

CORONATION GLOBAL EQUITY SELECT [ZAR] FEEDER FUND

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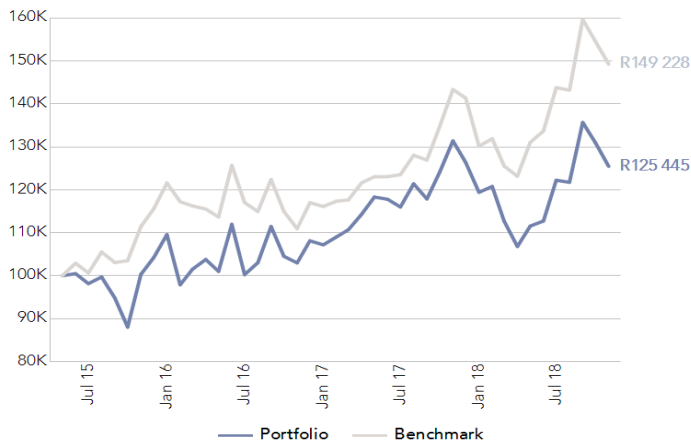
CLASS A as at 31 October 2018

Fund category	Global – Equity – General
Launch date	30 April 2015
Fund size	R434.23 million
NAV	125.45 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 Oct 2018
Equities	99.3%
Asia	8.5%
Europe	29.2%
Latin American	1.3%
North America	56.4%
South Africa	3.9%
Cash	0.7%

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

	Fund	Benchmark	Active Return
Since Launch (unannualised)	25.5%	49.2%	(23.8%)
Since Launch (annualised)	6.7%	12.1%	(5.4%)
Latest 3 years (annualised)	7.7%	10.2%	(2.5%)
Latest 1 year	(4.5%)	4.1%	(8.6%)
Year to date	5.0%	14.7%	(9.6%)

TOP 10 HOLDINGS

As at 30 Sep 2018	% of Fund
British American Tobacco	5.7%
Charter Communication A	5.5%
Alphabet Inc	5.3%
Philip Morris Int Inc	3.7%
Altice Financing SA	3.7%
Blackstone Group	3.3%
Airbus Group SE	2.9%
Pershing Square Holdings	2.8%
Facebook Inc.	2.7%
Porsche Automobil Hldg-Prf	2.7%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	19.5%	15.8%
Sharpe Ratio	(0.04)	0.29
Maximum Gain	24.5%	18.0%
Maximum Drawdown	(18.7%)	(14.1%)
Positive Months	54.8%	54.8%

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)%			5.1%
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.

Despite more clouds gathering on the horizon of global growth prospects during the third quarter of 2018, global equity market participants preferred to focus on continued strong profit growth numbers out of especially the US to register very strong returns over the period. The MSCI All Country World Index returned 4.3% over the quarter, almost matching the year-to-date number of 3.8%. At the same time, investors have had to adjust their interest rate expectations for the US upwards, as was discussed in a few of our earlier quarterly reports. This was in response to a US economy continuing to surprise on the upside in terms of growth and the sustainability thereof.

Going forward we will continue to monitor escalations in the trade war dialogue primarily between the US and China. Up to now the market has chosen when it becomes concerned about developments, and hence one should exercise judgement when headline-grabbing pronouncements are being made. As we argued in the prior quarter, we think the bigger issue that investors need to focus on is the process of interest rate normalisation playing out in the US. Ten-year yields in the US have moved from 2.9% at the end of June 2018 to 3.1% at the end of September 2018 and have subsequently moved to over 3.2%. Investors should be reminded that in Europe the process of interest rate normalisation has barely started, hence we continue to advise exercising caution when calibrating expectations for equity market returns over the next few years.

Another notable development over the last three months has been the increased cost of capital in emerging market equities. This subset underperformed their developed market complex by 6% over the quarter, on top of an underperformance of almost 10% in the prior three month-period. This has meant that over most periods emerging markets have now underperformed developed markets, with the US equity market continuing to be the stand-out performer over the last decade. Emerging market currencies shared in this adjustment, with the Russian ruble, South African rand and Indian rupee all depreciating by around 12% during 2018. The Turkish lira is down almost 37%, but we view this as mostly self-inflicted as the political regime continued to alienate foreign investors with illogical and, at times, contradictory actions. Developed economies' currencies generally depreciated only slightly against the US dollar over the quarter (around 2%).

Healthcare was the best performing sector this past quarter, with information technology again registering a strong performance. Laggards were energy (after a very strong second quarter), utilities and real estate. Since the start of the year consumer staples (in line with higher long bond rates), financials (slightly more perplexing given the higher interest rate expectations), materials (concerns over emerging market growth prospects) and telecommunications (also higher interest rates) have been laggards, with information technology by far the best performer and healthcare a clear second.

The fund performed marginally worse than the benchmark over the quarter, resulting in a poor last twelve months, and an average last two years. Over three years we are marginally ahead of the benchmark and since inception we are still behind. Fundamental stock picking again disappointed, notably JD.com, L Brands, Aspen and Intu. The tobacco sector also continued to sell off, hurting the fund's performance. Notable winners over the quarter included Blackstone (a long-term winner with more upside in our opinion), Spirit (subsequent to quarter-end we have exited this position), Advance Auto Parts (a strong positive contributor over the last twelve months) and Charter Communications (after a poor start to the year).

We often reflect on positions in the fund that detracted from performance, which should highlight the learning process with which we approach investments. In this commentary, we thought it appropriate to discuss Advance Auto Parts in more detail. Advance is the second largest retailer in the auto parts sector in the US and sells both to the do-it-yourself customer as well as the professional mechanical workshop. We initially invested in this stock in August 2017 after we met the new management team at a conference in the US. This team was brought in to fix a business that was cobbled together through acquisitions, and which had failed to deliver on the promised cost savings and the integration benefits. At the time their operating margin was about half that of the industry leader, and the new team had concrete plans to partially close the gap. At the same time, unusual weather had also adversely impacted industry sales, and there was lots of speculation about Amazon making a stronger push into the category. We thought the weather issue was temporary and believed that the category was less attractive to an online retailer than generally believed. While the management team has yet to deliver on their promise to increase margins, a more normal winter has seen industry volumes pick up again. The Amazon threat has also subsided, with the result that the stock has been our biggest contributor to alpha over the last year. Given that the margin improvement still needs to be delivered (arguing for a degree of implementation risk), we have reduced our position to less than half of what it was at its peak. We continue to see some value in the stock and are watching the execution of the turnaround fund closely.

Portfolio managers
Louis Stassen and Neil Padoa
as at 30 September 2018

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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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