CORONATION GLOBAL STRATEGIC USD INCOME FUND

Fund Information as at 28 February 2018

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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

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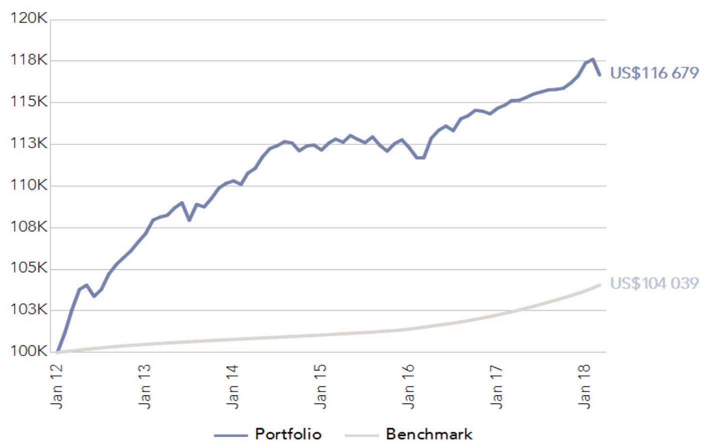
CLASS A as at 28 February 2018

Launch date	30 December 2011
Fund size	US$ 242.28 million
NAV	11.67
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%	0.96%
Fund management fee	0.80%	0.84%
Fund expenses	0.09%	0.12%
VAT	0.00%	0.00%
Transaction costs (inc. VAT)	0.01%	0.02%
Total Investment Charge	0.90%	0.98%

PERFORMANCE AND RISK STATISTICS

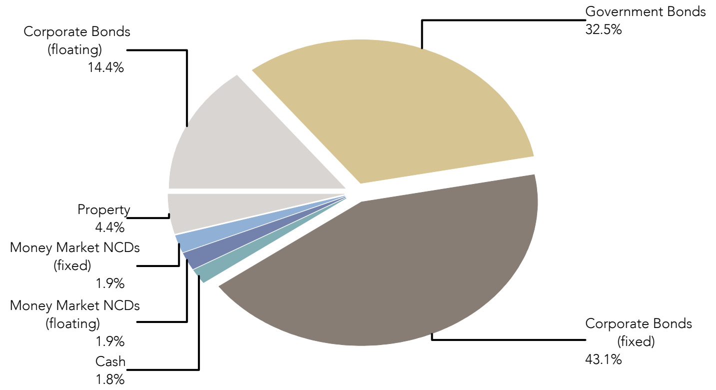
GROWTH OF A $100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

PORTFOLIO COMPOSITION

As at 28 Feb 2018



PERFORMANCE (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	16.7%	4.0%	12.6%
Since Launch (annualised)	2.5%	0.6%	1.9%
Latest 5 years (annualised)	1.5%	0.7%	0.8%
Latest 3 years (annualised)	1.1%	1.0%	0.2%
Latest 1 year	1.3%	1.6%	(0.2)%
Year to date	(0.6)%	0.3%	(0.9)%

	Fund
Modified Duration	0.7
Yield	2.4%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	1.5%	0.1%
Sharpe Ratio	1.50	2.62
Maximum Gain	5.4%	4.0%
Maximum Drawdown	(1.2)%	N/A
Positive Months	75.7%	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)%											(0.6)%
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.

Short-dated government bond returns within developed markets were modest at best as short dated yields drifted higher. The upswing in global growth continues and inflationary pressures remained absent, which has lent support to riskier asset classes. Corporate bonds rallied alongside equities, producing another solid quarter of gains. Despite rising short-dated bond yields, the US dollar continued to languish. The fund enjoyed a strong quarter, rising by 1.3% versus the benchmark return of 0.41%. During 2017, the fund delivered 2.37%, outperforming its benchmark by 0.95%.

Volatility within the US Treasury market remains very low, with 10-year yields having trading around 2.35% for most of the quarter and one-year realised volatility having fallen to its lowest level since the early 1980s. The US yield curve has continued to flatten aggressively, with two-year yields rising 40 basis points (bps) during the quarter while 30-year yields fell 10 bps. The vast majority of the movement in rates has come through changes in real rates as breakeven rates were very stable during the quarter. The Federal Reserve (Fed) raised the Fed funds rate by another 25 bps in December (the rate's upper band is now 1.5%), and its projections suggest a further three rate hikes in 2018. This is in contrast to the market, which currently prices in just two rate hikes. Jay Powell, a Fed Governor since 2012, is set to replace Janet Yellen as the chairperson in February. While markets do not anticipate material policy changes, Powell's apparent willingness to embrace the nitty-gritty of financial markets may prove valuable as the Fed continues to wind down its balance sheet.

When the Fed updated its Summary of Economic Projections in December, its GDP projection for 2018 rose from 2.1% to 2.5%. The subsequent minutes revealed that this amendment captures some of the anticipated effect (seen at around 0.5% in 2018 and probably slightly less for 2019) from the tax reform package that was passed in December. Longer-term expectations for GDP growth were left unchanged, and most economists are sceptical of the administration's claims that the reform will lead to a sustainable boost to growth. Given the already tight conditions in areas such as the labour market, it is more likely the reform (which comes with a front-loaded bias) will merely lead to magnify the cyclicality of the current economic cycle.

It may seem odd that the debt ceiling issue remains unresolved at the very time the US has passed $1.5 trillion worth of tax cuts (over a 10-year period), 30% of which will be front-loaded over 2018 and 2019, boosting the fiscal deficit by just under 1% in these two calendar years. A divided Congress needs to agree on a long-term spending bill by the 19th of January to avoid another government shutdown, with the new tax bill potentially bringing forward the date (to mid-March) by which the US Treasury will exhaust its cash reserves. To add to the fiscal mix, the Trump administration, now emboldened by the passage of the tax bill, has said it will make infrastructure the next big legislative priority. However, delivering tax cuts to the already healthy consumers and the private sectors of the economy will make it more difficult to fund any upgrades to the country's aging public infrastructure that may have improved the economy's competiveness and potential growth rate.

Our view has been that the Fed would surprise the market with its determination to normalise policy, and hence the fund has maintained a very short duration position. This allowed the fund to protect itself against the recent rises in short-dated US yields. With the short end of the yield curve now having steepened, there is more protection inherent in yields, and we are slowly increasing the funds duration. However, in maturities beyond five years, we believe the curve remains too flat and the minimal term premium offers little return.

Sentiment towards Europe has improved markedly and economic activity looks balanced and sustainable, with euro area GDP likely to be around the mid-2% level in 2018. Core inflation measures signal some upward pressure is underway, and pressures on wage growth are also likely to become more prominent in 2018. For now though, the European Central Bank's (ECB) commitment to ultra-low rates and continued quantitative easing remain extremely powerful drivers of yields. Markets expect the ECB's deposit rate to remain negative until early 2019, guided by ECB president Mario Draghi's comments that rates will not change until "well past" the end of the asset purchase programme (current purchases to fall from €60bn to €30bn a month from Jan 2018), which is expected around the third quarter of 2018.

In the UK, Gilts performed well despite the Bank of England (BOE) reversing the 25 bps emergency rate cut in November that has been put in place following the Brexit referendum decision. The UK was deemed to have made "sufficient progress" to begin phase 2 of Brexit negotiations. While that may seem encouraging, it merely brings one closer to the make or break decisions that need to ultimately take place. With inflation above target, it seems likely the BOE will hike again during 2018. With real yields in deeply negative territory, there seems little value given the uncertain backdrop.

The outlook for corporate credit meanwhile looks more challenging after another very strong performance in the past quarter. Credit spreads are now largely back to pre-financial crisis levels as corporate bonds with a maturity of between one and five years outperformed government bonds by 0.3% during the last three months, taking their annual outperformance to around 2% for 2017. Stronger economic growth and slightly more debt-friendly corporate behaviour does lend support to credit markets, but arguably valuations already reflect this and in the absence of significant drawdowns the market may be complacent. Despite large volumes of new issuance, inflows into the asset class has meant credit availability has often been scarce, dissuading selling and dampening volatility. The challenge for credit markets in 2018 will be how they wean themselves off the support that has emanated from central bank's quantitative easing (QE) programmes. While national QE programmes are important, the cross-border effects are also material. In this regard, the reduction in the ECB's programme is especially interesting as low rates in Europe have seen investors selling European bonds to the ECB and buying assets overseas. These volumes are not immaterial, with net foreign buying of US spread products equal to half the net issuance of US investment grade issuance in 2017. Global buying from central banks during 2018 will be approximately $1 trillion less than in 2017.

The fund has been adopting a conservative stance within credit for some time now, investing in high-quality shorter-dated instruments. Where possible we have sought to enhance the asset quality of our holdings, with compressed spreads. The ability to switch unsecured senior bank paper into covered bonds for minimal spread differences has been the type of trade we have looked to execute. Very short dated paper (> one year) has become expensive and with government yields steepening, the fund also favoured instruments in the 12-18 month region of the yield curve. Tighter swap spreads have also seen the fund reduce its exposure to instruments such as supranationals that typically trade relative to swaps. Within higher-yielding instruments, we believe some of the best opportunities lies within convertible bonds and the fund has increased its exposure to the asset class.

Within foreign exchange markets, the continued weakness of the US dollar is noteworthy as it is at odds with the rising interest rate differentials, relative upside surprises in economic data and more recently the likely support that should flow from the US tax reforms. For now it seems the politics of a Trump administration are outweighing the fractious politics within Europe. Cross-currency opportunities (driven by dislocations in the foreign currency swaps markets) have been scarce in the last six months, with short-dated Canadian instruments offering the best opportunities. We see a number of reasons why opportunities may re-emerge (such as tax reform driving US dollar repatriation), and remain alert to the opportunities. In the final days of 2017, there were very sizable dislocations caused by a shortage of US dollars in the interbank markets, and this allowed us to put on very attractive hedged positions in euros and yen. Since the year end, these disruptions have alleviated, allowing us to book attractive profits on the trades.

The fund's exposure to property was increased slightly to around 4% of fund, and shares subsequently enjoyed a better quarter (with the global property index up 3.8%) having struggled mid-year against the backdrop of rising bond yields and adverse sentiment towards the retail sector. Premium US malls where we had increased our exposure received a much needed boost from corporate activity. GGP received a bid from its principal shareholder Brookfield Property Partners at a 20% premium. The fund exited its position slightly above the bid level. Taubman and Macerich also disclosed stakes obtained by high-profile activist hedge funds. Australian-listed Westfield, which operates 17 flagship malls in the UK, US and Europe, also received a bid from Unibail, which the fund owns. Within the UK, Hammerson launched an all share offer for rival Intu. The fund has exposure to both companies. Within Australia, our holdings of Growthpoint Australia and Cromwell both recovered strongly and the fund sold its exposure. The fund also sold its holding of Redefine International as better value was seen in other stocks. German residential stocks were up between 10-15% during the quarter as strong fundamentals continue to underpin the sector. Regulatory price controls are probably the biggest constraint to further upside in these stocks.

While the sentiment within equity markets remains buoyant, we believe the valuations of many asset classes are far from cheap and the fund's exposure to duration remains low and its sensitivity to credit spreads modest. Property exposure is around average at 4%, and the sector still offers a decent yield pickup versus corporate bonds. If central banks follow through and sizably reduce asset purchases, then we suspect volatility is likely to rise and with it opportunities for the attentive investor.

Portfolio managers
Mark le Roux, Stephen Peirce, Nishan Maharaj and Seamus Vasey
as at 31 December 2017

CORONATION GLOBAL STRATEGIC USD INCOME FUND

Important Information

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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 Services Board 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 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 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