

LONG TERM OBJECTIVE

The Coronation Global Equity Fund of Funds aims to deliver capital growth through a focused portfolio of the best equity managers globally. The Strategy invests in top-quality long-only equity funds (typically 10) and is broadly diversified across geographic regions including emerging markets. The underlying fund managers have well-established track records with a similar investment approach to ours, and have been thoroughly evaluated by Coronation's due diligence team. The objective is to outperform the MSCI All Country World Index over a 5-year period.

INVESTMENT APPROACH

Coronation is a long-term, valuation-driven investment house, focused on bottom-up stock picking. Our aim is to identify mispriced assets trading at discounts to their long-term business value (fair value) through extensive proprietary research. In calculating fair values, through our fundamental research, we focus on through-the-cycle normalised earnings and/or free cash flows using a long-term time horizon. We select managers who share a similar investment philosophy to ours. We do not equate risk with tracking error, or divergence from a benchmark, but rather with a permanent loss of capital.

STRATEGY RETURNS GROSS OF FEES

Period	Strategy	Benchmark	Active Return
Since Inception (cumulative)	267.4%	166.3%	101.1%
Since Inception p.a.	6.9%	5.2%	1.7%
Latest 15 years p.a.	9.0%	7.3%	1.7%
Latest 10 years p.a.	10.3%	9.8%	0.5%
Latest 5 years p.a.	8.5%	8.7%	(0.2)%
Latest 1 year	29.6%	26.6%	3.0%
Year to date	29.6%	26.6%	3.0%
Month	4.5%	3.5%	1.0%

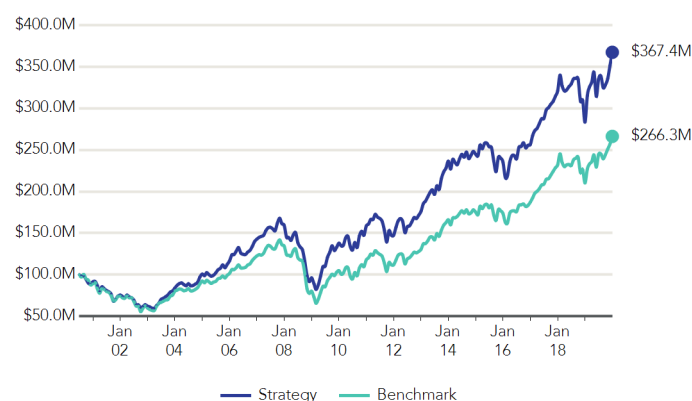
SECTOR EXPOSURE

Sector	% Strategy
Consumer Discretionary	21.9%
Communication Services	14.2%
Information Technology	13.0%
Financials	12.0%
Consumer Staples	10.6%
Industrials	8.6%
Materials	7.9%
Healthcare	7.8%
Energy	3.8%
Real Estate	1.9%
Utilities	0.5%
Interest Bearing*	(2.2)%

GENERAL INFORMATION

Inception Date	01 July 2000 *
Strategy Size	\$871.2 million
Strategy Status	Open
Mandate Benchmark	MSCI Daily TR Net All Country World USD (NDUEACWF Index)
Redemption Terms	An anti-dilution levy will be charged
Base Currency	USD

GROWTH OF US\$100M INVESTMENT



Benchmark: MSCI Daily TR Net All Country World USD (NDUEACWF Index)

TOP 5 HOLDINGS

Holding	% Strategy
EMINENCE LONG FUND	15.8%
EGERTON CAPITAL EQ F-I USD	15.3%
CORONATION GEM EQUITY FUND	14.2%
CONTRARIUS GLOBAL EQUITY FUND LTD OPEN-END FUND	13.3%
MAVERICK LONG FUND	10.9%

GEOGRAPHIC EXPOSURE

Region	% Strategy
North America	61.9%
Europe	20.3%
Asia	14.6%
CEEMEA	2.5%
LATAM	1.9%
Japan	1.0%
Interest Bearing*	(2.2)%

*The negative cash position at month end was a result of a trade booking error on 31 December 2019 and was rectified on 2 January 2020.

CURRENCY EXPOSURE

Currency	% Strategy
USD	64.4%
EUR	8.7%
GBP	8.7%
CNY	6.5%
INR	2.6%

Currency	% Strategy
RUB	1.6%
HKD	1.0%
BRL	1.0%
Other	5.5%

PORTFOLIO MANAGERS



Tony Gibson - BCom

Tony is a founding member and a former chief investment officer of Coronation. He has managed the Coronation Global Equity Fund of Funds product since inception and also co-manages portfolios within the Global Multi-Asset Class offering. Tony has 38 years' investment experience.



Karl Leinberger - BBusSc, CA (SA), CFA

Karl is chief investment officer (CIO) and manager of Coronation's Houseview strategies. He joined Coronation in 2000 as an equity analyst, was made head of research in 2005 and became CIO in 2008. Karl has 19 years' investment experience.

DISCLAIMER

The information contained herein is not approved for use by the public and must be read together with our [Disclaimer](#) that contains important information. If you are in possession of a physical copy of this document and you are unable to access our [Disclaimer](#) online, kindly contact us at cib@coronation.com and a copy will be sent to you via email.

* The Global Equity Fund of Funds was launched in January 2008 under the Coronation Universal Fund, a non-UCITS open-ended umbrella unit trust, at \$10 per unit. Performance figures prior to this date refer to the Global Equity Fund of Funds, a sub-fund of the Coronation Retail Fund 2, which has been liquidated. The majority of investors in the latter transferred their holdings into the new Coronation Universal Fund in January 2008. The funds have similar investment objectives and strategies but different fee structures.

REVIEW FOR THE QUARTER

The fund advanced 11.76% against a benchmark return of 9.0%, bringing the rolling 12-month performance to 29.4% against the 26.6% returned by the MSCI All Country World Index (ACWI). All returns referenced in this commentary are provided in USD terms.

Global markets enjoyed a strong end to the year, with the ACWI rising 9.0%. Trade uncertainty faded with the US-China “phase one” deal announcement and the Federal Reserve Board cut interest rates by a further 0.25%. Forward-looking indicators continue to show that the US economy is expanding moderately. In Europe, Germany had better economic data and the result of the UK election will bring certainty to the Brexit process and enable negotiation as to the future relationship. Emerging markets were very strong given the trade deal announcement with China, with Korea and Taiwan benefiting, while a rising oil price benefited Russia.

North America was the best performing region in the fourth quarter of 2019 (Q4-19), advancing 8.9%. The weakest return was from Asia ex-Japan which advanced 5.8%. Europe advanced 8.8% and Japan rose 7.7%. Emerging markets had a strong quarter, advancing 11.4% compared to developed markets which advanced 8.7%.

Among the global sectors, healthcare (+13.4%) and information technology (+13.7%) were the most significant drivers of the Index’s return for the quarter. The worst-performing sectors were real estate (0.6%), utilities (1.5%) and consumer staples (2.1%).

Overall, the fund benefited from good returns from all of its managers over the quarter.

Maverick returned 15% over the quarter, which capped an excellent annual return of 37%. The investments driving the quarterly performance were also the main contributors to the annual return. Medicines rose 344% over the year, after its anti-cholesterol drug tested well and led to a purchase offer from Novartis. Alnylam Pharmaceuticals rose 58% after one of its drugs received FDA approval, and Alibaba advanced 55% as its core business continued to expand in China and it obtained a second listing in Hong Kong.

Coronation Global Equity Select Fund performed well, with alpha of 4.1% over the quarter and returning 39.1% over the year, a strong comeback after a weak 2018. The best performers over the quarter included United Healthcare (+36%), which benefited from a decreased threat from Medicare-for-All, Charter Communications (+18%) due to a strong increase in their customer base, and Alibaba (+27%).

Contrarius had a good quarter with a return of 12.5%, but has a long way to go to recover after returning negative alpha of 23% over 2019. As discussed in previous quarterlies, this is largely as a result of its investment in oil drilling companies, which fell precipitously during the year. This quarter’s returns were also mainly due to a bounce from the oil drillers, with Transocean (+54%), Valaris (+36%) and Diamond Offshore (+29%) all rebounding off very low bases. Bed, Bath & Beyond also contributed, with a return of 64% during the quarter.

Lansdowne also struggled in 2019, but as with Contrarius, they also enjoyed a strong end to the year, returning 13.1% in Q4-19. Lansdowne has a large exposure to the UK, which has been under pressure from the protracted Brexit saga over the last two years. The UK election produced a significant (and somewhat unexpected) majority for Boris Johnson and the Conservatives, putting an end to any uncertainty of actually leaving the EU by 31 January 2020. Beneficiaries of this included IAG (+35%) and Lloyds Bank (+36%). Arcelor Mittal rose 21% on better than expected profitability and the phase one China-US trade agreement. Egerton, Tremblant and Eminence all produced good strong quarter and annual performance.

Outlook

While a phase one deal with China is a positive, the next phase may prove more difficult to negotiate. In addition, Europe is facing threats of increased tariffs, with France in particular attracting the ire of the US President due to its internet tax that would impact a number of large American tech companies. Tension in the Middle East and the consequent potential for higher energy prices coupled with the ongoing trade issues could prove detrimental to growth in the medium term. On the positive side, monetary easing during 2019 by a number of central banks should continue to be supportive of the global economy. Although the Fed has recently indicated that it is done easing for now, others may ease further. If trade tensions subside, it will reinforce the monetary easing and should have a positive impact on emerging markets. In summary, markets have performed well recently, and the conditions remain supportive, but there remain a number of risks that could impact this.