

# CORONATION GLOBAL EQUITY SELECT [ZAR] FEEDER FUND

Fund Information as at 31 October 2019

## 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

### Risk Profile



### Maximum growth/ minimum income exposures



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 1.25% is payable.

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 above fee structure will take effect on 01 October 2019.

Only the component of the fund fee charged at feeder fund level is subject to VAT.

The current provision for a fee discount of 0.35% p.a. if the fund underperforms its benchmark over any rolling 60-month period, will continue to apply to the new fixed fee until 31 March 2021

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 fund costs. We do not charge fees to access or withdraw from the fund.

More detail is available on [www.coronation.com](http://www.coronation.com).

## WHO ARE THE FUND MANAGERS?

LOUIS STASSEN

BCom (Hons), BSc, CFA

NEIL PADOA

BEconSci (AcSci), FFA

HUMAIRA SURVE

BScEng, MBA, CFA

## 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

# CORONATION GLOBAL EQUITY SELECT [ZAR] FEEDER FUND

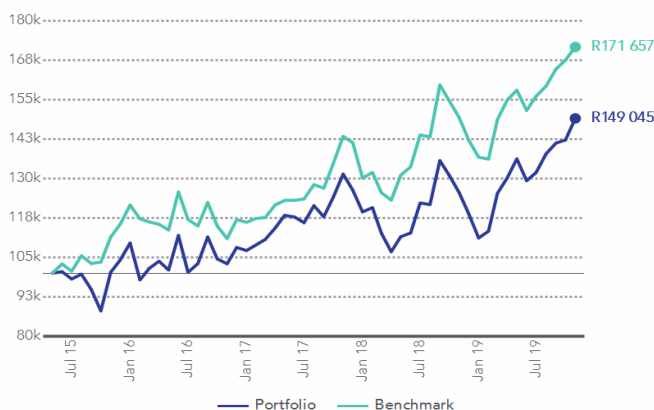
CLASS A as at 31 October 2019

<b>Fund category</b>	Global – Equity – General
<b>Launch date</b>	30 April 2015
<b>Fund size</b>	R607.47 million
<b>NAV</b>	149.05 cents
<b>Benchmark/Performance</b>	MSCI All Country World Index
<b>Fee Hurdle</b>	
<b>Portfolio manager/s</b>	Louis Stassen, Neil Padoa and Humaira Surve

<b>Total Expense Ratio</b>	1 Year	3 Year
Fund management fee	1.65%	1.61%
Fund expenses	1.13%	1.16%
VAT	0.46%	0.38%
Transaction costs (inc. VAT)	0.06%	0.07%
<b>Total Investment Charge</b>	<b>0.24%</b>	<b>0.22%</b>
	1.89%	1.83%

## PERFORMANCE AND RISK STATISTICS

### GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



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

	Fund	Benchmark	Active Return
Since Launch (unannualised)	49.0%	71.7%	(22.6%)
Since Launch (annualised)	9.3%	12.8%	(3.5%)
Latest 3 years (annualised)	13.1%	15.7%	(2.5%)
Latest 1 year	18.8%	15.0%	3.8%
Year to date	34.1%	25.5%	8.5%

### RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	18.9%	15.3%
Sharpe Ratio	0.13	0.39
Maximum Gain	24.5%	18.0%
Maximum Drawdown	(18.7%)	(14.7%)
Positive Months	59.3%	57.4%

### MONTHLY PERFORMANCE (AFTER FEES) - ZAR RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2019	1.9%	10.6%	3.9%	4.6%	(5.1)%	2.1%	4.4%	2.5%	0.7%	4.8%			<b>34.1%</b>
Fund 2018	1.1%	(6.7)%	(5.2)%	4.4%	1.1%	8.4%	(0.4)%	11.4%	(3.5)%	(4.2)%	(5.3)%	(6.4)%	<b>(6.9)%</b>
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)%	<b>11.4%</b>

## PORTFOLIO DETAIL

### GEOGRAPHIC ASSET ALLOCATION EXPOSURE

Sector	31 Oct 2019
<b>Equities</b>	<b>99.0%</b>
North America	59.3%
Europe	25.1%
Asia	9.5%
South Africa	3.5%
Japan	1.6%
<b>Cash</b>	<b>0.9%</b>

### TOP 10 HOLDINGS

As at 30 Sep 2019	% of Fund
British American Tobacco	5.8%
Alphabet Inc	5.7%
Charter Communication A	5.4%
Blackstone Group	3.4%
Philip Morris Int Inc	3.4%
Altice Financing Sa	3.3%
Airbus Group Se	2.6%
Facebook Inc.	2.5%
Anheuser-busch Inbev	2.5%
Alibaba Group Holding	2.5%

*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 narrative around the short-term driving forces for global equity markets has not changed materially since the previous quarter, nor since the beginning of the year. Investors are still fixated by the anticipation of lower interest rates in the US and the ebb and flow of trade war rhetoric between the US and its major trading partners. During the third quarter, these variables resulted in essentially a zero-return generated by global equities. We did see the US Federal Reserve cutting rates by 25 basis points at its last Federal Open Market Committee meeting, but a slightly less dovish commentary surrounding the interest rate cut disappointed investors. On the other hand, there has been some reprieve in the tit-for-tat tariffs imposed by both the US and China, with implementation dates pushed out and negotiations continuing. The year-to-date benchmark index return (MSCI All Country World Index) of 16.2% speaks more to a low base from the fourth quarter of last year (the 12 months lagging return is only 1.4%) than to better news on the economic or corporate profits fronts. The three-year return of 9.7% p.a. is slightly above long-term averages.

The US equity market continues to perform better than its counterparts around the world. It has outperformed Europe by 6.5% over the first nine months of the year and by over 4% over the last 12 months. The performance of its financial sector relative to that of Europe, as well as the strength of the information technology (IT) sector in the US explains the majority of this outperformance. Japan had a better quarter in relative terms, but still lags the US materially over the longer periods. Emerging markets (EMs) continue to underperform their developed market peers, primarily as a result of poorer corporate profit growth and some self-inflicted economic pain. EM currencies by and large have actually been reasonably strong.

From a sectoral perspective, consumer staples outperformed over the quarter, while the economically sensitive energy and materials sectors underperformed. IT and real estate were also strong. Over the last 12 months, utilities and real estate were the strongest outperformers, on the back of expectations of lower interest rates, with consumer staples also outperforming the benchmark index by almost 9%. Energy and materials were the underperformers, with healthcare also lagging as a result of proposals by Democratic Party presidential candidates to radically overhaul the US healthcare system.

The US dollar continues to strengthen against its major trading partners, causing more angst amongst the Trump administration about the competitiveness of US exports. The US dollar outperformed the euro by over 4% over the quarter, and by 6.2% over the last year. The Japanese yen was the only major currency that strengthened against the US dollar over the last year.

Your fund marginally underperformed its benchmark over the quarter. Over the last year, the fund has outperformed the index by 1.3%. Over three years, the fund return lagged the index by 2.3%. Over the last 12 months, major contributors to the strong relative performance included both cable companies Altice US and Charter Communications. These stocks related as earnings marginally surprised on the upside, and investors reassessed their cash flow

prospects as capital spending is projected to decline significantly into the future. We discuss these stocks in more detail at the end of this report. Other contributors included both alternative asset managers Blackstone & Carlyle (strong operational results and corporate restructurings well received by investors), Adidas (strong operational result and a re-rating), Pershing Square (strong investment results and good capital allocation), and Facebook (strong results despite negative news headlines).

Detractors included Intu Properties (further deterioration in UK retail environment putting pressure on an overleveraged balance sheet), Aspen (derating on balance sheet concerns), British American Tobacco (further derating on industry concerns), L Brands (poor trading resulting in a further decline in margins), and American Airlines (poor operating results with some balance sheet concerns). While the issue of over indebtedness seems to be a common cause for underperformance, we believe most of these companies will be able to trade out of their balance sheet constraints. Intu Properties is the exception to this view, and the company is actively looking to address its balance sheet through asset sales and other means.

Both of our cable holdings, Charter Communications and Altice US, have strongly outperformed the market year to date, up 45% and 74% respectively. As the leading providers of broadband internet in the US, we believe cable operators are well placed to benefit from the continued shift of entertainment online. Data usage in the US is high, with operators disclosing average monthly household data consumption of 250 GB. This continues to grow strongly.

A cable system can be compared to an electricity grid transmitting data from one point to another, and today most US homes have cable running past them, dug into the pavement many years before. Cable operators own advantaged infrastructure, with speeds of 1 Gb per second readily available, and operate in natural monopolies in most towns and cities, making them well-placed to benefit from the strong structural tailwind of rapidly increasing data demand.

The market has historically focused on cable's declining traditional pay-TV business, even though broadband internet is now the primary product sold into the home. Broadband is a must-have, sticky product for consumers, is growing its subscriber base strongly and contributes the bulk of cable earnings and almost all free cash flow (FCF) today. PayTV's contribution to overall company valuation must not be over-estimated. We believe the cable investment case remains underappreciated, with Charter and Altice USA trading on 2020 free cash flow (FCF) yields of 7% and 9%, respectively, and with strong growth in FCF expected. Both trade at material discounts to the market and we continue to hold them as core positions in the funds.

We remain excited about the prospects for our equity holdings, despite the macro concerns. Most of our holdings are generating a lot of cash and as such are more in control of their own destinies, despite what might transpire on the global trade front. We continue to find new opportunities as the market cycle violently swings from greed to fear in certain sectors.

**Portfolio managers**  
**Louis Stassen and Neil Padoa**  
as at 30 September 2019

### 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](http://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](http://www.coronation.com)

### IMPORTANT INFORMATION REGARDING TERMS OF USE

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