CORONATION

GLOBAL CAPITAL PLUS STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 30 JUNE 2019

CORONATION
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LONG TERM OBJECTIVE

The Coronation Global Capital Plus Strategy provides investors with access to the best investment ideas from around the world, with the aim of maximising long-term capital growth while minimising capital risk. It blends individual asset selection to reflect Coronation's view across asset classes, regions and currencies. Risk diversification is through direct and indirect exposure to equity securities, deposits, listed private equity funds, fixed income and debt-related instruments and commodities. The Strategy is broadly diversified across countries, including the developed economies of the US, Europe and Japan as well as emerging markets. The Strategy's objective is to outperform the benchmark over a 3 – 5 year period.

INVESTMENT APPROACH

Coronation is a long-term, valuation-driven investment house. 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. The Portfolio is constructed on a cleanslate basis based on the relative risk-adjusted upside to fair value of each underlying security. The Portfolio is constructed with no reference to a benchmark. 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)	72.5%	(3.0)%	75.5%
Since Inception p.a.	5.7%	(0.3)%	6.0%
Latest 5 years p.a.	2.9%	(0.8)%	3.7%
Latest 3 years p.a.	5.5%	1.8%	3.7%
Latest 1 year	4.8%	2.6%	2.2%
Year to date	9.0%	1.3%	7.7%
Month	2.5%	0.2%	2.3%

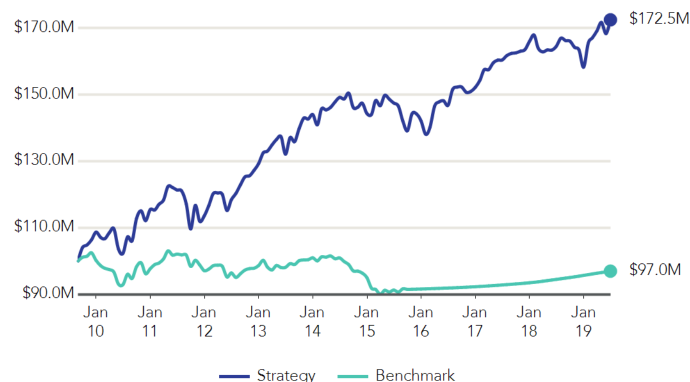
ASSET ALLOCATION

Asset Type	% Strategy
Cash	32.4%
Equities	31.2%
Bonds	26.0%
Property	6.7%
Commodities	3.7%

GENERAL INFORMATION

Inception Date	01 September 2009
Strategy Size	$917.1 million
Strategy Status	Open
Mandate Benchmark	ICE LIBOR USD 3 Month (US0003M Index)
Performance Target	ICE LIBOR USD 3 Month (US0003M Index) + 1.5%
Redemption Terms	An anti-dilution levy will be charged
Base Currency	USD

GROWTH OF US$100M INVESTMENT



Benchmark: ICE LIBOR USD 3 Month (US0003M Index)

TOP 10 HOLDINGS

Holding	% Strategy
CORO GBL STRATEGIC INCOME-Z (IRL)	7.0%
GOLD BULLION SECURITIES (JEY)	3.7%
REMGRO 2.625% 220321 (JEY)	3.6%
US T-BILL 2.437% 311019 (USA)	3.3%
REDEFINE PRP 1.500% 160921 (ZAF)	3.0%
CROMWELL SPV 2.000% 040220 (AUS)	2.0%
BARCLAYS GROUP AFRICA FRN 6.250% 250423 (ZAF)	1.8%
STANDARD BANK LTD FIX 3.830% 221119 (ZAF)	1.8%
US T-BILL 2.459% 310719 (USA)	1.7%
US T-BILL 2.399 310120 (USA)	1.7%

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GEOGRAPHIC EXPOSURE

Region	% Strategy
North America	63.6%
Europe	17.2%
CEEMEA	14.4%
Asia	3.7%
LATAM	0.3%
Other	0.8%

CURRENCY EXPOSURE

Currency	% Strategy
USD	89.1%
GBP	10.0%
EUR	1.5%
HKD	1.1%
CNY	(2.4)%
Other	0.7%

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.

Louis Stassen - BSc, BCom (Hons), CFA

Louis is a founding member and former chief investment officer of Coronation, with 29 years' investment experience. As head of Global Developed Markets, he is a key decision maker within the global investment team and co-manager across all Global Multi-Asset Class strategies.

Neil Padoa - BEconSc, FFA

Neil is a portfolio manager and head of Global Developed Markets research. He joined Coronation in May 2012 and has 11 years' investment experience. Neil is co-manager of the Global Managed and Global Equity strategies.

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.

REVIEW FOR THE QUARTER

During the second quarter of 2019 (Q2-19), global financial markets continued to be dominated by a shift in investors' interest rate expectations and the unfolding trade war saga, primarily between the US and China. Markets are now discounting almost three cuts of 25 basis points (bps) each in the US before the end of the year, a stark contrast to only six months ago, when the expectation was for at least one rate increase during the calendar year. This shift occurred against the backdrop of a more benign inflationary outlook, including the outlook for wage pressures in the US where the economy is operating at an historically low unemployment rate, as well as a weakening global growth outlook that has spooked central banks around the globe into a more dovish viewpoint.

This weaker growth outlook was exacerbated, if not caused, by the uncertainty created by the increasingly hostile trade war rhetoric between the US and many of its major trading partners. The slightly more conciliatory tone from the US towards the end of the quarter also helped to settle investors' fears. Unrelated issues such as the continued uncertainty around Brexit, political turmoil in France and some self-inflicted headwinds in emerging economies such as Turkey also helped lower growth estimates. To contextualise this shift in sentiment, it is worth noting that the US 10-year Treasury now trades around 2.00%, down from a high of around 3.35% in the fourth quarter of 2018. Central banks have responded to these changes in the macroeconomic outlook by signalling their willingness to come to the rescue with a more accommodative monetary policy, either through the lowering of interest rates or (in the case of the European Union) a resumption of quantitative easing.

Markets continued to take comfort from these dovish developments by bidding up risky assets, with the MSCI All Country World Index returning 3.6% in Q2-19 on a net basis, bringing the year-to-date return to an unimaginable 16.2%. The rolling 12-month number is now positive again, with a return of 5.7%, and the three-year number is 11.6% p.a., a very respectable number given the uncertainties that faced investors over this period. Developed markets once again outperformed over the quarter, with the emerging market universe negatively impacted by the trade war developments, as well as some of the country-specific issues referred to above. The US was the star performer, with some help from stronger earnings growth than seen in the rest of the world and a further re-rating in the market.

As mentioned above, fixed interest performed well, benefiting from a downward shift in the yield curve since the beginning of the year. Credit spreads also tightened, supporting performance in the asset class even more. Listed property had a muted Q2-19, following a very strong first quarter of the year. Logistics assets continued to outperform other property classes. Gold had a strong quarter, which did not come as a surprise given the lower opportunity cost on the shift in forward interest rates and the continued political uncertainty. Most industrial metals had a poor quarter on the back of a weaker growth outlook, except for iron ore where supply disappointments supported the price. The oil price was down slightly this quarter after a strong first quarter.

The Strategy remained defensively positioned over the quarter, but still managed to return 2.0%, comfortably ahead of the cash benchmark. Since the beginning of the year, the Strategy has returned 9.0%. Over all periods the Strategy has comfortably outperformed its benchmark, and the 10-year return of 6.3% p.a. is very satisfactory given its conservative positioning. Since inception, the Strategy has returned 7.1% p.a.

Over the quarter, long-held equity positions such as Blackstone, Charter Communications, Adidas, and Carlyle contributed the most, with British American Tobacco (after a strong first quarter) and Intu Properties (and other property holdings) detracting the most. Some of the other notable contributors over the longer term include Altice US, Facebook, Airbus, and Pershing Square. Other detractors were L Brands and AB InBev.

Our fixed interest positioning was also too conservative, but the gold position contributed strongly. Stock selection in the property bucket was poor, as we still favour those portfolios with higher retail exposure given our view that they offer compelling value.

We previously shared in detail our enthusiasm about the prospects for the alternative asset managers. Our thesis that these best-in-class operators will continue to raise assets for their new fund offerings have played out, probably stronger than we anticipated. That was despite more volatile markets and scepticism about their abilities to continue generating superior returns for the investors in their funds. As their share prices recovered over the last few years, we have reduced our overall exposure by selling out of KKR and Fortress and reduced the Apollo position.

Over the last few months, all our remaining holdings announced plans to convert from limited partnerships (that benefited the main principals or original founders from a tax perspective) to public corporations that will pay slightly more tax but make the shares more investable to all investors (inclusion in indices, no tax uncertainty). The share prices reacted very positively to this news, and post quarter end Carlyle was the last to make their decision known. The reason for highlighting these developments to our investors is again to point out the advantages of taking a longer-term view when considering investment positions. We remind each other of these learnings all the time when patience starts wearing thin with regards to a position that doesn't perform according to expectations!

However, there will be cases where we have to admit that we were wrong, in which case the best action is to cut that position despite crystallising a loss. Active investment management remains an art as much as it is a science.

We continue to be reasonably conservatively positioned in terms of asset allocation. We are concerned that the benign interest rate outlook may not materialise, and could be very disappointing to investors who are expecting central banks to come to their rescue. We have reduced the gold exposure somewhat after the recent rally but are disappointed that the precious metal did not perform more strongly, given the favourable backdrop.