CORONATION GLOBAL STRATEGIC USD INCOME [ZAR] FEEDER FUND

Fund Information as at 31 October 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 31 October 2019

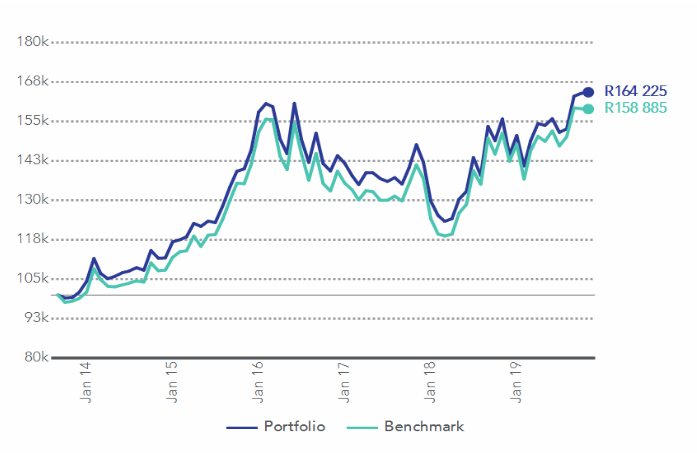
CORONATION
TRUST IS EARNED™

Fund Category	Global - Multi-Asset - Income
Launch date	30 August 2013
Fund size	R 1.32 billion
NAV	164.22 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%	1.02%
Fund management fee	0.82%	0.83%
Fund expenses	0.15%	0.14%
VAT	0.05%	0.05%
Transaction costs (inc. VAT)	0.02%	0.02%
Total Investment Charge	1.03%	1.04%

PERFORMANCE AND RISK STATISTICS

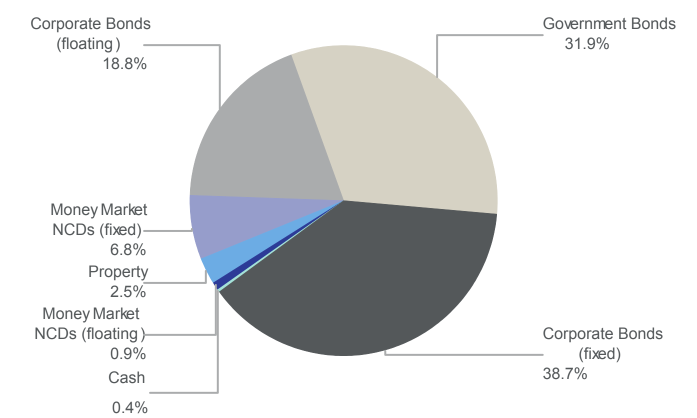
GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

PORTFOLIO COMPOSITION

As at 31 Oct 2019



PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES) (ZAR)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	64.2%	58.9%	5.3%
Since Launch (annualised)	8.4%	7.8%	0.6%
Latest 5 years (annualised)	8.0%	8.1%	(0.1)%
Latest 3 years (annualised)	5.6%	6.1%	(0.5)%
Latest 1 year	5.4%	5.0%	0.4%
Year to date	9.1%	7.6%	1.6%

	Fund
Modified Duration	0.3
Yield	3.5%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	14.4%	14.5%
Sharpe Ratio	0.07	0.03
Maximum Gain	30.7%	17.4%
Maximum Drawdown	(23.2)%	(23.8)%
Positive Months	58.1%	55.4%

	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)	11.1%	8.1%	3.0%
Since Launch (annualised)	1.7%	1.3%	0.5%
Latest 1 year (annualised)	3.4%	2.8%	0.6%
Year to date	3.9%	2.3%	1.7%

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)%	1.4%	(2.8)%	0.7%	6.8%	0.5%	0.2%			**9.1%**
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: 2019/11/11

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.

Elevated policy uncertainty is currently one of the key elements of financial markets. The US-China trade tensions have persisted for well over a year now, and the prospect of a deal seems as elusive as ever. Trade volumes and the industrial sector have been badly hit and developed market bond yields have, to date, reflected this, with yields falling in sync with manufacturing Purchasing Manager Indices. Equities and credit spreads, meanwhile, have been more resilient and more reflective of consumer activity which, to date, has remained more robust. Having tried to withdraw support, central banks are once again lending support to markets via easier monetary policies. The fund returned 0.76% over the third quarter of 2019 (Q3-19) and 3.01% over the last year, against a benchmark return of 0.62% and 2.83%, respectively.

The action of the US administration remains the key driver of global markets. To date, the US has applied tariffs to $550 billion of Chinese goods and the Chinese have retaliated by placing tariffs on $185 billion of US goods. The impact of the protracted trade tensions is now broadening as depressed business sentiment begins to weigh on labour markets. If no resolution to the trade dispute is forthcoming, it seems likely consumer spending will begin to soften and the US Federal Reserve Board (the Fed) will reduce the Fed Funds Rate further, vindicating the market's pricing.

The Fed finds itself in a difficult position, trying to articulate an economic view that is, to a large degree, driven by politics, without itself being drawn into the political debate. US President Donald Trump, meanwhile, seems less reserved in crossing the boundaries and commenting on monetary policy. Having cut the US Fed Funds rate by 0.25% in late July and again in mid-September, the Federal Open Market Committee (FOMC) has shown it will act when it is deemed necessary.

The market now forecasts another 50 basis points (bps) of easing over the next six months and 75bps during the next year. US ten-year yields fell 32bps during the quarter to 1.66%, while thirty-year maturities reached a historic low of 1.9% in late August, as the US term premium continued to move into more negative territory. Real yields moved by a lesser extent (5-year down just 4bps) as medium-dated break-even rates of inflation (5-year down 20bps) fell to the lowest level since 2016. The fund increased its exposure to inflation-linked bonds, as it expects an easier stance from the FOMC to anchor inflation expectations in the medium term.

While US treasuries remain the highest-yielding developed market government bonds in local currency terms, this changes significantly if bonds are hedged. In the case of the US, the relatively high short-term rates versus other markets mean there is a significant pick up associated with the foreign exchange transaction. This means many lower-yielding bonds yield more in US dollar terms after hedging. The hedging effect has increased recently as a shortage of dollar funding has pushed up US interbank spreads, widening interest rate differentials. A good example is short-dated Japanese bonds that yield minus 0.3% in yen but 2.4% in US dollars. The fund has taken advantage of funding opportunities in Australian dollars, yen, pounds sterling and euros during the quarter. Overall duration remains short, reflecting our cautious view, but also the inversion of the yield curve out to five years. An inverted yield curve means 2- to 5-year bonds need to rally from current levels to outperform current short rates.

Within Europe, challenges continued to mount during the third quarter. Economic data surprised to the downside as global trade and capital expenditure volumes withered. German manufacturing expectations are now on a par with the height of the Eurozone crisis and their weakest since the Global Financial Crisis. While Germany has had to contend with the ongoing effects of the diesel emissions scandal, tariffs levied by the US in relation to Airbus, along with Brexit, present challenges for the wider Eurozone. Before handing over the presidency of the European Central Bank (ECB) to Christine Lagarde, Mario Draghi introduced more stimulus, cutting the deposit facility by 10bps to -0.5%; introducing measures to provide relief to the banks (deposit-tiering and improved terms for long term repo operations); as well as resuming the ECB's bond-buying programme (quantitative easing - QE) by €20 billion a month from November. With the ECB's latest foray into bond-buying having been opposed by seven of the twenty-five members of the Governing Council, it is not surprising that Draghi has admitted that monetary policy is nearer its limits and that future stimulus may need to come from more accommodative euro area governments' fiscal policies. There are signs the message is being heeded, but a more accommodative stance in Germany remains key. The fund has added some short-dated euro-denominated bonds to the fund on a hedged basis, but longer-dated bonds are less attractive versus US equivalent instruments.

While all outcomes (an extension or second referendum included) are potentially still on the table in the UK, a 'No Deal' Brexit remains a key risk. A deal at the EU summit on 17 and 18 October now appears unlikely, and the new 'Benn Act' will compel the UK government to request an extension to Article 50 (probably to the end of Jan 2020). While the EU has no obvious reason to refuse (apart from scepticism that the extra time will not engender any new political resolve to achieve a deal), the extension will lay the groundwork for a new general election. A small parliamentary majority for the Conservatives where hard-line Brexiteers hold sway would be the most damaging for UK assets. As it currently stands, the betting markets believe a hung parliament is the most likely scenario and, as such, a deal remains theoretically possible. The fund remains generally cautious on UK assets, with the economic consequences of a no-deal Brexit high.

Corporate bonds once again outperformed government bonds (by around 0.5%), as a combination of central bank easing, a resumption of QE in Europe and resilience in equities continued to fuel investor demand. Higher-quality instruments performed best, but this was largely a function of their longer duration. In spread terms, it was shorter-dated instruments and BBB bonds that tightened most. Corporates responded to the health demand backdrop, issuing a record €70 billion of investment-grade bonds in Europe during September. Annual issuance is on target to reach €450 billion in 2019. In the US, September was the third-highest month on record for investment-grade issuance. With 130 deals amounting to $158 billion of supply, annual issuance will likely reach $1.2 trillion. Financials continued to perform well, with corporate sectors relating to trade (industrials - such as Autos) and sectors impacted by regulatory actions (such as Tobacco) lagging.

One feature of 2019 has been the continued compression in swap spreads (now negative beyond two years) reflecting demand for duration hedging overlays alongside greater US Treasury supply and selling by overseas investors. Tighter swap spreads have resulted in increasingly tight valuations and limited value in high-quality instruments (that trade versus swaps) like Supra-nationals and covered bonds. Movements in swap spreads also impact the relative attractiveness for fixed versus floating rate bonds; at present, we see some value in shorter-dated floating rate notes (FRNs), but longer-dated fixed instruments look more attractive versus floating in our opinion.

Discussion continue apace to replace (from 2022) the discredited Libor benchmarks with $200 trillion of notional contracts linked to Libor (including FRNs) in the US, this involves migrating to the relatively new secured overnight financing rate (SOFR) that is transaction-based rather than judgement- (quote-) based. The intention is that contracts that extend beyond 2021 will use agreed fall-back language to adjust payments for the remaining life of the contracts. While consultations are still underway and the methodology has not been fully agreed upon yet, initial indications are that for agreements (in the fund's case, FRNs) shorter than five years (which covers all our current holdings) the differences at the transition point in 2022 will be negligible.

The FTSE EPRA Nareit Global Real Estate Index returned 4.9% during the quarter, with Japan the strongest region (up 13%), followed by Europe (up 9%). Unsurprisingly, Hong Kong was the weakest region over the period. While the macro backdrop is challenging for tenants of all types (office, residential and retail), lower bond yields continue to provide support. Globally, the retail sector remains most challenging, with Brexit compounding problems for UK companies. The fund has a 2.6% weighting in listed property - slightly higher than at the end of June after buying back into the US-listed Simon Property Group.

The fund marginally increased its interest rate risk profile (duration) during September but it remains very conservative, given the inverted US yield curve. Credit risk has reduced marginally, and the fund still retains some credit protection to mitigate adverse movements in credit spreads. Our holdings of non-US domiciled instruments has increased recently as movements in foreign exchange markets have given rise to opportunities to hedge instruments into US dollars at attractive levels. The fund continues to hold extremely liquid instruments, allowing us to take advantage of opportunities that may arise as a result of the macro uncertainty.

Portfolio managers
Stephen Peirce, Nishan Maharaj and Seamus Vasey
as at 30 September 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.