

# CORONATION GLOBAL CAPITAL PLUS [ZAR] FEEDER FUND

Fund Information as at 31 August 2018

## 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 1.25% is payable.

Of the annual fee 0.40% is collected at feeder fund level, while the balance of the fee is collected in the master fund.

If the fund performance over any 24-month period is negative in USD, the fee is reduced to 0.85%. The underperformance reduction will cease from 01 October 2018. All fees exclude VAT.

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

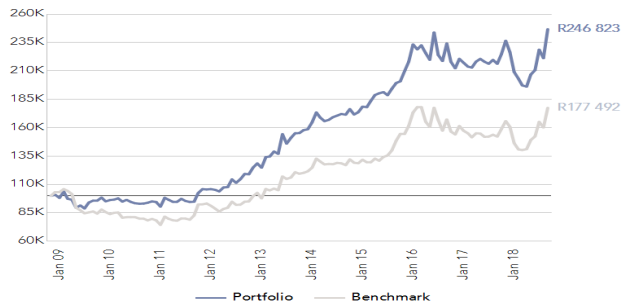
CLASS A as at 31 August 2018

Fund category	Global - Multi Asset - Low Equity
Launch date	01 November 2008
Fund size	R 2.42 billion
NAV	256.19 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%	1.42%
Adjusted for out/(under)-performance	1.43%	1.49%
Fund expenses	-	(0.18)%
VAT	0.02%	0.05%
Transaction costs (inc. VAT)	0.07%	0.07%
Total Investment Charge	0.09%	0.09%
	1.61%	1.51%

## PERFORMANCE AND RISK STATISTICS

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



## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Aug 2018
Equities	24.8%
Merger Arbitrage	0.4%
Property	12.8%
Commodities	4.1%
Bonds	18.1%
Cash	39.8%

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

	Fund	Benchmark	Active Return
Since Launch (unannualised)	146.8%	77.5%	69.3%
Since Launch (annualised)	9.6%	6.0%	3.6%
Latest 5 years (annualised)	9.7%	8.0%	1.7%
Latest 3 years (annualised)	7.4%	6.1%	1.2%
Latest 1 year	14.1%	16.6%	(2.5)%
Year to date	18.1%	21.4%	(3.4)%

## TOP 10 HOLDINGS

As at 30 Jun 2018

Alphabet Inc
Amazon.com
Blackstone Group
British American Tobacco
Charter Communications
Facebook
Heineken
L Brands
Pershing Square Holdings
Philip Morris International

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

	Fund	Benchmark	Active Return
Since Launch (unannualised)	64.4%	18.8%	45.7%
Since Launch (annualised)	5.2%	1.8%	3.4%
Latest 5 years (annualised)	2.2%	0.7%	1.5%
Latest 3 years (annualised)	3.9%	2.6%	1.2%
Latest 1 year (annualised)	1.2%	3.5%	(2.3)%
Year to date	(0.8)%	2.5%	(3.3)%
2017	7.6%	2.8%	4.8%
2016	5.6%	2.3%	3.3%
2015	(3.2)%	(2.1)%	(1.1)%

## CURRENCY ALLOCATION

Currency as at 31 Aug 2018	% of Fund
US Dollar	88.2%
Other	11.8%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	13.1%	14.1%
Sharpe Ratio	0.39	N/A
Maximum Gain	23.7%	N/A
Maximum Drawdown	(19.6)%	N/A
Positive Months	57.6%	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 2018	(2.8)%	(2.9)%	(0.5)%	5.4%	1.9%	8.5%	(3.3)%	11.6%					18.1%
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)%

*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 second quarter of the year created even more uncertainty after the turbulent first quarter. Investors' minds were increasingly occupied by the growing prospect of an intensifying trade war between the US and its major trading partners. President Trump and his administration seem intent on even turning long-term allies into enemies, with their erratic but ongoing comments about putting America first with regards to trade. This has led to a series of tit-for-tat reactions from predominantly China, but even countries like Canada and trading blocs such as the European Union have resorted to reactive measures to try and drive home the fact that the US should behave in a responsible way in a global trading village. While one can contextualize these measures as relatively small in a global trading context, investors have been spooked as it is difficult to predict if and when these irrational actions will stop. In addition, down the line these actions have a direct impact on monetary policy and, as such, create more uncertainty.

With regards to the latter issue, we remain of the view that investors are too complacent about the potential level of normal interest rates in the long term. An analysis of the yield curve shows that while the US Federal Reserve (Fed) has clearly and continuously communicated its intention to increase interest rates two more times during 2018, only half of the market believes that to be true. In addition, the market only discounts a 10% probability of further rate hikes in 2019, while the Fed has indicated its intention (all other data points being equal) to raise rates twice during 2019. We are monitoring these statistics closely, as it could affect the equity risk premium in the medium term. Against this backdrop, the MSCI All County World Index (ACWI) returned 0.5% over the quarter, resulting in the year-to-date number still being slightly negative. Over the last year the index return was 10.7%, slightly above the three-year annualised number of 8.2% p.a. Returns in local currencies were on average more than 2% higher, but the stronger US dollar curbed reported returns in that currency. The US dollar was on average about 4%-6% stronger than most of the other major currencies. Among developed markets, Japan was the laggard by a modest margin. Given the increased concerns from investors about a possible full scale trade war, it was no surprise that emerging markets underperformed their developed counterparts by over 8%, with more than half of this number being attributed to weaker currencies. The fund has been somewhat sheltered against these moves given our decision to hedge the bulk of our emerging market currency exposures. Within the emerging market universe, Brazil was the notable underperformer, given the increasingly complex situation on the domestic political front. Over the last 12 months (and over longer time periods), developed markets have now marginally outperformed emerging markets.

Within sectors, energy was the standout performer this quarter given the stronger oil price. Financials underperformed given the trade war concerns and their potential impact on monetary policy. Telecommunication services were also weak. Over the last 12 months energy and information technology were the strongest sectors, with telecoms and consumer staples underperforming the benchmark by around 15% and 11% respectively.

Global bond markets continued to come under pressure this quarter, as investors further adjusted their interest rate expectations. Longer-term yields increased slightly in the US. In addition, the strength in the US dollar resulted in negative returns in dollar terms for most developed markets. The overall benchmark index returned -2.8% (in US dollars) over the quarter, resulting in a marginally positive return over the last 12 months. The US 10-year bond is now trading more than 50 basis points higher than a year ago.

Global property on the other hand had its best quarter in some years, returning 5.5% (in US dollars) over the quarter despite the strong US dollar. The US and Australian markets were the strongest (both yielding around 10% in local currency terms). The improved performance of this asset class was due to stronger than feared underlying profitability from Real Estate Investment Trust portfolios in markets such as the US, as well as a slight rerating as investor concerns about the demise of physical property in light of continued online penetration dissipated somewhat. These portfolios continue to trade at attractive valuation levels in our opinion, despite the stronger quarter. The global property benchmark index returned 6.7% over the last 12 months, significantly ahead of global bonds.

Commodities were mixed over the quarter, with the oil price being the stand-out performer, increasing by 13%. Gold was down 5.5%, erasing all its gains towards the end of last year, and ending the last 12 months almost flat. Platinum was also down 8.4% during the quarter.

The fund returned just below 1% for the quarter, and -1.2% over the last year, which was a disappointing outcome. Our stock selection within equities has detracted over these periods. Over longer periods, the fund returned between 1% and 4% per annum, and since inception the annualised return has been 4.0% - a reasonable outcome given the lower risk profile of the product.

For the quarter, our most notable equity winners include stocks such as Altice and Pershing, which have detracted in the past. Other positive contributors were Atlantia, Time Warner, United Health, and Facebook. Detractors included Intu Properties, the airline holdings (on the back of a higher oil price), and Kroton (as the Brazilian economy continued to shrink in the face of the political and economic crisis). Our two big tobacco positions, British American Tobacco and Philip Morris, also detracted (discussed in more detail below).

In reflection on the disappointing outcome of the last 12 months, it is clear that some of the portfolio's larger equity positions have detracted meaningfully. Comcast, the tobacco stocks, the US pharmacy retailers, L Brands, Allergan and Kroton were the big negatives. In most cases the investment thesis still holds, and we continue to be encouraged by the prospects for these companies. The developments in the US pharmacy sector are being monitored closely, with the potential entry of Amazon in that space. Conversely, Amazon was one of our biggest positive contributors over that time.

Our property holdings underperformed the benchmark over the quarter, mainly as a result of Intu's poor returns. The rest of our holdings did well over the period, and satisfactory over the last 12 months. Credit performed well, both over the shorter and the longer-term periods, but our physical gold position detracted based on a weaker gold price. Our decision to hedge some of our currency exposures added to performance more recently given the underlying strength in the US dollar.

In last quarter's report we discussed our motivation for significantly increasing the fund's exposure to tobacco stocks. We continue to do more research and have increased our conviction about the prospects for this sector in the light of continued changes in consumer preferences for the next generation products (which include both vaping and heat-not-burn products). The fund now has about 3.5% exposure to the sector (of total capital), primarily in British American Tobacco, a stock we have worked on extensively given its dual listing on the JSE, and Philip Morris International, the owner of the iconic Marlboro brand outside of the US. Philip Morris' share price came under significant pressure after investors were disappointed with its growth in heat-not-burn product sales in Japan. The sector is trading at a discount of over 30% to its historical average rating, and while we expect investor uncertainty to continue given all the relevant news flow expected over the next few years, we think patient investors will be well rewarded.

More recently, we have also introduced Mondelez to the portfolio. This branded snack and confectionary group has been punished by investors worrying about branded consumer groups' abilities to continue taking price increases in the light of the rise of in-store brands and lacklustre US-packaged food sales growth. We think the market underappreciates the fact that only 25% of Mondelez' sales are in the US, with about 40% of group sales coming from emerging markets, where its portfolio of brands is very strong and growing. The market seems to have lumped the stock with other US-centric names like Kraft and Campbell Soup where lethargic growth prospects have scared investors. In addition, the market also tends to price these stocks as bond proxies, and with the normalisation of longer-term interest rates, investors have shied away from holding consumer defensives. We consider this to be an opportunity to increase the fund's exposure to high quality holdings like Mondelez, Anheuser Busch and Reckitt Benckiser.

Prospects for the various asset classes are subdued in our opinion, and investors should calibrate their expectations accordingly. Nevertheless, we keep finding exciting opportunities in the various categories, and while being mindful of overall portfolio risk, we are selectively including some of these in the portfolio.

**Portfolio managers**  
**Tony Gibson, Louis Stassen and Neil Padoa**  
as at 30 June 2018

### 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. The top 10 holdings are reflected on a look-through basis. Coronation Management Company (RF) (Pty) Ltd is a Collective Investment Schemes Manager approved by the Financial Sector Conduct Authority in terms of the Collective Investment Schemes Control Act. Portfolio managed by Coronation 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 adviser, advice fees are contracted directly between you and the adviser. For more information please contact the relevant platform (Linked Investment Service Provider or Life Assurance Provider).

### WHERE CAN I FIND ADDITIONAL INFORMATION?

Additional information such as daily fund prices, brochures, application forms and a schedule of fund fees and charges is available on our website, [www.coronation.com](http://www.coronation.com)

### IMPORTANT INFORMATION REGARDING TERMS OF USE

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.