

# CORONATION GLOBAL MANAGED [ZAR] FEEDER FUND

Fund Information as at 31 May 2018

## WHAT IS THE FUND'S OBJECTIVE?

Global Managed aims to maximise long-term investment growth by investing in a range of opportunities available in public asset markets from around the world. Our intent is to outperform an equity biased benchmark over all five year periods.

## WHAT DOES THE FUND INVEST IN?

Global Managed will have a bias towards shares, but can invest in a variety of assets including listed property, bonds and cash. The fund primarily invests in developed economies (including the US, Europe and Japan) but is also mandated to invest in emerging markets.

The intent is to keep the fund fully invested in foreign assets at all times. Its exposure will be in a variety of currencies, primarily the US dollar, British pound, euro and yen.

The fund may use exchange traded funds and other financial instruments (eg. derivatives) to implement specific investment views.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS



Global Managed aims to achieve the best possible long-term growth for investors. Consequently, it will have a sizeable exposure to shares, which typically offer the best returns over the long run.

Global Managed will only invest in assets we view as being attractively valued and that could offer strong long-term investment growth. The fund's share selection is the result of rigorous international research conducted by Coronation's investment team.

While shares typically offer superior long-term returns, this comes with higher levels of risk and volatility. We have a disciplined approach to reducing risk, but shares can be volatile investments and may suffer capital losses 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 Global Managed Fund, which is domiciled offshore. 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?

An investment term of more than five 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;
- require investment growth over the long term and accept the possibility of volatility and the risk of short-term losses;
- 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.

All fees exclude 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 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?



**LOUIS STASSEN**

BCom (Hons), BSc, CFA



**NEIL PADOA**

BEconSci (AcSci), FFA

## GENERAL FUND INFORMATION

Launch Date	29 October 2009
Fund Class	A
Benchmark	60% MSCI All Country World Index and 40% Barclays Global Bond Aggregate
Fund Category	Global – Multi-asset – High Equity
Regulation 28	Does not comply
Investment Minimum	R5 000 or R500/m debit order
Bloomberg Code	COGLMAZ
ISIN Code	ZAE000139721
JSE Code	COGM

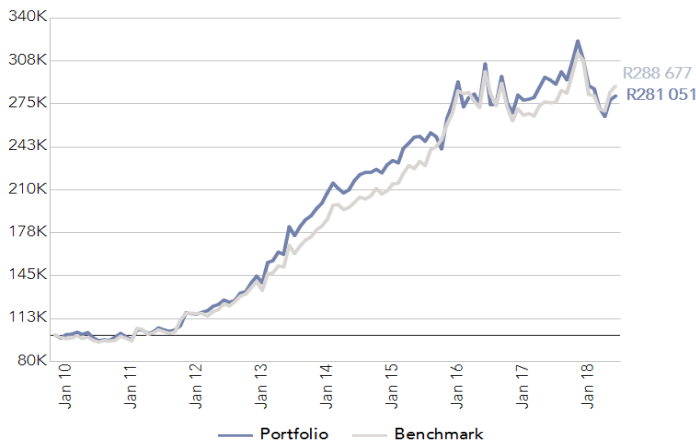
# CORONATION GLOBAL MANAGED [ZAR] FEEDER FUND

CLASS A as at 31 May 2018

Fund category	Global - Multi Asset - High Equity	Total Expense Ratio	1 Year	3 Year
Launch date	29 October 2009	Fee for performance in line with benchmark	1.60%	1.62%
Fund size	R 6.27 billion	Adjusted for out/(under)-performance	1.51%	1.47%
NAV	276.82 cents	Fund expenses	-	(0.02)%
Benchmark/Performance	Composite: 60% MSCI All Country	VAT	0.02%	0.10%
Fee Hurdle	World Index & 40% Barclays Global	Transaction costs (inc. VAT)	0.07%	0.07%
	Bond Aggregate	Total Investment Charge	0.19%	0.18%
Portfolio manager/s	Louis Stassen and Neil Padoa		1.79%	1.80%

## PERFORMANCE AND RISK STATISTICS

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



## PORTFOLIO DETAIL

### ASSET ALLOCATION EXPOSURE

Sector	31 May 2018
Equities	56.5%
Property	12.9%
Commodities	1.9%
Bonds	17.5%
Cash	11.3%

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

	Fund	Benchmark	Active Return
Since Launch (unannualised)	181.1%	188.7%	(7.6%)
Since Launch (annualised)	12.8%	13.1%	(0.4%)
Latest 5 years (annualised)	9.1%	11.4%	(2.4%)
Latest 3 years (annualised)	3.9%	7.7%	(3.7%)
Latest 1 year	(4.1%)	4.7%	(8.7%)
Year to date	(2.7%)	2.3%	(5.0%)

## TOP 10 HOLDINGS

As at 31 Mar 2018	% of Fund
Alphabet Inc	3.1%
British American Tobacco	3.0%
Charter Communication A	2.6%
Comcast Corp Class A	2.4%
Pershing Square Holdings	2.0%
Advance Auto Parts Inc	2.0%
Altice SA	1.8%
L Brands Inc	1.8%
Blackstone Group	1.8%
Hammerson	1.8%

## RETURNS VS BENCHMARK (AFTER FEES) (USD)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	73.2%	77.5%	(4.4%)
Since Launch (annualised)	6.6%	6.9%	(0.3%)
Latest 3 years (annualised)	2.5%	6.1%	(3.6%)
Latest 1 year (annualised)	(0.1%)	7.8%	(7.9%)
Year to date	(5.4%)	(0.3%)	(5.1%)

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	13.0%	11.6%
Sharpe Ratio	0.51	0.60
Maximum Gain	22.7%	24.8%
Maximum Drawdown	(17.7)%	(14.0)%
Positive Months	63.1%	62.1%

	Fund	Date Range
Highest annual return	48.9%	Jan 2013 - Dec 2013
Lowest annual return	(7.7%)	Apr 2017 - Mar 2018

## MONTHLY PERFORMANCE (AFTER FEES) - ZAR RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2018	(0.9)%	(4.9)%	(2.5)%	4.7%	1.1%								(2.7)%
Fund 2017	0.2%	0.5%	2.8%	2.6%	(0.7)%	(1.0)%	3.2%	(2.0)%	4.6%	5.2%	(4.3)%	(6.4)%	3.9%
Fund 2016	(6.5)%	2.6%	1.0%	(2.6)%	10.9%	(10.1)%	0.0%	7.8%	(6.6)%	(2.9)%	5.0%	(1.3)%	(4.7)%

*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.*

Our previous quarterly report highlighted the almost ominously low levels of volatility as evidenced in the length of the bull market (without a technical pull back), the fact that calendar 2017 showed no negative monthly returns (a market first), and the very low levels of implied volatility when buying options. The first quarter of 2018 however shattered this level of complacency. While the year started with a very strong January, a combination of the re-assessment of interest rate levels over the next few years, aggravated by some inflationary pressures, as well as a renewed focus on the privacy debate pertaining to the new technology giants (on the back of some data manipulation claims against Facebook) led the equity market into a new era of volatility. Both February and March produced negative returns, and moving into April the market flirted with the 10% retracement level that would constitute a technical correction. The more recent market jitters have been in response to the increasing probability of a US/China trade war.

The quarterly return for the MSCI All Country World Index (ACWI) was negative 1.0%. Surprisingly, emerging markets outperformed developed markets, producing a return of 1.4%. The rolling 12-month return for the ACWI remains impressive at 14.9%, surpassed by an emerging markets return of 24.9%. The ACWI's five-year annualised return is also reasonable (9.2% p.a.), this time exceeding that of emerging markets (5.0% p.a.). Sectors that outperformed over the last quarter include information technology (ironically, given the recent pressure on Facebook and some of the other industry giants) and consumer discretionary. Materials and energy predictably performed poorly given the change in interest rate outlook, but it also adversely affected consumer staples, which sold off with the increase in longer term bonds (having erroneously been considered as bond proxies during the search for yield a few years ago). The US marginally outperformed the developed markets grouping, but continued currency weakness resulted in US dollar returns being very similar across different markets.

Global bond yields weakened slightly over the quarter, but the weaker US dollar also affected bond market returns worldwide. The Bloomberg Barclays Global Aggregate Bond Index's quarterly return of 1.4% (reported in US dollars) was at least 100 basis points lower in local currency terms. Listed property produced a negative return of 4.3%, affected by both interest rate jitters and a general risk-off trade. The US led the decline in this asset class, and apart from Japan, returns from most other regions were also negative. Again, the weaker US dollar aided the translation to the reporting currency (in USD).

Most commodities sold off against a backdrop of increased concern over the health of the global economy. Gold was essentially flat over the quarter.

The fund had a disappointing start to the year, underperforming its quantitative benchmark by 4.0% for the quarter. Since inception, the strategy return is marginally lagging its benchmark.

Our decision to reduce equity exposure some time ago added to relative performance, but our stock selection underperformed the ACWI benchmark materially over the quarter as well as over the last 12 months. Our instrument selection in property was also poor, as was our overweight position in the asset class. Our credit positions in fixed income performed well, and our gold holding added marginally. Over the last 12 months our biggest detractors were our underweight position in equity, and our stock selection within the equity bucket.

Our biggest positive equity contributors included Amazon (continued rerating on the back of sound execution and speculation about entering other categories), Advance Auto Parts (turnaround strategy gaining early traction after oversold share price), Hammerson (an unexpected bid for the company being rebuffed by its Board), and Airbus (a recent portfolio introduction continuing to execute well). The largest equity detractor was the prior quarter's top performer – L Brands. This after a poor trading statement resulted in its share price retreating to previous lows. Other losers included Altice (cable operator with poor results in its home market, France), Tata Motors (victim of market volatility and poor short-term sales numbers), and Intu Properties (fears that proposed Hammerson deal would fall through). Some of our consumer staple holdings were also marked down in line with the comments above.

We have significantly increased our portfolio exposure to tobacco stocks over the last 12 months. Currently close to 10% of the fund is invested in stocks such British American Tobacco, Philip Morris International, Japan Tobacco and Imperial Brands. While each company potentially offers a slightly different angle in terms of future returns, the overarching investment thesis is that the development of next generation products (while disruptive to the incumbent players in what has been a very stable industry) could prove to present the market with a new growth vector. Heat-not-burn and vapour products have found favour with both existing smokers, as well as ex-smokers, and allow the industry to benefit from premium pricing. The recently announced Food and Drug Administration's review of the industry in America has increased uncertainty in the shorter term, allowing us to pay what we would consider attractive prices for these stocks. In the longer run, we anticipate the larger players to consolidate the new technologies, leading to improving margins compared to the combustible market (assuming no adverse tax developments). Some of these companies are now trading at valuation multiples not far off those levels when they were facing potentially crippling financial legal claims, and we think these positions will serve the fund well over the medium to longer term.

While the fund's short-term performance has been a disappointment, we take encouragement from the fact that the portfolio is showing very attractive potential upside based on our assessment of fair value for our individual holdings in the equity and property buckets. We continue to manage overall portfolio risk, and again over the last quarter we paid around 25 basis points away in the form of portfolio insurance. The cost of protection has now risen materially, and we would in all likelihood not replace the current protection measure when they expire.

**Portfolio managers**  
**Louis Stassen and Neil Padoa**  
as at 31 March 2018

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

The Global Managed [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. Asset allocation is 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.