

CORONATION GLOBAL EQUITY SELECT [ZAR] FEEDER FUND

Fund Information as at 31 December 2018

WHAT IS THE FUND'S OBJECTIVE?

Global Equity Select aims to give investors access to the best opportunities in global equity markets. The fund is biased to developed markets and actively seeks out attractively valued shares to maximise long-term growth. Our intent is to outperform the global equity benchmark over all periods of five years and longer.

WHAT DOES THE FUND INVEST IN?

The fund invests in the shares of companies listed on equity markets around the world. The fund has a bias towards developed markets, typically holding at least 70% in developed market shares and up to 30% invested in shares listed in emerging markets. While our intent is to remain fully invested in shares, the fund is allowed to hold up to 20% of its portfolio in cash and bonds.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS



Global Equity Select will only invest in shares we view as being attractively valued relative to other shares which may offer superior long-term investment growth.

The fund's share selection is the result of rigorous international research conducted by Coronation's investment team.

While we have a disciplined approach to reducing risk, shares can be volatile investments and there is a meaningful risk of capital loss over the short term. Global currency movements may intensify investment gains or declines.

This feeder fund aims to remain fully invested in units in the offshore domiciled Global Equity Select Fund. The only other assets that will be held at feeder fund level are local and foreign cash holdings for liquidity purposes.

HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The fund is managed to deliver the best possible returns over the long term; an investment horizon of 10 years or more is therefore ideal. It is not suitable as a single investment for investors who need to preserve their capital over five years or less.

WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are building wealth, and who

- are comfortable with full exposure to shares listed in global markets outside South Africa;
- accept that the fund may underperform the market significantly in the short term in pursuit of superior long-term gains;
- hold other investments and are looking to add exposure to global equity markets;
- do not require an income from their investment.

WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of a minimum of 0.70% and a maximum of 2.30%, depending on the fund's performance, is payable.

If fund performance equals that of the benchmark (after fees and costs), a fee of 1.05% will be charged. We share in 20% of performance above the benchmark, up to a total annual fee of 2.30%. Performance is measured over a rolling 24-month period.

If the fund underperforms the benchmark over any 60-month period, the fee is reduced by 0.35%.

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

The component of the fund fee charged at feeder fund level is subject to VAT. Fund expenses that are incurred in the fund include administrative, trading, custody and audit charges. All performance information is disclosed after deducting all fees and other portfolio costs.

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

More detail is available on www.coronation.com.

WHO ARE THE FUND MANAGERS?



LOUIS STASSEN
BCom (Hons), BSc, CFA



NEIL PADOA
BEconSci (AcSci), FFA

GENERAL FUND INFORMATION

Launch Date	30 April 2015
Fund Class	A
Benchmark	MSCI All Country World Index
Fund Category	Global – Equity – General
Regulation 28	Does not comply
Investment Minimum	R5 000 or R500/m debit order
Bloomberg Code	CORGESA
ISIN Code	ZAE000202115
JSE Code	CGEFA

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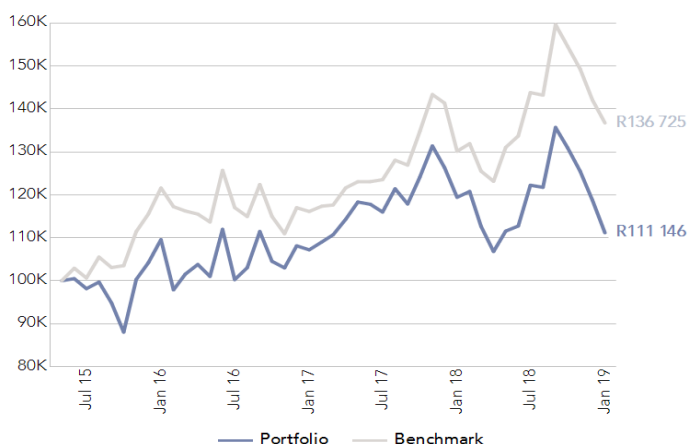
CLASS A as at 31 December 2018

Fund category	Global – Equity – General
Launch date	30 April 2015
Fund size	R500.35 million
NAV	111.15 cents
Benchmark/Performance	MSCI All Country World Index
Fee Hurdle	
Portfolio manager/s	Louis Stassen and Neil Padoa

Total Expense Ratio	1 Year	3 Year
Fee for performance in line with benchmark	1.76%	1.76%
Adjusted for out/(under)-performance	1.26%	1.23%
Fund expenses	0.08%	0.15%
VAT	0.35%	0.32%
Transaction costs (inc. VAT)	0.07%	0.07%
Total Investment Charge	0.28%	0.25%
	2.04%	2.01%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

GEOGRAPHIC ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2018
Equities	98.9%
Asia	8.0%
Europe	30.0%
Latin American	0.8%
North America	55.8%
South Africa	4.3%
Cash	1.0%

RISK AND RETURNS VS BENCHMARK (AFTER FEES) (ZAR)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	11.2%	36.7%	(25.6%)
Since Launch (annualised)	2.9%	8.9%	(6.0%)
Latest 3 years (annualised)	0.5%	4.0%	(3.5%)
Latest 1 year	(6.9%)	5.1%	(12.0%)
Year to date	(6.9%)	5.1%	(12.0%)

TOP 10 HOLDINGS

As at 31 Dec 2018	% of Fund
British American Tobacco	6.1%
Alphabet Inc	5.8%
Charter Communication A	5.6%
Altice Financing SA	4.7%
Blackstone Group	3.5%
Facebook Inc.	3.3%
Philip Morris Int Inc	3.1%
Airbus Group SE	2.8%
Anheuser-Busch Inbev	2.6%
Porsche Automobil Hldg-Prf	2.5%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	19.7%	15.9%
Sharpe Ratio	(0.18)	0.15
Maximum Gain	24.5%	18.0%
Maximum Drawdown	(18.7%)	(14.4%)
Positive Months	52.3%	52.3%

MONTHLY PERFORMANCE (AFTER FEES) - ZAR RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2018	1.1%	(6.7)%	(5.2)%	4.4%	1.1%	8.4%	(0.4)%	11.4%	(3.5)%	(4.2)%	(5.3)%	(6.4)%	(6.9)%
Fund 2017	1.7%	1.5%	3.3%	3.5%	(0.4)%	(1.5)%	4.7%	(2.9)%	5.3%	5.9%	(3.8)%	(5.5)%	11.4%
Fund 2016	(10.7)%	3.7%	2.2%	(2.7)%	10.9%	(10.5)%	2.8%	8.2%	(6.2)%	(1.5)%	5.0%	(0.9)%	(2.2)%

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Quarterly Portfolio Manager Commentary

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 2018 brought misery to most investors as the market's focus shifted to growing concerns around global growth prospects. On the one hand, clouds started gathering over the prospects for the US economy as the combination of practically full employment, further interest rate normalisation and the growing risk of significantly higher trade tariffs worldwide resulted in a dramatic shift out of risk assets. These fears were confirmed and further emphasised by the briefly inverted US yield curve, which historically has been a good predictor of recessions in the US. At the same time, and even ahead of the increased antagonism between the US and China, China's growth momentum started to slow visibly. This contributed to investor anxiety about global growth, as fears over the increasing debt build-up in China once again made the headlines. US President Donald Trump's increasingly aggressive stance towards trade tariffs added fuel to this fear-driven fire. In Europe, the rise of populism in some of the larger Western European countries affected confidence in their banking system, while the mass protests in France and ongoing Brexit negotiations further spooked investors.

All these factors and events led to a sharp and dramatic re-appraisal of economic growth and risky assets, with global equities suffering significant price declines in both the months of October and December 2018. December's sell-off was the worst end to a year in the last 45 years. The fourth quarter of 2018 ended up returning negative 12.8% for the MSCI All Country World Index (ACWI), and many markets officially entered bear market territory, with declines of more than 20% from previous highs. Long bond rates declined, given the poorer outlook for global growth, resulting in a marginally positive return quarter for the asset class. Within equities, utilities and real estate (both beneficiaries of lower long-term interest rates) did the best in relative terms. For once, consumer staples lived up to their defensive reputation and outperformed the overall ACWI by about 6%. On the other side of the spectrum, energy was the laggard, given the spectacular drop in the price of oil. The indiscriminate selling of longer duration (higher growth) assets resulted in information technology shares being punished, while other cyclical sectors such as consumer discretionary, industrials and materials also performed poorly. The US equity market slightly underperformed the rest of the world, and surprisingly, emerging markets marginally outperformed the developed world over the quarter. The poor quarter for equities meant that the ACWI returned negative 9.4% for calendar year 2018 - a poor showing after the very strong 2017. For the full year, the US outperformed Europe by almost 10%, with Japan doing slightly better than Europe. Developed markets outperformed emerging markets by about 5% - the first time in the last three years that this has happened. Over the longer term, the developed market outperformance is still marked. Among the emerging markets grouping, Brazil and Russia were the standout performers. Healthcare was the surprising sectoral outperformer in 2018, with financials, industrials, materials, and communication services lagging. The range of sectoral returns was relatively narrow.

There were no major moves in the currency markets over the quarter, but over the last 12 months the US dollar strengthened by about 14% against the euro, and by about 4% against the yen.

During this market correction, the fund did not perform well. It was down 15.9% over the quarter, with all of the underperformance taking place in the month of December. The disappointing fourth quarter resulted in a very poor 2018, where we lagged the benchmark significantly. We are now behind the benchmark over all periods since inception, with the three-year numbers quite close to the benchmark. This unsatisfactory situation is receiving our full attention, and we are determined to correct this.

When assessing our mistakes in 2018, it is worth noting that while our hit ratio (number of winners vs number of losers) was reasonable (slightly below

one), the impact of our losers on overall performance dwarfed the positive impact of the winners.

In the previous quarterly report, we highlighted Advance Auto Parts - the 's biggest positive contributor over 2018. We have subsequently exited this position in favour of shares where we anticipate greater upside from current levels, on a risk-adjusted basis. Other notable positive contributors over the last year included long-time holdings such as Amazon, Alphabet and Blackstone. After a period of underperformance, Pershing Holdings also contributed positively. However, as mentioned above, these positive positions were more than cancelled out by the underperformers. We spoke before about our position in the tobacco stocks. These holdings were the biggest detractors, costing about 3% in relative performance. British American Tobacco was by far the biggest culprit. Limited Brands also detracted materially during the year in which its profits continued to disappoint, as the group had to focus on discounting their products to entice customers to spend. Intu Properties saw two potential takeover or merger deals fail over the last 18 months, costing shareholders dearly. Tata Motors, Aspen, JD.com and Comcast were other detractors. Upon analysis, it is clear that apart from the tobacco sector being hit by regulatory changes in the US and slowing demand for e-cigarettes in Japan, most of the other disappointments (bar Aspen and L Brands where profits have disappointed) happened as a result of specific circumstances that did not feature in our initial analysis of the companies. Tata's woes were exacerbated by the Brexit saga, JD's founder was implicated in a sexual scandal in the US, and Comcast disappointed the market with poor asset allocation decisions. We have exited Tata given the increasingly murky outlook for auto sales in China and we have sold out of Comcast given the concerns around future capital allocation decision-making. All our other big losers remain in the portfolio, with our assessment of upside in many of these cases being very appealing. Spotify is a relatively new position in the fund. It listed only recently in the US without raising capital, an unusual event in itself. Spotify is the leading global music streaming platform, with almost 100 million paying subscribers, which is double that of its nearest competitor, and a similar number of ad-supported/free users who have historically shown a strong tendency to migrate to the paid tier. We expect to see continued strong growth in Spotify's user base, as people increasingly embrace streaming, and anticipate that levels of churn (a key focus of the market, driven recently by the shift to family/student plans) will continue to decrease.

We therefore believe that Spotify is well placed in a recovering music market that only returned to growth in 2015 (driven solely by streaming) after almost two decades of decline. Spotify is headed by its highly-rated and pioneering founder, Daniel Ek, who is building out a two-sided marketplace in his quest to "democratise" music and make it easier for artists to become discovered and earn a living. Over time we expect these artists' tools to provide significant monetisation potential and see further potential as terrestrial radio inevitably moves online.

Although currently loss-making, Spotify is cash generative and has a growing cash balance of around US\$2 billion (9% of market cap) along with a valuable stake in China's dominant music platform, Tencent Music Entertainment (8% of market cap). We believe Spotify has multi-year growth potential (management target 25-35% p.a.) and a roadmap to sustained profitability as the dominant player in a changing, but growing, global music market.

When assessing the prospects of our holdings, we are excited about their potential. They are managed by capable executive management teams, and most of them have strong value propositions for their customers. While it is difficult to assess where we are in the equity market cycle, we see more opportunities following the recent sell-off and we have added to some of the longer-duration stories such as Spotify and Facebook.

Portfolio managers
Louis Stassen and Neil Padoa
as at 31 December 2018

CORONATION GLOBAL EQUITY SELECT [ZAR] FEEDER FUND

Important Information

IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION GLOBAL EQUITY SELECT [ZAR] FEEDER FUND

The Global Equity Select [ZAR] Feeder Fund should be considered a 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 top 10 holdings are reflected on a look-through basis. 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. 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; 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

IMPORTANT INFORMATION REGARDING TERMS OF USE

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