims to preserve capital, it is classified as having a conservative to moderate risk profile. However, the fund has significant foreign asset exposure and is therefore subject to currency volatility. For the rand investor the risk profile of the fund should be considered as moderate to high.

## HOW LONG SHOULD INVESTORS REMAIN INVESTED?

An investment term of more than three years is recommended.

## WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are building wealth, and who

- seek a single international investment that will give them access to some of the best opportunities around the globe, while aiming to protect their capital;
- require conservative exposure to offshore markets;
- do not require an income from their investment.

## WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 1.50% is payable.

If the fund return is negative in USD over a rolling 24-month period the fee is discounted by 0.65%. Of the annual fee 0.10% is collected at feeder fund level, while the balance of the fee is collected in the master fund.

All fees exclude VAT. Fund expenses incurred in the fund include fees payable to unconnected international fund managers on a portion of assets situated offshore as well as trading, custody and audit charges. All performance information is disclosed after deducting all fees and other fund costs.

We do not charge fees to access or withdraw from the fund.

More detail is available on [www.coronation.com](http://www.coronation.com).

## WHO ARE THE FUND MANAGERS?

### TONY GIBSON

BCom

### LOUIS STASSEN

BSc, BCom (Hons), CFA

### NEIL PADOA

BEconSci (AcSci), FFA

## GENERAL FUND INFORMATION

Launch Date	1 November 2008
Fund Class	A
Benchmark	100% USD 3-month LIBOR + 1.5%
Fund Category	Global – Multi-asset – Low Equity
Regulation 28	Does not comply
Investment Minimum	R5 000 or R500/m debit order
Bloomberg Code	COGCPFA
ISIN Code	ZAE000126652
JSE Code	COLA

# CORONATION GLOBAL CAPITAL PLUS [ZAR] FEEDER FUND

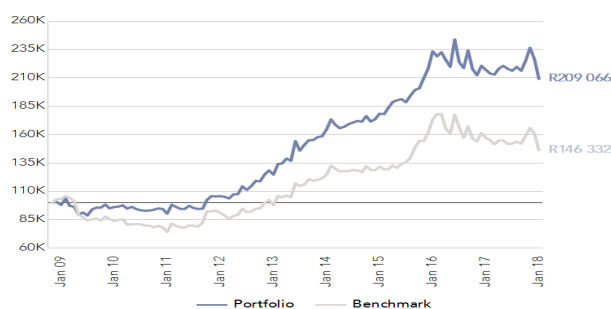
CLASS A as at 31 December 2017

Fund category	Global - Multi Asset - Low Equity
Launch date	01 November 2008
Fund size	R 2.29 billion
NAV	217.00 cents
Benchmark/Performance	100% USD 3-month LIBOR+1.5%
Fee Hurdle	
Portfolio manager/s	Tony Gibson, Louis Stassen and Neil Padoa

Total Expense Ratio	1 Year	3 Year
Fee for performance in line with benchmark	1.52%	1.55%
Adjusted for out/(under)-performance	1.43%	1.46%
Fund expenses	-	(0.12)%
VAT	0.02%	0.14%
Transaction costs (inc. VAT)	0.07%	0.07%
Total Investment Charge	0.09%	0.09%
	1.61%	1.64%

## PERFORMANCE AND RISK STATISTICS

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



## PORTFOLIO DETAIL

### ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2017
Equities	26.2%
Merger Arbitrage	0.4%
Property	12.6%
Commodities	3.7%
Bonds	7.6%
Cash	49.4%

## PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES) (ZAR)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	109.1%	46.3%	62.7%
Since Launch (annualised)	8.4%	4.2%	4.1%
Latest 5 years (annualised)	10.9%	8.4%	2.5%
Latest 3 years (annualised)	5.4%	3.6%	1.8%
Latest 1 year	(3.7)%	(6.9)%	3.2%
Year to date	(3.7)%	(6.9)%	3.2%

## TOP 10 HOLDINGS

### As at 31 Dec 2017

Alphabet Inc
Amazon.Com
British American Tobacco
Charter Communications
Comcast Corp
Facebook
Heineken
Intu Properties
L Brands
Pershing Square Holdings

## PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES) (USD)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	65.7%	15.9%	49.8%
Since Launch (annualised)	5.7%	1.6%	4.0%
Latest 5 years (annualised)	2.7%	0.4%	2.3%
Latest 3 years (annualised)	3.2%	1.0%	2.3%
Latest 1 year (annualised)	7.6%	2.8%	4.8%
Year to date	7.6%	2.8%	4.8%
2016	5.6%	2.3%	3.3%
2015	(3.2)%	(2.1)%	(1.1)%
2014	(1.8)%	(4.4)%	2.6%

## CURRENCY ALLOCATION

Currency as at 31 Dec 2017	% of Fund
US Dollar	97.1%
Other	2.9%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	12.6%	13.7%
Sharpe Ratio	0.44	N/A
Maximum Gain	23.7%	N/A
Maximum Drawdown	(14.4)%	N/A
Positive Months	58.2%	N/A

	Fund	Date Range
Highest annual return	34.8%	Jun 2012 - May 2013
Lowest annual return	(10.6)%	Jun 2016 - May 2017

## MONTHLY PERFORMANCE RETURNS (AFTER FEES) (ZAR)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2017	(1.5)%	(0.4)%	2.5%	1.1%	(1.1)%	(0.8)%	1.5%	(1.5)%	3.9%	5.2%	(4.2)%	(7.8)%	(3.7)%
Fund 2016	(1.8)%	1.5%	(2.9)%	(2.6)%	10.9%	(8.1)%	(2.4)%	7.0%	(6.9)%	(2.6)%	3.9%	(1.6)%	(6.9)%
Fund 2015	(0.2)%	3.0%	2.9%	0.8%	0.5%	(1.4)%	3.0%	2.6%	0.8%	4.5%	4.0%	6.9%	30.7%

**Please note that the commentary is for the US dollar retail class of the fund. The feeder fund is 100% invested in the underlying US dollar fund. However, given small valuation, trading and translation differences for the two funds, investors should expect differences in returns in the short term. Over the long term, we aim to achieve the same outcome in US dollar terms for both funds.**

The last quarter of 2017 continued to bring good news and strong returns to equity investors around the world. A combination of surprisingly strong economic data points (especially in regions like Europe and China), and a relatively benign outlook on interest rate normalisation in the US fueled equity markets to new highs. Investor euphoria grew even stronger when the US legislative forums agreed to a radical reform of the country's tax system, one of the cornerstones of the Trump administration's efforts to kickstart growth in the economy. The headline corporate federal tax rate is proposed to drop from 35% to 21%, in return for introducing a territorial tax system. This will result in US-based multinational companies paying slightly more tax on their non-US earnings in return for a drastic reduction in domestic tax rates. At the time of writing this report, much of the detail remains unclear, but it does not take away from the fact that this is a significant event that, in the short term, will lead to a jump in earnings for the S&P 500 companies of around 7-10%, and in the longer term could propel the US economy onto a higher growth path.

Global equity markets returned 5.7% for the quarter, and a very strong 24.0% over calendar 2017. The S&P 500 ended the year with a positive return delivered in every month – a historic first. In addition to the abovementioned factors, inflationary pressures around the world continued to surprise on the downside and global central bank liquidity remained at close to peak levels throughout the year. This Goldilocks scenario culminated in very low volatility levels, with the cost of protection on equity markets continuing to reach new lows at the time of writing.

Emerging markets had a blowout year, producing 37.3%, with China registering the strongest performance (+54.3%). Within developed markets, performances were closely bunched together, with Europe and Japan marginally outperforming the US. This was primarily as a result of the weaker US dollar as the country performed better than most other markets in local currency terms. The US dollar weakened by 14% against the euro over 2017. Over the longer term, the US equity market has however performed significantly better than any of the other developed equity markets.

While there wasn't much divergence amongst the performances of the various sectors over the quarter, healthcare continued to lag, as did utilities and telecommunication services. Energy stocks benefited surprisingly little from a strong rebound in the oil price. As a result, energy (+6.9%) was the worst performing subsector in the MSCI All Country World Index (ACWI) in 2017. Energy is probably the one sector (outside of real estate) that stand to benefit the least from the tax reform. Information technology was the standout winning sector with an annual return of 41.8%. Other notable laggards were telecommunication (+8.1%) and utilities (+14.1%).

Global fixed interest markets, on the other hand, had a very uneventful final quarter of 2017, returning 1.1%, with returns from Europe being boosted by the weaker US dollar. For calendar 2017, these markets, however, returned a more respectable 7.4%, again benefiting from the much weaker dollar over the period. Credit spreads continued to contract, partially fueled by the expected benefits from the tax reforms.

Listed property had a strong quarter, returning 3.8% and yielding a total return of 11.4% for the year. Again, these numbers were flattered by US dollar weakness, but even in local currency terms the performances in the various geographies were quite diverse. Hong Kong returned 45.8%, Europe 15.8%, while Japan returned a negative 8.9% in yen. The US was a laggard with retail portfolios continuing to underperform the logistics subsector.

The gold price performed well over the last year, returning just more than 13.5%. Other commodities were also strong, although soft commodities lagged other categories materially.

The fund performed well against this backdrop. Its return for 2017 of 7.13% was strong in absolute terms, and substantially outperformed the benchmark return of 2.79%. We have outperformed the cash-linked benchmark over all meaningful periods by a wide margin, while still remaining mindful of downside risk. The fund's annualised return since inception over eight years ago is a credible 4.38% p.a. It is worth highlighting that over the last twelve months our protection strategies (almost exclusively put options on the S&P 500 index) cost the fund 77 basis points. We accept that this is a material cost in light of the above-mentioned returns (previous years' cost would have been approximately half of this number),

but would argue strongly that this is acceptable given the fund's risk-averse nature.

It is gratifying to note that our equity carve-out beat the ACWI benchmark comfortably over one and three years. The property carve-out was particularly strong over the one-year period, yielding a return of 23%. While still contributing positively, our credit positions underperformed the global bond index over the last year, which was expected given our conservative positioning in this bucket. The merger arbitrage bucket detracted in absolute terms, after the fund's Rite Aid position was negatively impacted by the renegotiated terms of the Walgreens deal. Our direct gold position contributed positively.

We entered the year being defensively positioned with an all-time low exposure to equity. This have proven to be too conservative with the benefit of hindsight. However, our primary objective is to protect capital and as such we would rather be accused of conservatism than of trying to maximize returns. We continue to be conservatively positioned, with low exposure to equities and credit, and no exposure to government bonds. At present, the only sector that excites us in absolute terms is listed property in certain geographies.

Within equities, our biggest positive stock contributor this quarter was L Brands, a position that we have previously discussed in detail. It bounced back spectacularly from significantly oversold levels, but subsequent to the quarter end, sold off again after its release of poorer than expected Christmas trading numbers. Other strong contributors over the quarter included Fox (on the back of a proposed take-over by Disney), Amazon, Naspers, and Intu (after announcing a merger with Hammerson).

By far the biggest detractor was Altice NV, a new position in the fund that was severely punished by the market for producing poor trading numbers (especially in its French operation), leading to concerns about its ability to service its reasonably high debt levels. Other disappointments included Allergan (loss of patents and adverse court outcome), Newell Brands (poor trading update), and CVS Caremark and Walgreens (both punished due to fears that Amazon will enter the retail pharmacy market).

Over the last year Fortress remained our biggest positive contributor after its takeover by Softbank. The fund's other alternative asset manager holdings (Apollo, KKR and Carlyle) also added meaningfully to performance over the same period. Internet positions like Amazon, Naspers and Facebook benefited from the strong uplift in the sector. The biggest detractors over 2017 were Altice NV (discussed above), Allergan and the retail pharmacy stocks Walgreens, CVS Caremark and Rite Aid on the back of the Amazon-related fears (mentioned above).

The US tax reform is a game-changing event, and investors should expect the portfolio to change once the details of the programme have been fleshed out. During the last quarter our decision to increase the fund's exposure to US cable stocks like Comcast, Charter and even Altice NV was partially influenced by the fact that this sector will be a prime beneficiary of the proposed tax changes. The sector is almost exclusively focused on the US domestic market, provides for tax at the maximum rate, and is a significant investor in capital equipment, which will receive preferential tax deductions in terms of the current proposals. While the outcome of the tax reform initiative remained uncertain until just before Christmas, some of these stocks have reacted strongly before and after the bill has been passed. We will continue to assess investment opportunities with an open mind, but are also conscious of the fact that in a competitive environment like the US there is a chance that at least some of the benefits of the tax reform will be competed away.

With regards to the other asset classes, we remain concerned about the level of long term interest rates, and as such remain negative about the outlook for global bonds. We also think credit markets are discounting a benign outcome in terms of corporate defaults, and have very low exposure to this asset class. Listed property still looks appealing to us in some of the geographies, and we will continue to selectively add to this sector over time.

**Portfolio managers**  
**Tony Gibson and Louis Stassen**  
as at 31 December 2017

### IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION GLOBAL CAPITAL PLUS [ZAR] FEEDER FUND

The Global Capital Plus [ZAR] Feeder Fund should be considered a medium- to long-term investment. 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 up to 100% 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. A feeder fund invests in a single fund of a collective investment scheme, which levies its own charges and could result in a higher fee structure for the feeder fund. Asset allocation is reflected on a look-through basis. Coronation Management Company (RF) (Pty) Ltd is a Collective Investment Schemes Manager approved by the Financial Services Board in terms of the Collective Investment Schemes Control Act. Portfolio managed by Coronation Investment Management International (Pty) Ltd (FSP45646), an authorised financial services provider. The Management Company reserves the right to close the fund to new investors if we deem it necessary to limit further inflows in order for it to be managed in accordance with its mandate. Unit trusts are allowed to engage in scrip lending and borrowing. Standard Chartered has been appointed as trustees for the fund ([www.sc.com/za](http://www.sc.com/za); 011-2176600). Coronation is a full member of the Association for Savings & Investment SA (ASISA).

### HOW ARE UNITS PRICED AND AT WHICH PRICE WILL MY TRANSACTION BE EXECUTED?

Unit trusts are traded at ruling prices set on every trading day. Fund valuations take place at approximately 15h00 each business day, except at month end when the valuation is performed at approximately 17h00 (JSE market close) and forward pricing is used. Instructions must reach the Management Company before 14h00 (12h00 for the Money Market Fund) to ensure same day value. The payment of withdrawals may be delayed in extraordinary circumstances, when the manager with the consent of the fund trustees deem this to be in the interest of all fund investors. These circumstances may include periods when significant underlying markets suspend trading which will prevent accurate valuation of the instruments held in the fund. When the suspension of trading relates to only certain assets held by the fund, these assets may be side-pocketed. This process allows normal liquidity on the assets that can be valued, but will delay liquidity on the affected portion of the fund. If the fund is faced with excessive withdrawals, the affected withdrawals may be ring-fenced, which is the separation and delayed sale of the assets reflecting the interest of the liquidity seeking investors. It ensures that the sale of a large number of units will not force Coronation to sell the underlying investments in a manner that may have a negative impact on remaining investors of the fund.

### HOW WAS THE PERFORMANCE INFORMATION INCLUDED IN THIS FACT SHEET CALCULATED?

Performance is calculated by Coronation as at the last day of the month for a lump sum investment using Class A NAV prices with income distributions reinvested. All underlying price and distribution data is sourced from Morningstar. Performance figures are quoted after the deduction of all costs (including manager fees and trading costs) incurred within the fund. Note that individual investor performance may differ as a result of the actual investment date, the date of reinvestment of distributions and dividend withholding tax, where applicable. Annualised performance figures represent the geometric average return earned by the fund over the given time period. Unannualised performance represents the total return earned by the fund over the given time period, expressed as a percentage.

### WHAT IS THE TOTAL EXPENSE RATIO (TER) AND TRANSACTION COSTS (TC)?

TER is calculated as a percentage of the average net asset value of the portfolio incurred as charges, levies and fees in the management of the portfolio. 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 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 September 2017 (updated annually). The 3 year TER is for a rolling 36-month period to the last 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 advisor, advice fees are contracted directly between you and the advisor. We will facilitate the collection of advice fees only upon receiving your instruction, up to a maximum of an initial fee of 3.00% and an ongoing fee of 1.00% per annum (where an initial advice fee of more than 1.50% is selected, the maximum annual advice fee that we will collect is 0.50%). Advice fees are usually collected through the redemption of units. You may cancel the instruction to facilitate the payment of advice fees at any time. Advisors will only share in Coronation fees subject to prior approval by and/or disclosure to the investor. A portion of Coronation's annual management fee may be paid to administration platforms such as Linked Investment Service Providers (LISPs) as a payment for administration and distribution services.

### 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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