

CORONATION GLOBAL EQUITY SELECT [ZAR] FEEDER FUND

Fund Information as at 31 July 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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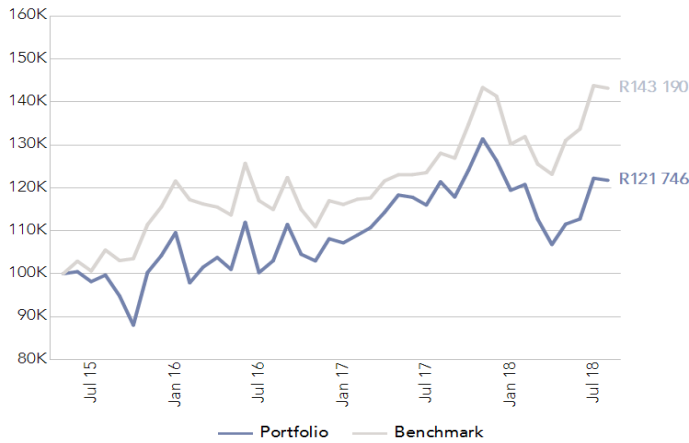
CLASS A as at 31 July 2018

Fund category	Global – Equity – General
Launch date	30 April 2015
Fund size	R435.09 million
NAV	121.75 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%	1.85%
Adjusted for out/(under)-performance	1.26%	1.24%
Fund expenses	0.08%	0.15%
VAT	0.35%	0.39%
Transaction costs (inc. VAT)	0.07%	0.07%
Total Investment Charge	0.28%	0.26%
	2.04%	2.11%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

GEOGRAPHIC ASSET ALLOCATION EXPOSURE

Sector	31 July 2018
Equities	99.0%
Asia	6.3%
Europe	28.1%
Latin American	1.5%
North America	59.4%
South Africa	3.7%
Cash	1.0%

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

	Fund	Benchmark	Active Return
Since Launch (unannualised)	21.8%	43.2%	(21.4%)
Since Launch (annualised)	6.2%	11.7%	(5.4%)
Latest 3 years (annualised)	6.9%	10.7%	(3.8%)
Latest 1 year	0.3%	11.8%	(11.5%)
Year to date	2.0%	10.0%	(8.1%)

TOP 10 HOLDINGS

As at 30 Jun 2018	% of Fund
British American Tobacco	5.8%
Alphabet Inc	5.5%
Charter Communication A	5.0%
Philip Morris Int Inc	3.9%
Altice Financing SA	3.3%
Blackstone Group	3.2%
L Brands Inc	3.1%
Pershing Square Holdings	3.1%
INTU Properties	3.0%
Facebook Inc.	2.9%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	19.0%	14.9%
Sharpe Ratio	0.09	0.48
Maximum Gain	24.5%	18.0%
Maximum Drawdown	(18.7%)	(14.1%)
Positive Months	56.4%	56.4%

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)%						2.0%
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 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 contextualise 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 Country 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 8.6% 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.

Our fund slightly underperformed the benchmark over the quarter. The last 12 months have been tough in terms of relative performance, and we remain slightly behind the benchmark over the last two years, but still behind since inception. We continue to find value in the stocks we own, and in some cases have added to our positions.

Over the last quarter our most notable winners include stocks like Altice, Pershing, and Imperial Brands, which have all detracted in the past. Other positive contributors were Facebook, Alphabet, KKR and Advanced Auto Parts. Laggards included Porsche and Tata (on the back of trade war worries), Intu Properties, the airline holdings on the back of a higher oil price, and the Brazilian educational stocks as the 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 poor outcome of the last 12 months, it is clear that some of the portfolio's larger positions have detracted meaningfully. Altice, the tobacco stocks, the US pharmacy retailers, L Brands and Tata Motors were the big negatives. In most of these cases the investment thesis still holds, and we continue to be encouraged about the prospects of 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 actually our biggest positive contributor over that time.

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 11% exposure to the sector, 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.

Whilst the headlines would suggest a more cautious stance towards equities given the level of volatility expected by the market, we continue to be excited about the prospects for the stocks we own in the portfolio.

Portfolio managers
Louis Stassen and Neil Padoa
as at 30 June 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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