CORONATION GLOBAL STRATEGIC USD INCOME FUND

Fund Information as at 31 August 2018

CORONATION
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WHAT IS THE FUND'S OBJECTIVE?

The fund aims to achieve a higher return than a US dollar term bank deposit. It is mainly focused on delivering short-term income.

WHAT DOES THE FUND INVEST IN?

The fund invests between 75% and 100% of its assets in a wide variety of fixed income assets. This may include bonds, money market instruments and other debt securities issued by international governments, banks and other companies or institutions.

Up to 25% of the fund may be invested in listed property, preference shares and other forms of hybrid debt or equity instruments.

While the fund may invest in instruments in any currency, its effective exposure to the US dollar will at least be 75% at all times. The fund is mandated to use derivative instruments for efficient portfolio management purposes.

The average duration in the fund will typically not exceed three years.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

The fund is tactically managed to secure an attractive income, while protecting capital.

Its investments are carefully researched by a large and experienced investment team and subjected to a strict risk management process. The fund is actively positioned to balance long-term strategic positions with shorter-term tactical opportunities to achieve the best possible income.

While the fund is managed in a conservative and defensive manner, it is not guaranteed to always outperform cash over short periods of time, and may suffer capital losses primarily as a result of interest rate movements or negative credit events.

Capital growth, if any, will generally come from capital market changes such as falling interest rates or movements in foreign currencies.

HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The recommended investment term is 12-months and longer. Given its limited exposure to growth assets, the fund is not suited for long investment terms.

WHO SHOULD CONSIDER INVESTING IN THE FUND?

Conservative investors who are looking for an intelligent alternative to US Dollar bank deposits.

WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 0.80% is payable.

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.

WHO ARE THE FUND MANAGERS?

MARK LE ROUX
BCom

STEPHEN PEIRCE
BA (Economics), MA (Finance), UKSIP

NISHAN MAHARAJ
BSc (Hons), MBA

SEAMUS VASEY
BCom (Hons), MSc

GENERAL FUND INFORMATION

Fund Launch Date	30 December 2011
Class	A
Class Type	Accumulation
Fund Domicile	Ireland
Morningstar Fund Category	Global Bond – USD Hedged
Currency	US Dollar
Benchmark	110% of USD 3-month LIBOR
Investment Minimum	US$15 000
Bloomberg	CORGSUA
ISIN	IE00B4TFHM43
SEDOL	B4TFHM4

CORONATION GLOBAL STRATEGIC USD INCOME FUND

CORONATION
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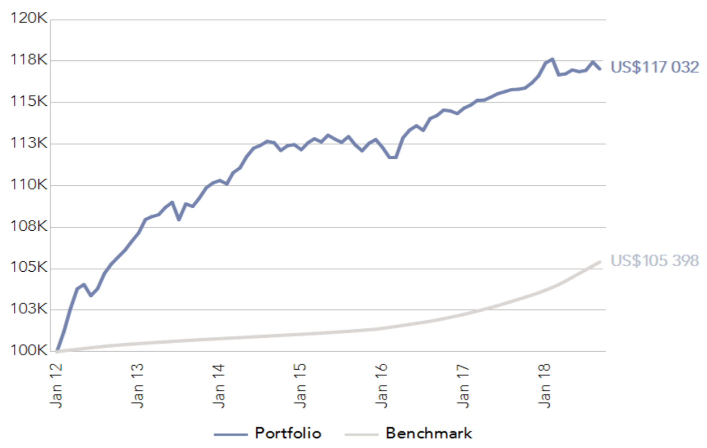
CLASS A as at 31 August 2018

Launch date	30 December 2011
Fund size	US$ 279.82 million
NAV	11.70
Benchmark/Performance Fee Hurdle	110% of USD 3-month LIBOR
Portfolio manager/s	Mark le Roux, Stephen Peirce, Nishan Maharaj & Seamus Vasey

	1 Year	3 Year
Total Expense Ratio	0.89%	0.92%
Fund management fee	0.80%	0.80%
Fund expenses	0.09%	0.12%
VAT	0.00%	0.00%
Transaction costs (inc. VAT)	0.01%	0.02%
Total Investment Charge	0.90%	0.94%

PERFORMANCE AND RISK STATISTICS

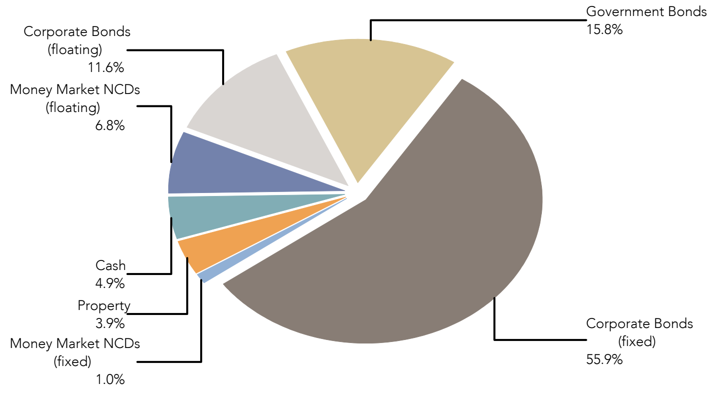
GROWTH OF A $100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

PORTFOLIO COMPOSITION

As at 31 Aug 2018



PERFORMANCE (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	17.0%	5.4%	11.6%
Since Launch (annualised)	2.4%	0.8%	1.6%
Latest 5 years (annualised)	1.5%	0.9%	0.6%
Latest 3 years (annualised)	1.3%	1.3%	0.0%
Latest 1 year	1.1%	2.2%	(1.1)%
Year to date	(0.3)%	1.6%	(1.9)%

	Fund
Modified Duration	1.2
Yield	3.3%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	1.5%	0.2%
Sharpe Ratio	1.35	1.92
Maximum Gain	5.4%	5.4%
Maximum Drawdown	(1.2)%	N/A
Positive Months	75.0%	100.0%

	Fund	Date Range
Highest annual return	7.1%	Jan 2012 - Dec 2012
Lowest annual return	(1.0%)	Mar 2015 - Feb 2016

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2018	0.2%	(0.8)%	0.1%	0.2%	(0.1)%	0.1%	0.4%	(0.4)%					(0.3)%
Fund 2017	0.2%	0.2%	0.0%	0.2%	0.2%	0.1%	0.1%	0.0%	0.1%	0.3%	0.4%	0.7%	2.4%
Fund 2016	(0.5)%	0.0%	1.1%	0.4%	0.2%	(0.2)%	0.6%	0.2%	0.3%	(0.1)%	(0.1)%	0.3%	2.1%

Please note that the commentary is for the retail class of the fund.

Riskier assets continued to struggle during the second quarter with many sectors of the market posting negative returns. Credit spreads continued to widen and corporates once again underperformed government bonds. The US dollar rebounded in the second quarter against all other currencies benefiting from safe haven flows and the US Federal Reserve (Fed) once again raised interest rates. The fund returned 0.18% in what proved to be another challenging quarter and 1.11% over the last year, against a benchmark return of 0.65% and 1.98% over the same period (gross returns for fund).

The economic narrative has become more complex in recent months. Central banks led by the US have begun to scale back the size of asset purchases and rising policy rates and tighter financial conditions are beginning to have an impact. China too is feeling the effect of less credit growth adding to the headwinds for emerging markets. Meanwhile the US administration's recent trade tariff hikes have added to investors' concerns that a broader trade war may develop. In the near term, US growth will be supported by the fiscal expansion and the Fed will continue to tighten monetary policy as the output gap closes and wealth effects buoy consumers. A more meaningful slowdown remains a risk in late 2019 or early in 2020.

US 10-year bond yields rose as high as 3.1% in mid-May, prompting talk of a break out to the upside before falling back below 3% and ending the quarter at 2.85%. The Fed raised the Fed funds rate by a further 25 basis points (bps) as expected in mid-June (upper bound now 2%), the latest 'dot plot' was deemed to be slightly hawkish as it suggests two more moves are likely in 2018. With short rates rising and markets acknowledging the potential for a slowdown in late 2019, the yield curve continued to flatten. While Europe and Japan resist higher short rates, the rise in US short rates and a flatter curve has meant higher hedging costs for overseas buyers. With US issuance set to rise substantially in the wake of US tax cuts and the runoff of the Fed's balance sheet set to accelerate, bond hedging costs look set to rise further. US Libor funding spreads peaked at the end of March and have since fallen from 0.6% to 0.4% currently. While we see the levels in March as extreme, there remains a chance that funding spreads will once again widen when the US Treasury begins to issue large amounts of Treasury bills again later in the year Ultimately, the higher supply raises the prospect of higher US yields as hedged foreign demand wanes. Despite being wary of longer-dated valuations, the US Treasury's current bias towards shorter-dated issuance is likely to contribute to a bearish flattening of the yield curve. With US breakeven rates of inflation relatively stable (despite higher oil prices), movements in the yield curve have manifested themselves in higher real yields - real yields on a five-year, inflation-linked instrument at 0.7% are at the highest level since 2009. The fund added duration as US 10-year yields rose above 3% but once again reduced some exposure after bonds retreated 30 bps from the highs. At the quarter end, the fund's interest rate duration was around one year, about 0.25 years higher than at the end of the first quarter.

European investors have had much to deal with over the last three months with politics finally spilling over into markets. The Eurozone now has to contend not only with Brexit but a new Italian populist government which looks set to use domestic issues as a bargaining chip in the wider Eurozone reform debate. Migration has become a hot topic (especially for the coalition government in Germany) and individual states attitudes to the subject are a reminder of just how divided Europe remains on many issues. Europe's relationship with the US is also under strain as evident at a recent G7 summit. The imposition of tariffs (and subsequent retaliations), alongside the funding of NATO, remain live issues. Italian bonds performed poorly (down 5.2% in the last three months) in the wake of the Italian government's formation with yields experiencing unprecedented moves (two-year yields rose from 0% to 2.75% before ending the quarter at 0.67%). In core Europe, yields fell as the ECB remained dovish on rates, predicting rates would remain at current lows at least through the summer of 2019. The central bank also announced its intention to reduce new asset purchases from the current €30bn a month to €15bn in the fourth quarter of 2018 and complete purchases at the end of the year. Existing maturities will continue to be reinvested for an extended period with the market speculating that the ECB will skew those purchases into longer maturities thereby maximising the duration impact of its actions. Within the UK, Brexit wrangling dominates the headlines with definitive progress scant much to the annoyance of the business community. The Bank of England is inching closer to raising rates once again, resulting in current bond yields looking unappealing.

Emerging markets struggled throughout the quarter with local currency debt particularly weak as investors unwound carry trades. Turkish bonds lost 10% in value, Indonesia 6% and Brazil 5%. Emerging market currencies endured a particularly harsh selloff, the JP Morgan (JPM) Emerging Market Currency Index was down 10% during the quarter, with Argentina down over 30% and the South African rand, Turkish lira and Brazilian real down around 14%. Hard currency emerging market debt fared better but also succumbed to the wider sell off in credit markets. The spread on the JPM Emerging Market Bond Index widened from 3.2% to 3.9% during the quarter.

Credit spreads continued to widen in the second quarter with the weakness spreading from short, high quality instruments that bore the brunt of the widening in Libor during the first quarter to longer-dated and lower rated names in the last three months. European corporate bonds were particularly weak in June on the back of developments in Italy and the prospect of less asset purchases from the ECB. Financials suffered more than corporate credit, especially within Europe despite fears over rising trade tensions. The US high yield markets proved to be an exception with the high oil price lending support to the shale producers. This has meant the ratio between US high-yield spreads and investment grade is at its tightest since the financial crisis. Much of the selloff was flow related as selling emerged on the back of ETF outflows or managers reducing exposures which helps explain why cash markets widened more than hedging instruments such as credit default swaps. Having built up sizable US Treasury bill positions in the first quarter, the fund switched much of this exposure out into AAA-rated covered bonds at the end of April as covered bonds spreads rose and Treasury bills became very expensive compared to swaps. The fund also invested in financial paper around the two year part of the curve, targeting a yield of around 3%. After the recent softening of spreads in the intermediate maturity (five-year), the fund has increased some of its longer-dated holdings. The fund has also added to some of its convertible holdings where we believe some of the best value is to be had. The fund also took part in new issues form FirstRand, Barclays Africa and Growthpoint. Due to movements in the cross currency basis we have increasingly found US corporate bonds to be more attractive for the fund than non-US denominated bonds hedged back into dollars. Overall, the credit risk within the fund rose from 1.15 years of credit duration to 1.57 years at the end of June. The fund also continues to employ a put option strategy to guard against a significant widening in credit spreads.

Property enjoyed a better quarter in local currency terms during the quarter although the strength of the US dollar meant only a few markets produced positive returns when expressed in US dollars. The funds exposure to property remained around 4% of fund throughout the quarter. Having bought back into Growthpoint Australia in the first quarter, the fund once again exited its position after a strong recovery in the shares. The fund also reduced some of its positons in German residential names such as Vonovia, Deutsche Wohnen and LEG after s strong run from the sector. After a raft of corporate announcements last quarter only Unibail's takeover of Westfield has proved successful. Klepierre withdrew its bid for Hammerson and Hammerson in turn walked away from its plans to merge with INTU. In the US, there are tentative signs that the retail backdrop for mall operators may be improving and management teams are expressing confidence in their ability to reposition malls for changing consumer trends - Simon Property Group reacted best among our holdings. UK names remain unloved with Brexit concerns or the weakness among high street retailers a headache for many property companies.

Within foreign exchange markets, the US dollar outperformed all other currencies with the Fed's broad dollar index up 5.6% over the quarter. There has been much debate as to the drivers of the dollar's move, - are we seeing some realignment due to interest rate differentials, is this flow driven as investors flee riskier asset classes such as emerging markets or is this reflective on some form of liquidity squeeze brought about by a shortage of dollars? The reality is it is most likely a bit of all these factors and US dollar speculative positioning is now a little extended, arguing for some let up in the dollar's recent strength. With recent significant outflows from equities and emerging market bond funds and investors' appetite for risk having swung into deeply bearish territory, there is a strong likelihood that recent trends will abate in the short term. The caveat may be a continued escalation in trade tensions that contributes to a further weakness in riskier asset classes and drives investors into perceived safe havens. The recent weakness in the Chinese currency has led some to speculate that China could utilise its currency to partly offset tariff increases. A more plausible explanation is that China has allowed its currency to readjust lower to realign it more closely with its trading partners which have in recent time weakened against the US dollar. China is also battling to offset the tightening in one part of the economy brought about by its clamping down on excessive leverage by supporting other sectors of the economy via reductions in banks' reserve requirements and enhanced liquidity operations.

The fund duration of around one year remains modest but we feel short-dated issues now offer good levels of breakeven protection. We remain more sceptical of longer-dated government bonds in the US and view developed market yields outside the US as expensive. Within credit markets, we believe value is emerging but this is a relative observation as a large deterioration in sentiment that motivated sizable sector outflows would soon reset spreads wider, one of the reasons we continue to employ an option protection strategy. We believe there are pockets of value and our convertible positions fall into this camp. Given that the withdrawal of central bank liquidity is in its early stages, investors should not be surprised if the recent rise in market volatility persists.

Portfolio managers

Mark le Roux, Stephen Peirce, Nishan Maharaj and Seamus Vasey

as at 30 June 2018

IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION GLOBAL STRATEGIC USD INCOME FUND

Unit trusts 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. The yield shown is an estimate (gross of fees) in part based on market assumptions and forecasts. The yield is calculated by taking the interest and income receivable of all the instruments in the fund divided by the net asset value, expressed as a nominal annual rate. It is provided to give an approximate indication of the achievable yield for an investment made at the reporting date. . Actual experience may differ, based on changes in market values, interest rates and changes in costs actually experienced during the investment period. Coronation 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. Coronation Global Fund Managers (Ireland) Limited is authorised in Ireland and regulated by the Central Bank of Ireland. The fund is approved under Section 65 of the Collective Investment Schemes Control Act by the Financial Sector Conduct Authority of South Africa. Portfolio managed by Coronation Investment Management International (Pty) Ltd (FSP45646), an authorised financial services provider.

Northern Trust Fiduciary Services has been appointed as the fund's trustees (www.northerntrust.com; t: +353-1-542-2000), and its custodian is JP Morgan Administration Services (Ireland) Limited (www.jpmorgan.com; t: +353-1-612-4000). Coronation is a full member of the Association for Savings & Investment SA (ASISA).

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

Unit trusts are traded at ruling prices set on every business day. Fund valuations take place at approximately 17h00 each business day (Irish Time) and forward pricing is used. Instructions must reach Coronation before 12h00 (SA Time) one day prior to the dealing date. You can expect to receive withdrawal payouts three business days after the dealing day. Large investments or redemptions (exceeding 5% of fund value) may be subject to an anti-dilution levy to defray dealing costs and expenses. This levy, where applicable, is applied fully for the benefit 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 www.coronation.com. You will also find additional information on the considerations pertinent to investing in a fund denominated in a foreign currency and domiciled in an offshore jurisdiction.

IMPORTANT INFORMATION REGARDING TERMS OF USE

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