CORONATION GLOBAL STRATEGIC USD INCOME [ZAR] FEEDER FUND

Fund Information as at 30 April 2019

CORONATION
TRUST IS EARNED™

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 average duration in the fund will typically not exceed three years.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Risk Profile

2/10

Conservative

Maximum growth/ minimum income exposures

Growth Assets: 25%

Income Assets: 75%

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.

This feeder fund aims to remain fully invested in units in the offshore domiciled Global Strategic USD Income 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 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.

Of the annual fee, 0.30% 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?

STEPHEN PEIRCE
BA (Economics), MA (Finance), UKSIP

NISHAN MAHARAJ
BSc (Hons), MBA

SEAMUS VASEY
BCom (Hons), MSc

GENERAL FUND INFORMATION

Launch Date	30 August 2013
Fund Class	A
Benchmark	110% of USD 3-month LIBOR
Fund Category	Global – Multi-asset – Income
Regulation 28	Does not comply
Investment Minimum	R5 000 or R500/m debit order
Bloomberg Code	CORGSIF
ISIN Code	ZAE000181012
JSE Code	CGSUI

CORONATION GLOBAL STRATEGIC USD INCOME [ZAR] FEEDER FUND

CLASS A as at 30 April 2019

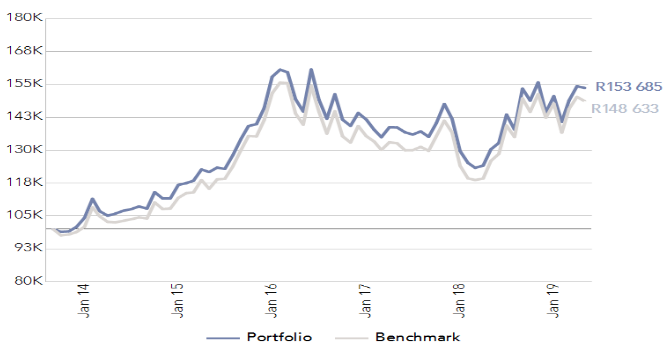
CORONATION
TRUST IS EARNED™

FundCategory	Global - Multi-Asset - Income
Launch date	30 August 2013
Fund size	R 1.09 billion
NAV	153.68 cents
Benchmark/Performance Fee Hurdle	110% of USD 3-month LIBOR
Portfolio manager/s	Stephen Peirce, Nishan Maharaj & Seamus Vasey

	1 Year	3 Year
Total Expense Ratio	1.01%	1.06%
Fund management fee	0.82%	0.84%
Fund expenses	0.15%	0.17%
VAT	0.05%	0.05%
Transaction costs (inc. VAT)	0.02%	0.02%
Total Investment Charge	1.03%	1.08%

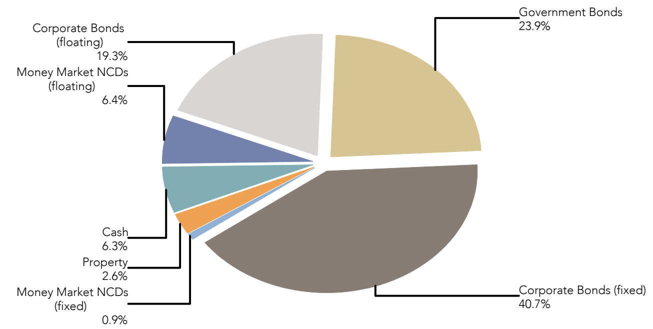
PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO COMPOSITION

As at 30 Apr 2019



PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES) (ZAR)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	53.7%	48.6%	5.1%
Since Launch (annualised)	7.9%	7.2%	0.6%
Latest 5 years (annualised)	7.7%	7.7%	0.0%
Latest 3 years (annualised)	2.0%	2.1%	(0.1)%
Latest 1 year	17.9%	18.0%	(0.1)%
Year to date	2.1%	0.6%	1.5%

	Fund
Modified Duration	0.5
Yield	3.6%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	14.8%	14.9%
Sharpe Ratio	0.07	0.03
Maximum Gain	30.7%	17.4%
Maximum Drawdown	(23.2)%	(23.8)%
Positive Months	55.9%	55.9%

	Fund	Date Range
Highest annual return	36.7%	Feb 2015 - Jan 2016
Lowest annual return	(15.4%)	Mar 2016 - Feb 2017

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES) (USD)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	9.6%	6.7%	2.8%
Since Launch (annualised)	1.6%	1.2%	0.5%
Latest 1 year (annualised)	2.1%	2.8%	(0.7)%
Year to date	2.5%	1.0%	1.5%

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2019	(6.4)%	5.7%	3.7%	(0.4)%									2.1%
Fund 2018	(3.5)%	(1.5)%	0.7%	5.0%	1.9%	8.1%	(4.0)%	11.3%	(3.0)%	4.6%	(7.3)%	4.3%	16.0%
Fund 2017	(2.8)%	(2.0)%	2.8%	0.0%	(1.3)%	(0.6)%	0.9%	(1.5)%	3.9%	5.2%	(3.8)%	(8.6)%	(8.5)%
Fund 2016	1.7%	(0.6)%	(6.4)%	(3.1)%	11.0%	(7.1)%	(4.9)%	6.5%	(6.4)%	(1.7)%	3.5%	(1.7)%	(10.3)%
Fund 2015	0.6%	0.8%	3.6%	(0.8)%	1.4%	(0.4)%	4.2%	4.7%	3.8%	0.5%	4.3%	8.2%	35.2%
Fund 2014	6.9%	(4.2)%	(1.6)%	0.7%	1.1%	0.5%	1.0%	(0.8)%	5.8%	(2.1)%	0.0%	4.6%	12.0%

Issue date: 2019/05/10

Please refer to page 4 of the Comprehensive Fact Sheet for important additional infomation, including change in cost disclosures.

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 first quarter of 2019 (Q1-19) saw a sharp reversal in asset class returns. A combination of falling bond yields and rising equity prices led to a broad-based rally in asset prices, which was in stark contrast to the experiences of 2018. Once again, the actions of central banks were instrumental in generating positive returns for investors as they shifted towards more dovish stances. The fund returned 2.0% for the quarter and 2.1% over the last year, against a benchmark return of 0.7% and 2.8% over the same periods.

Lower expectations for future interest rates were at the heart of the rally in asset prices during the quarter. The US Federal Reserve's (Fed) December increase in the Fed fund's rate prompted plenty of public criticism. Alongside the trade dispute and fears of China cooling down, this led to weaker asset prices and a sharp tightening of financial conditions. The Fed's subsequent communications at the January and March meetings marked a significant softening of language and the market interpreted the median dot plot forecast of no more rate hikes in 2019 as surprisingly dovish. It also announced the end of its balance sheet runoff by October 2019, slightly ahead of expectations, but will continue to run down its mortgage-backed security holdings by replacing them with Treasuries.

The Fed's U-turn reflects a sharper-than-expected slowdown in global growth during Q1-19 (exacerbated by some one-off events such as weather, trade tensions and lower automotive volumes). With the risk tilted towards the downside, a more cautious stance made sense. While Fed officials maintain that they are relying on economic data as a guide, an extension in the timeline for US-China trade talks and the re-emergence of the debt ceiling debate in the third quarter of 2019 mean any new hikes are unlikely until late 2019 at the earliest. Ultimately, we expect the soft patch in Q1-19 global economic data to be mitigated, aided by easier global financial conditions and policy stimulus in China. In the US, the sectors (consumer and housing) in which downturns usually precede recessions remain sound, while low levels of unemployment and higher-than-average savings rates, alongside the wealth effect of rising asset prices, suggest resilience.

The Fed's dovishness contributed to a significant rally in bond yields (with 10-year yields falling as low as 2.35%) and led to an inversion of the yield curve between the short end (three months) and 10-year rates. From a market perspective, this was a highly significant market event as inverted yield curves have been one of the most reliable indicators of previous recessions. Not surprisingly, this has prompted reams of debate and fuelled further safe-haven flows. Without dismissing the yield curve signal, there are reasons why it may be less powerful this time around, among these is the fact that quantitative easing has supressed the term premium and anchored longer-term rates.

Central bank actions have also supressed volatility, something that seems at odds with the levels of economic and political uncertainty that currently exist. The fund reacted to lower yields by reducing duration to around 0.5 years from 0.75 years at the end of December 2018. The move lower in yields during Q1-19 has been predominately through lower real yields as oil prices have moved higher and the Fed's actions suggest a tolerance for modestly higher inflation. The fund had increased its exposure to Treasury Inflation-Protected Securities in late 2018 and reduced its exposure during Q1-19 from 35 basis points (bps) of duration contribution to 13bps as break-evens rose.

European bonds kept pace with returns in the US as the weak external environment weighed on European growth, with manufacturing in Germany being particularly hard hit. European Central Bank (ECB) members believe the weakness will prove to be temporary, but the softer outlook required the ECB to send an expansionary signal via an extension of unchanged interest rate guidance to the end of 2019. The resumption of the long-term refinancing operations commencing in September 2019 will also be particularly helpful to Italy where 2019 growth expectations have fallen to just 0.1%. Since the ECB's announcement, it has been noticeable that the credit market now perceives an ECB 'put' to be in place - a marked change from the quantitative easing roll-off fears that dominated in late 2018.

In the UK, Prime Minister Theresa May's EU-negotiated Brexit deal failed to muster enough votes to get through Parliament. With a myriad of alternative approaches all failing to break the deadlock and the clock now exhausted, the UK is reliant on the EU granting an extension to find a compromise or risk falling out of the EU without a deal. While Parliament has clearly pivoted towards a softer Brexit, the potential for a no-deal Brexit remains "alarmingly high" according to the Governor of the Bank of England.

Corporate bonds recouped their losses from the fourth quarter of 2018, posting their strongest quarterly returns since 2009. US investment-grade bonds were up by 5% (outperforming government bonds by 2.6% - the greatest outperformance since 2012) and US high-yield bonds were up 7% (an outperformance of 5.7% — the largest since 2009). From the fund's viewpoint, the largest spread movement occurred in shorter-dated instruments (where a three-year single A-rated instrument rallied from 80bps to 50bps). This has steepened credit curves, prompting the fund to extend the maturity of some of its holdings while maintaining the overall credit duration at around 1.5 years. The other notable movement in the fund's positioning has been in floating-rate notes where the fund's allocation has increased from around 20% to 30%. This has been driven by the fall in swap spreads, such that spreads on floating-rate notes (FRNs) are broadly comparable to the spreads on fixed-rate bonds. We view the optionality embedded in FRNs at this entry point as attractive. With spreads now approaching their tightest levels since Q1-18, we are once again increasingly cautious on valuations and see them vulnerable to a rise in volatility or equity weakness. It seems odd that at the same time the market is fretting about an inverted yield curve, spreads are performing as if no downturn is on the horizon. If the reason for credit's strong returns is the reach for yield by investors, then the historically wide spread between the dividend yield on equity indices and corporate bond yields should be worthy of more debate.

The FTSE EPRA Nareit Developed Market Property Index returned 14.9% in Q1-19, with a broad-based rally across developed markets. Higher equity markets and lower bond yields alongside tighter credit spreads were all supportive of the sector, and, in turn, represent a risk should they reverse. Globally, logistics-orientated stocks continue to perform, as do some office portfolios, whereas retail stocks continue to struggle. The fund's exposure to property remains low at around 2.6%.

Within foreign exchange markets, the principal debate is whether the US dollar's appreciation is a thing of the past as interest rate expectations recede. Having appreciated throughout 2018, the US Fed's Trade-weighted Dollar Index was broadly unchanged in Q1-19. From an investor's perspective, while US rate expectations may have fallen, they remain well above the yields available in other developed markets, and growth expectations in regions such as Europe have fallen even more than those in the US. Meanwhile, China and the US have signalled that trade negotiations have made substantive progress and an agreement may come soon. This should support risk sentiment and boost a resumption of trade and investment that may arrest the recent economic slowdown. While we expect the effects of the recent stimulus in China to be lower than in the past, it should lend further support to global trade and commodity producers. With the US being a relatively insular economy, a pickup in global activity would normally see a weaker US dollar.

After a very-strong quarterly performance, the fund has reduced its interest-rate duration as well as some higher beta credit. Our credit holdings also benefit from the added hedge provided by the credit protection we have in place. Overall, though, valuations reflect quite a bit of good news and caution is once again warranted. High levels of political and economic uncertainty seem at odds with the low levels of volatility in many asset classes. We see this central bank-induced volatility as unlikely to persist as markets face up to the prospect of rising bond yields or a slower economy. For now, investors maybe having their cake and eating it, but indigestion may well be the result.

Portfolio managers
Stephen Peirce, Nishan Maharaj and Seamus Vasey
as at 31 March 2019

IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION GLOBAL STRATEGIC USD INCOME [ZAR] FEEDER 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. 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 and top 10 holdings are 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; 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 2018 (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

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.