

## WHAT IS THE FUND'S OBJECTIVE?

Global Capital Plus is in the first instance managed to achieve reasonable investment growth over time. Our intent is that the fund should meaningfully outperform an investment in developed market cash over time. In addition, we aim to preserve capital over any 12-month period.

## WHAT DOES THE FUND INVEST IN?

Global Capital Plus can invest in all listed asset classes including shares, listed property, bonds and cash. The fund will primarily have exposure to developed economies (including the US, Europe and Japan) but can also invest in emerging markets.

The fund is managed to suit the needs of more conservative investors who want to invest for longer than three years. Exposure to growth assets (shares and listed property), which pose more risk than income assets, will typically not exceed 50%.

The intent is to keep the fund fully invested in foreign assets at all times. While the underlying exposure in this class is to diversified assets across international markets, all returns are fully hedged back into US Dollar.

The fund is allowed to make use of exchange traded funds and financial instruments to implement its investment views.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Global Capital Plus aims to protect capital over any 12-month period in all market conditions, while offering real investment growth over the long term. However, capital is not guaranteed.

The fund invests in a broad range of different assets and many countries.

Its exposure to shares, which offer the best long-term investment growth, could help maximise returns. However, with this long-term growth comes short-term volatility, which may affect the fund's returns. This risk is mitigated to some extent as growth asset exposure will not exceed 50%.

Global currency movements may intensify investment gains or declines.

## HOW LONG SHOULD INVESTORS REMAIN INVESTED?

An investment term of more than three years is recommended.

## WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are building wealth, and who

- seek a single international investment that will give them access to some of the best opportunities around the globe, while aiming to protect their capital;
- require conservative exposure to offshore markets;
- do not require an income from their investment.

## WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 1.25% is payable.

Fund expenses that are incurred in the fund include administrative, trading, custody and audit charges. Performance information is disclosed after deducting all fees and other portfolio costs.

We do not charge fees to access or withdraw from the fund. All fees exclude VAT.

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.

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

## WHO ARE THE FUND MANAGERS?



**LOUIS STASSEN**  
BSc, BCom (Hons), CFA



**NEIL PADOA**  
BEconSc (AcSci), FFA

## GENERAL FUND INFORMATION

<b>Fund Launch Date</b>	1 September 2009
<b>Class</b>	USD Hedged (Previously Class F)
<b>Class Type</b>	Accumulation
<b>Class Launch Date</b>	1 December 2011
<b>Fund Domicile</b>	Ireland
<b>Listing</b>	Irish Stock Exchange
<b>Currency</b>	US Dollar
<b>Benchmark</b>	3-month USD LIBOR +1.5%
<b>Investment Minimum</b>	US\$15 000
<b>Bloomberg</b>	CORGLTF
<b>ISIN</b>	IE00B430YJ17

# CORONATION GLOBAL CAPITAL PLUS FUND [USD HEDGED CLASS]

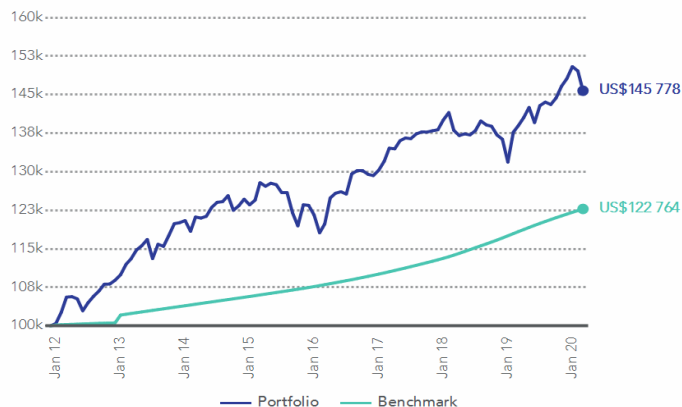
CLASS F as at 29 February 2020

Launch date	01 December 2011
Fund size	US\$ 725.77 million
NAV	14.58
Benchmark/Performance	3-month USD LIBOR + 1.5%
Fee Hurdle	
Portfolio manager/s	Louis Stassen and Neil Padoa

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.35%	1.43%
Fund expenses	1.26%	1.34%
VAT	0.09%	0.09%
Transaction costs (inc. VAT)	0.00%	0.00%
Total Investment Charge	0.04%	0.06%
	1.39%	1.49%

## PERFORMANCE AND RISK STATISTICS

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



### PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	45.8%	22.8%	23.0%
Since Launch (annualised)	4.7%	2.5%	2.2%
Latest 5 years (annualised)	2.7%	3.0%	(0.3)%
Latest 3 years (annualised)	2.7%	3.6%	(0.9)%
Latest 1 year	4.9%	3.7%	1.2%
Year to date	(3.1)%	0.5%	(3.7)%

### RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	5.2%	0.2%
Sharpe Ratio	0.76	N/A
Maximum Gain	13.5%	N/A
Maximum Drawdown	(7.6)%	N/A
Positive Months	63.6%	N/A

	Fund	Date Range
Highest annual return	14.1%	Jan 2019 - Dec 2019
Lowest annual return	(6.3)%	Mar 2015 - Feb 2016

### MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2020	(0.6)%	(2.6)%											(3.1)%
Fund 2019	4.4%	0.9%	1.1%	1.4%	(2.1)%	2.4%	0.5%	(0.3)%	0.9%	1.6%	1.0%	1.6%	14.1%
Fund 2018	1.0%	(2.4)%	(0.7)%	0.2%	(0.1)%	0.6%	1.4%	(0.5)%	(0.2)%	(1.2)%	(0.6)%	(3.3)%	(5.9)%

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	29 Feb 2020
Equities	25.8%
Property	4.7%
Infrastructure	0.8%
Commodities	5.3%
Bonds	10.0%
Cash	53.4%

### TOP 10 HOLDINGS

As at 31 Dec 2019	% of Fund
British American Tobacco	1.7 %
Alphabet Inc	1.3 %
Charter Communication A	1.2 %
Philip Morris Int Inc	1.2 %
Heineken NV	1.1 %
Unibail Group Stapled	1.0 %
Vonovia Se	1.0 %
Airbus Group Se	0.9 %
Anthem Inc	0.9 %
Anheuser-busch Inbev	0.9 %

### CURRENCY ALLOCATION

Currency as at 29 Feb 2020	
US Dollar	100%

This fund is available in 3 hedged currency classes (Euro, Pound Sterling & US Dollars) as well as a Houseview currency class. This is the fact sheet for the US Dollar hedged currency class.

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

2019 was a year to make money. In fact, of the 38 asset classes tracked by Deutsche Bank, all were up on an annual basis – the first time this has happened since 2007 when the dataset began. In the face of inverted yield curves, ongoing US-China trade tensions, and Brexit drama, the stock market posted its strongest gains since 2009 and in the eleventh year of this bull market. On reflection, it was very hard for investors not to post gains. What a contrast to a dismal 2018, during which 31 of Deutsche Bank's asset classes declined.

The fund performed well in this environment, returning 4.2% in the fourth quarter (vs the benchmark return of 0.9%), bringing the full year return to 14.1% (vs the benchmark of 3.9%). Since inception, which is now over 9 years, the fund has returned 5.2% per annum (p.a.), 2.7% ahead of the benchmark, and also comfortably ahead of inflation. Years like this are beneficial to wealth creation. But after a sustained period of strong equity returns, declining interest rates, reduced tax rates, expanding profit margins, and rising valuation multiples, investors should, in our view, recalibrate return expectations lower. The conditions in place today are quite different to those in place a decade ago. We have no insight into short-term market moves but feel that absolute returns could very well be lower over the next ten years compared to the last ten.

Strong equity markets, combined with good stock selection, were the primary drivers of the fund's strong return in 2019. The fund's equity holdings delivered 39% for the year, more than 12% ahead of global equity markets which returned 26.6%. With an average equity allocation of 33.5%, equities contributed over 11% (far and away the bulk) to the fund's annual return. Our property stocks recovered in the fourth quarter, returning 4.9%. But the annual return was a fairly disappointing 3%. Considering the minimal risk carried, we are quite satisfied with the 5.4% fixed income return for the year, even though it lagged the benchmark by 1.5%. Prices for most fixed income assets have been pushed to very high levels, in our view, and we will continue to hold very little duration or interest rate risk until value emerges. More on this below. Finally, gold was a notable performer, increasing 18% for the year.

At quarter-end the fund was positioned as follows: Equity 30%; Property 7%; Infrastructure 1%; Commodities 5%; Corporate credit 10%; Inflation break-evens 5%; Government bonds 2%; and 'Cash plus' instruments 41%.

The fund's benchmark is USD cash + 1.5%. Although we will be held to our benchmark over time, our aim and intention in managing the fund has a number of additional dimensions:

1. Deliver absolute returns ahead of cash (and ahead of inflation in time);
2. Offer downside protection from equity market volatility, ideally preserving capital over a 12- to 24-month period (although this is not guaranteed);
3. Do not expose the fund to excessive risk, even if such exposures represent large asset classes which, in a normal environment, would be well-suited to a fund with this mandate (such as developed market government bonds today).

Executing on these additional dimensions over time will, in our view, not only lead to a satisfactory return outcome, but one that continues to be ahead of the benchmark.

We expand on three points below, which inform our portfolio construction and reflects key investment views.

### 1. Equities are the core building block to deliver real returns over time

We strive to fill the portfolio with businesses that have a strong competitive position in a growing market and are led by capable managers who allocate capital accretively. This strategy entails retaining earnings to fund high return on capital investments or returning capital to shareholders in the absence of such opportunities.

We believe that owning a share in such businesses is the best way to grow capital at rates ahead of inflation. Furthermore, our aim is to find a range of businesses that are fundamentally different on a number of dimensions, such as growth drivers, geography, foreign exchange, sector exposure and factor characteristics. This creates an uncorrelated portfolio mix. We also look to purchase these business interests at a discount to what they are worth when considering their long-term earnings power and a normal (i.e. not based on today's abnormally low debt costs) cost of capital.

Given the risk profile of the fund, the equity weighting in Global Capital Plus will be lower than in Global Managed, and total risk exposure (equities plus property) is capped at 50%. This portion of the fund will always have a trade-off between contributing to real returns, offset by the risk of price declines.

If we step back from our bottom-up research process and aggregate individual exposures, we often find clusters of value with similar characteristics. The areas where we are seeing opportunity span different regions, sectors, business-types and even 'factors'. We don't subscribe to a factor-based investment approach, and continue to uncover opportunities across a range of different factor types. These include:

- Global consumer franchises, including the world's largest premium brewer Heineken, the world's leading snack and confectionery business Mondelez, the second-largest footwear and sports apparel business Adidas, and the leading luxury goods conglomerate LVMH;
- Leading internet platforms in the US and China covering search, ecommerce, gaming, social, travel and classifieds;
- Tobacco, including Philip Morris, which owns iQos, the leading smoke-free alternative;
- US and European financials firmly in "value-stock" territory, including a range of well-capitalised, strong banking franchises, trading on single digit price-to-earnings ratio (PEs);
- US health insurers, which we believe are high-quality compounders that have been discounted due to political noise;
- Cable businesses, which are driven by the explosive growth of broadband demand;
- Domestic UK businesses, which are heavily discounted following years of Brexit-driven uncertainty;
- Emerging market consumer-driven businesses, including two Asian insurers (Ping An and AIA);
- Music streaming, including Vivendi, owner of UMG, the largest music label;
- Aerospace, including Airbus, which is a duopolist in the structurally growing aerospace sector;
- Railways, which own irreplaceable transport infrastructure across the US;
- Alternative asset managers, including the world's leading alternatives franchise, Blackstone, which we have owned since 2011;
- Payments, including payment processors and credit card networks;
- Japanese drugstores.

These buckets account for the bulk of the equity exposure in the fund. Some we feel are quite significantly discounted, others more fairly priced for the quality of the business. Taken together, they aggregate to an undervalued portfolio that is fundamentally diversified.

### 2. There is little value to be found in the fixed income space

The Global Aggregate Bond Index covers \$57 trillion of outstanding debt instruments. Of this, approximately two-thirds is government or related debt, 27% is corporate, and the remainder relates to securitised instruments.

You will no doubt have seen the headlines relating to the amount of debt outstanding (c.\$12 trillion currently) with a negative yield to maturity, in effect guaranteeing investors a loss. For further context, the government portion of the Global Bond Index currently offers a yield to maturity of 1.1% with a duration of eight years. So, by purchasing the index constituents and holding to maturity one can lock in a return of just over 1%. Not only is the absolute return pitifully low, unlikely to even match inflation, but investors also risk meaningful capital losses should interest rates rise (a 1% rise, taking the rate to a still low 2%, would result in roughly an 8% capital loss).

We did however, initiate a new government bond position in the quarter, representing 1.5% of the fund. This particular instrument (an emerging market government) is anomalously priced in our view, offering an attractive absolute return, while at the same time yielding c.5% more than inflation. Real yields in most developed markets are 0% if not lower.

We also took advantage of the market's consensually benign view of low growth and inflation to buy inflation protection in the fund (currently just under 5% exposure). After more than a decade of low and declining interest rates, and low inflation, the market has become complacent about the level of future inflation. One of the biggest risks, however, to any portfolio that owns equity and fixed income securities is an upside inflation surprise. Such a shock would likely cause a recalibration higher of required returns, pressuring many asset prices. Going 'long inflation', when expectations embed a 1.6% inflation rate for 30 years, feels like an asymmetrical risk-reward to us, and even more valuable considering the uncorrelated nature of the position to most other holdings in the fund.

Our corporate credit exposure (10% of fund) has declined slightly over the year as we sold into strength, given that credit spreads have almost universally declined.

In contrast to the Global Aggregate Index, our fixed income team continues to find higher-yielding instruments with significantly less risk. By way of example, the 41% of the portfolio invested in cash plus instruments is yielding c.2.8% with a duration of 0.2 years. This seems a more favourable place to wait out the current low-yield environment than the index.

We have, since inception of the fund, considered property investments as an alternative to fixed income. Exposure to property stocks remained steady (at 7% of fund) over the quarter. Prospective returns relative to fixed income still look attractive, but that is largely because fixed income yields are so low. In our view, absolute returns from today are likely to be lower than those delivered over the last decade. However, we are still finding a handful of undervalued stocks, and are also exploring opportunities in less well-covered sectors of the market, which have the potential to add welcome diversification to our property holdings.

We have also started building a small position in a handful of listed infrastructure businesses. These typically own long-duration (usually spanning many decades) real assets such as toll-roads and electricity grids, which operate in a framework where allowed rates of return are contractually agreed. As such, the expected return over the lifetime of the asset can be determined with a reasonable degree of certainty. We are mindful of the effect low interest rates (and costs of capital) may have had to prices in this asset class, so are moving slowly. But we also believe the prospect of adding another uncorrelated stream of return to the fund will, over time, further improve the ultimate risk-reward outcome for investors.

### 3. Other idiosyncratic positions

Outside of the traditional equity and fixed income asset classes discussed above, there are two other positions in the fund worth discussing. We believe both have reasonable return expectations and should pay off in different market environments to those in which the traditional asset classes would be expected to perform well - valuable characteristics for a multi-asset fund.

#### i) Commodities

During the quarter, we increased the fund's gold holdings and began building a new position in platinum. We consider the fundamentals of the platinum market over the next five years to be incredibly attractive. Platinum is priced at roughly half of its increasingly expensive sister metal - palladium - and we believe in time this differential will drive substitution into the cheaper metal.

#### ii) Foreign exchange

The US dollar has been in the ascendancy since the start of 2018, buoyed by higher growth and interest rate differentials as well the strong performance of US-based assets. More recently, the US-China trade disputes exacerbated these impacts as the manufacturing slowdown was more concentrated outside of the relatively insular US economy. While a case for the US dollar can still be made, it is becoming more difficult to articulate. The euro and yen are both arguably undervalued on traditional foreign exchange measures, and with their low interest rates, both have become funding currencies for carry trades. This means they are susceptible to a change in fortunes if the current backdrop changes. In the case of the euro, this could come about if the European Central Bank and eurozone were to adopt more expansive fiscal policies aimed at boosting growth. In Japan, the yen has traditionally been a beneficiary of more risk-averse moves in asset prices, which could be more likely after the recent strong appreciation in markets. Measures of policy uncertainty are high and global trade discussions, recent geopolitical developments, and any withdrawal of central bank asset purchases all potentially pose challenges to markets. However, across a broad range of asset classes, volatility is low. In the case of the euro and yen, implied volatility is at historically low levels (last seen in 2007 and 2014). In both prior instances, the underlying currencies subsequently saw strong moves. Currency options therefore offer cheap portfolio protection but also an interesting investment opportunity in their own right. We have taken advantage of these dynamics by purchasing options on the euro and yen, covering 15% of the fund, at a cost of 3 basis points per month.

Thank you for your continued support and interest in the fund.

#### Portfolio managers

Louis Stassen and Neil Padoa  
as at 31 December 2019

### IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION GLOBAL CAPITAL PLUS FUND

The Global Capital Plus Fund 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 top 10 holdings are reflected on a look-through basis. 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. 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.

JP Morgan (Ireland) has been appointed as the fund's trustees ([www.jpmorgan.com](http://www.jpmorgan.com); t: +353-1-612-4000), and its custodian is JP Morgan Administration Services (Ireland) Limited ([www.jpmorgan.com](http://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 F NAV prices. All underlying price and distribution data are 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 2019(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](http://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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