CORONATION GLOBAL STRATEGIC USD INCOME FUND

Fund Information as at 28 February 2019

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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 fund is mandated to use derivative instruments for efficient portfolio management purposes.

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

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

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.

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.

All fees exclude VAT. Fund expenses incurred in the fund include fees payable to unconnected international fund managers on a portion of assets situated offshore as well as 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.

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

Fund Launch Date	30 December 2011
Class	A
Class Type	Accumulation
Fund Domicile	Ireland
Morningstar Fund Category	Global Bond – USD Hedged
Currency	US Dollar
Benchmark	110% of USD 3-month LIBOR
Investment Minimum	US$15 000
Bloomberg	CORGSUA
ISIN	IE00B4TFHM43
SEDOL	B4TFHM4

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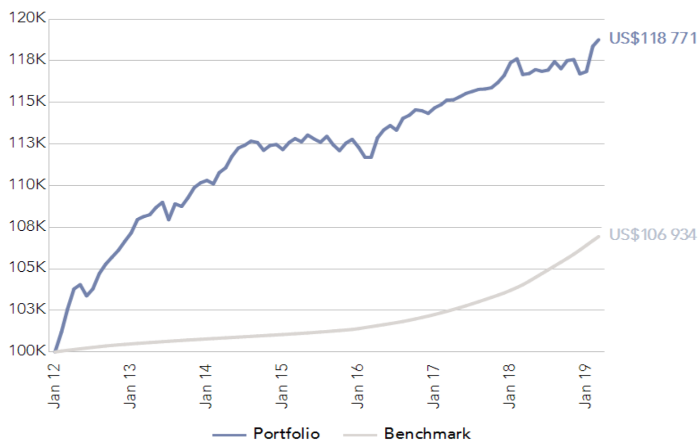
CLASS A as at 28 February 2019

Launch date	30 December 2011
Fund size	US$ 289.19 million
NAV	11.88
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	0.88%	0.89%
Fund management fee	0.80%	0.80%
Fund expenses	0.08%	0.09%
VAT	0.00%	0.00%
Transaction costs (inc. VAT)	0.01%	0.01%
Total Investment Charge	0.89%	0.90%

PERFORMANCE AND RISK STATISTICS

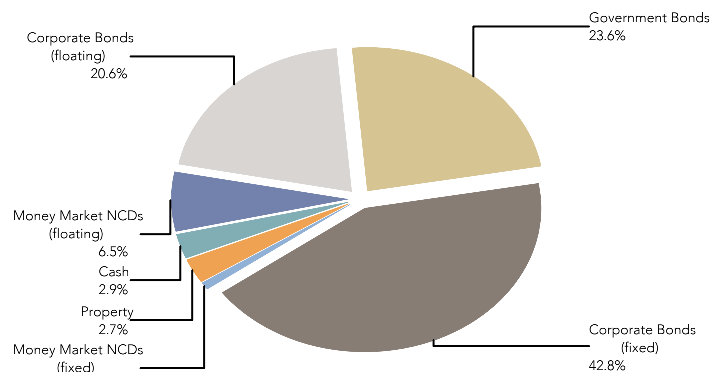
GROWTH OF A $100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

PORTFOLIO COMPOSITION

As at 28 Feb 2019



PERFORMANCE (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	18.8%	6.9%	11.8%
Since Launch (annualised)	2.4%	0.9%	1.5%
Latest 5 years (annualised)	1.4%	1.2%	0.2%
Latest 3 years (annualised)	2.1%	1.7%	0.3%
Latest 1 year	1.8%	2.8%	(1.0)%
Year to date	1.6%	0.5%	1.1%

	Fund
Modified Duration	0.5
Yield	3.5%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	1.5%	0.2%
Sharpe Ratio	1.24	1.59
Maximum Gain	5.4%	6.9%
Maximum Drawdown	(1.2)%	N/A
Positive Months	75.6%	100.0%

	Fund	Date Range
Highest annual return	7.1%	Jan 2012 - Dec 2012
Lowest annual return	(1.0%)	Mar 2015 - Feb 2016

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2019	1.3%	0.3%											1.6%
Fund 2018	0.2%	(0.8)%	0.1%	0.2%	(0.1)%	0.1%	0.4%	(0.4)%	0.4%	0.1%	(0.7)%	0.1%	(0.5)%
Fund 2017	0.2%	0.2%	0.0%	0.2%	0.2%	0.1%	0.1%	0.0%	0.1%	0.3%	0.4%	0.7%	2.4%

Issue date: 2019/03/11

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

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Quarterly Portfolio Manager Commentary

Please note that the commentary is for the retail class of the fund.

The fourth quarter of 2018 proved to be a volatile one as riskier asset classes finally succumbed to concerns surrounding global growth and tightening financial conditions. Government bond yields produced strong returns as investors lowered their expectations for future rate hikes amid a flight to safety. Corporate bonds and the high-yield market in particular were hard hit, registering the weakest quarter of returns versus underlying government bonds since the third quarter of 2011 as major equity markets fell a little over 10% and oil prices slumped. Perhaps surprisingly, emerging markets held up well and outperformed developed markets, although this was after a period of weakness mid-year. On a broad trade-weighted measure, the US dollar was modestly higher. For 2018 as a whole, fewer than 10% of asset classes produced a return above three-month US Libor (cash) - amongst the lowest result on record. The fund returned -0.6% for the quarter and -0.5% over the last 12 months, against a benchmark return of 0.7% and 2.6% over the same periods.

The quarter was characterised by a significant reversal in investors' risk appetite. This was perhaps most evident in the US, where until recently the economy and equity markets had been outperforming other regions. The reversal in sentiment is difficult to attribute to any one dynamic, but rather a combination of factors, many of which incidentally have been present for some time. As widely observed, the current US economic expansion (now over nine years) is bordering on the longest in history and naturally investors have become wary of when the eventual downturn will transpire. US President Donald Trump's tax cuts gave extra life to the current expansion, but more recently his combative nature raises the prospect of bringing a premature end to the cycle.

The ratcheting up of trade tensions with China comes at a time when China is already faced with a slowing economy (reducing imports), which makes ceding to the US's desire for a smaller trade deficit challenging. China has pledged to cut tariffs, buy more US goods and services and open up its economy to foreign firms and capital. The US has suspended tariff increases on $200 billion of Chinese imports until March; however, a full deal is yet to emerge. Apple's recent lower earnings guidance not only reflects concerns about slower growth in China but also concerns surrounding possible tariffs. It is also synonymous with events elsewhere, as globally earnings per share (EPS) downgrades rose across all sectors. Not surprisingly, earnings downgrades have weighed on equity markets. In the US, where President Trump took credit for a previously robust market, he has sought out a scapegoat in the form of the chair of the Federal Reserve (Fed), Jerome Powell. Such public criticism of the Fed's recent increases in interest rates has potentially serious consequences for its perceived independence and credibility.

It would be wrong not to acknowledge some slowing in the underlying economic data. After all, manufacturing purchasing manager indices in most regions around the world have been slowing for some time now. However, within the US, labour markets remain tight and upward pressures on wages should continue to support consumer spending (which constitutes 70% of GDP). The Fed raised official rates by a further 25 basis points (bps) in December (Fed Funds rate upper bound now 2.50%) but the median forecast for future hikes fell to two from three in 2019, and for one hike in 2020 while projections for growth, inflation and unemployment were broadly unchanged from September's projections. Subsequently, the minutes of the meeting reveal a greater sensitivity to the global environment and financial markets, with little suggestion that there is a long way to go in the tightening cycle. After a brief pause, we expect a further rise in the Fed Funds rate and remain more hawkish than current market valuations, which now price no rise for 2019 and a 50% chance of a cut for 2020. In addition to further movement in short rates, we expect longer-dated yields to move higher as safe-haven flows moderate and more adverse supply dynamics weigh on the market. The bid-to-cover ratio at US auctions has been declining and the net issuance of US Treasuries is estimated to be close to $1.25 trillion in 2019 at a time when rising hedging costs now make US Treasuries less attractive for overseas buyers and the Federal Reserve is tapering its balance sheet. The general public will be reminded of the level of US indebtedness when the latest debt ceiling legislation expires on the 1st of March. We would expect the US 10-year bond yield (that peaked at 3.25% in the fourth quarter before falling sharply to close the year at 2.68%) to climb back above 3%. After adding slightly to duration in the prior quarter, the fund has steadily reduced duration as rate expectations have been scaled back. The fund's interest rate duration fell from 1.1 years at the end September 2018 to 0.74 years at the year-end. The recent fall in US yields was aided by a sharp fall in the oil price (down 37% during the quarter), which helped breakeven rates of inflation to fall sharply (at the 10-year point they fell from 2.15% at the end of September 2018 to 1.71% at the year-end). We would expect that a stabilisation of the oil price will see breakeven rates widen again and have switched some of our fixed-rate exposure into inflation-linked debt, where real yields (10-year closed the year at 0.97%) were little changed over the quarter.

From an economic perspective, the slowdown in the eurozone has been more abrupt, with Germany slowing particularly acutely (albeit from very strong levels). This slowdown is testament to the uncertainty surrounding global trade and the slowing of the Chinese economy. A disorderly Brexit will also be very disruptive for Europe, despite politicians' insistence otherwise. Politics too are in a period of flux, with both Angela Merkel and Emmanuel Macron's influence on the wane as their popularity falls. Populist politics are now increasingly mainstream and this year's European Parliamentary elections in May raises the prospect that anti-EU factions could muster sufficient votes to disrupt legislative business. Italy's recently elected populist government is already siding with the 'Yellow Vest' protestors in France and only recently averted EU sanctions after a compromise to its budget deal. There was little change in the European Central Bank's (ECB) policies during the quarter and that means the cessation of net monthly asset purchases. The ECB will however continue to reinvest redeeming bonds, which average around €18 billion a month during 2019. The ECB may also opt to redeploy these proceeds into longer-dated securities to maximise the duration impact (similar to Operation Twist). In the event of weakness in the banking market, we expect a reappearance of the LTRO (Long-Term Refinancing Operation) programme that proved its worth in the 2011 eurozone crisis. The likelihood of no movement in policy rates seems higher now in the eurozone than in the US. The fund bought some Italian government bonds during the quarter, but has since sold them after the yield spread over German government bonds tightened.

In the United Kingdom (UK), the countdown to Brexit is somewhat reminiscent of the Doomsday Clock. After negotiating a deal with the European Union (EU), Prime Minister Theresa May now has to get the proposed deal though the UK parliament. As it currently stands, this looks unlikely to happen, which gives rise to many potential political permutations. I essence, it boils down to a no deal exit from the EU as early as March, or the prospect of a second referendum as politicians go back to the electorate. The pretence of ingrained positions ahead of key parliamentary actions makes the situation more difficult to read. Some corporate valuations appear very attractive, should the economic climate be anything other than apocalyptic.

Corporate bonds suffered one of their worst quarters in recent years as spreads widened substantially in the face of rising concerns around global growth, earnings downgrades and less support from central banks asset purchases. The flattening of yield curves has also led to the underperformance of financial equities, with the poor sentiment pressuring spreads, particularly subordinate deals. Credit curves widened and also steepened over the quarter, with lower-rated debt suffering the most. Overall, US investment-grade credit was flat over the quarter but this masked a 3% underperformance versus US government bonds of the same maturity. For 2018 as a whole, US investment-grade credit underperformed by 2.8% and only outperformed in the third quarter. US high-yield debt fared worse, falling 4.6% in price during the quarter - a 7% underperformance relative to government bonds.

The fund continued to take advantage of movements in the euro cross-currency basis to purchase a number of short-dated euro-denominated holdings, which when hedged offered an attractive pickup versus US equivalent positions. As the sell-off in the market continued, the fund looked to lengthen its credit positions as the term premium improved markedly. With US rate expectations collapsing and intermediate swap spreads narrowing , the fund has been able to secure floating-rate debt at similar spreads to fixed-rate instruments. We consider this to be very attractive and have been adding to high-quality names in the three to five-year portion of the curve. The fund added to its holding in Nepi on market weakness; sadly a little too early as a short seller's report subsequently emerged, although this has received significant rebuttal form the company and other investors. The fund reduced some of its exposure in Intu convertibles after they rallied on a prospective bid from Brookfield. Unfortunately this offer did not materialise and our remaining bonds retraced their gains. At the end of 2018, the fund bought small positions in SEB, Swedbank and Credit Suisse Tier 1 deals after significant weakness in the sector.

The setback in credit means valuations are more attractive, but only in the context of the last few years. The unwinding of central bank asset purchase programmes is significant and the effects may have further to run. The return of high volatility is likely to persist and valuations needs to reflect this. While fears of a global slowdown may prove overdone, corporate profitability may prove more susceptible to a downturn as financial conditions tighten, and wage pressures rise. The rise in populism also represents a challenge to big business as does increased regulation.

The FTSE EPRA NAREIT developed market property index fell 5.5% in US dollars during the quarter. The UK, Europe and the US were the weakest regions, with retail-orientated holdings under continued pressure. Sears and HMV are but two established operators who have fallen victim to the pressures brought about by the challenges of e-commerce, or too much debt. While the best mall operators should be able to repurpose the void space, the challenge for second tier malls is more challenging. The fund sold out of its US holdings (Simon Property Group, Macerich and Taubman) during the quarter and increased exposure to European names (Unibail and Klepierre). The fund also increased its exposure to Hammerson and sold its holding of Capital & Counties in the UK. The fund's exposure to property shares fell from 3.2% at the end of September to 2.4% at the year-end. The fund also has exposure to property via its holdings of Intu, Redefine and Cromwell convertibles.

The US dollar (as measured by the Fed's broad trade-weighted index) strengthened by a further 2% over the quarter, but this index has a lower weighting to the Japanese yen and a higher allocation to the Chinese renminbi and Mexican peso than some other indices. When compared to the euro, the US dollar strength has been more muted and positioning and sentiment has begun to diminish as US rate expectations have been scaled back. While the US dollar's strength may feel stretched, its growth remains more robust than in other regions. A resolution of the trade dispute with China should also boost sentiment and, with it, the US dollar.

The interest rate duration of the fund is now relatively short at 0.74 years, with around 0.3 years attributable to inflation-linked securities, reflecting our view that future US rate expectations are too dovish and breakeven rates will rise. Asset classes such as corporate credit are more attractive but longer-dated instruments are not at levels one could consider to be obviously cheap, and the fund's focus remains on those of 5 years or less to maturity. We expect volatility to remain elevated as central bank asset purchases worldwide turn negative in early 2019 and resulting risk premiums should be higher than the market demanded in early 2018.

Portfolio managers
Mark le Roux, Stephen Peirce, Nishan Maharaj and Seamus Vasey
as at 31 December 2018

CORONATION GLOBAL STRATEGIC USD INCOME FUND

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Important Information

IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION GLOBAL STRATEGIC USD INCOME 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. Coronation 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. Coronation Global Fund Managers (Ireland) Limited is authorised in Ireland and regulated by the Central Bank of Ireland. The fund is approved under Section 65 of the Collective Investment Schemes Control Act by the Financial Sector Conduct Authority of South Africa. Portfolio managed by Coronation Investment Management International (Pty) Ltd (FSP45646), an authorised financial services provider.

Northern Trust Fiduciary Services has been appointed as the fund's trustees (www.northerntrust.com; t: +353-1-542-2000), and its custodian is JP Morgan Administration Services (Ireland) Limited (www.jpmorgan.com; t: +353-1-612-4000). Coronation is a full member of the Association for Savings & Investment SA (ASISA).

HOW ARE UNITS PRICED AND AT WHAT PRICE WILL MY TRANSACTION BE EXECUTED?

Unit trusts are traded at ruling prices set on every business day. Fund valuations take place at approximately 17h00 each business day (Irish Time) and forward pricing is used. Instructions must reach Coronation before 12h00 (SA Time) one day prior to the dealing date. You can expect to receive withdrawal payouts three business days after the dealing day. Large investments or redemptions (exceeding 5% of fund value) may be subject to an anti-dilution levy to defray dealing costs and expenses. This levy, where applicable, is applied fully for the benefit 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 www.coronation.com. You will also find additional information on the considerations pertinent to investing in a fund denominated in a foreign currency and domiciled in an offshore jurisdiction.

IMPORTANT INFORMATION REGARDING TERMS OF USE

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