

## WHAT IS THE FUND'S OBJECTIVE?

Global Managed aims to maximise long-term investment growth by investing in a range of opportunities available in public asset markets from around the world. Our intent is to outperform an equity biased benchmark over all five year periods.

## WHAT DOES THE FUND INVEST IN?

Global Managed will have a bias towards shares, but can invest in a variety of assets including listed property, bonds and cash. The fund primarily invests in developed economies (including the US, Europe and Japan) but is also mandated to invest in emerging markets.

The intent is to keep the fund fully invested in foreign assets at all times. Its exposure will be in a variety of currencies, primarily the US dollar, British pound, euro and yen.

The fund may use exchange traded funds and other financial instruments (eg. derivatives) to implement specific investment views.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

### Risk Profile



### Maximum growth/ minimum income exposures



Global Managed aims to achieve the best possible long-term growth for investors. Consequently, it will have a sizeable exposure to shares, which typically offer the best returns over the long run.

Global Managed will only invest in assets we view as being attractively valued and that could offer strong long-term investment growth. The fund's share selection is the result of rigorous international research conducted by Coronation's investment team.

While shares typically offer superior long-term returns, this comes with higher levels of risk and volatility. We have a disciplined approach to reducing risk, but shares can be volatile investments and may suffer capital losses 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 Global Managed Fund, which is domiciled offshore. 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?

An investment term of more than five 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;
- require investment growth over the long term and accept the possibility of volatility and the risk of short-term losses;
- 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.

All fees exclude 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 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	29 October 2009
Fund Class	A
Benchmark	60% MSCI All Country World Index and 40% Barclays Global Bond Aggregate
Fund Category	Global – Multi-asset – High Equity
Regulation 28	Does not comply
Investment Minimum	R5 000 or R500/m debit order
Bloomberg Code	COGLMAZ
ISIN Code	ZAE000139721
JSE Code	COGM

# CORONATION GLOBAL MANAGED [ZAR] FEEDER FUND

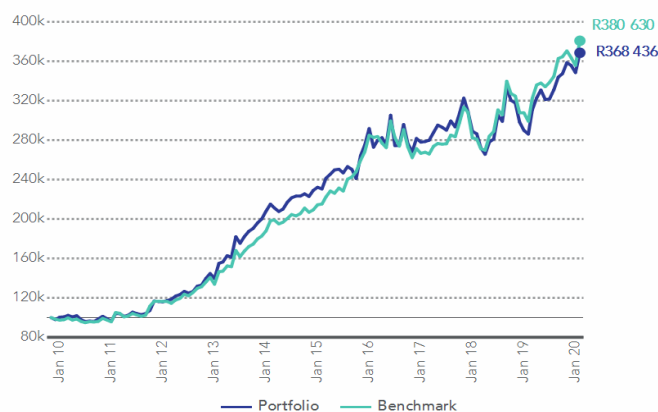
CLASS A as at 31 January 2020

<b>Fund category</b>	Global - Multi Asset - High Equity
<b>Launch date</b>	29 October 2009
<b>Fund size</b>	R 7.27 billion
<b>NAV</b>	362.89 cents
<b>Benchmark/Performance</b>	Composite: 60% MSCI All Country World Index & 40% Barclays Global Bond Aggregate
<b>Fee Hurdle</b>	
<b>Portfolio manager/s</b>	Louis Stassen, Neil Padoa and Humaira Surve

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.40%	1.49%
Fund expenses	1.25%	1.35%
VAT	0.09%	0.07%
Transaction costs (inc. VAT)	0.06%	0.06%
Total Investment Charge	0.08%	0.14%
	1.48%	1.63%

## 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)	268.4%	280.6%	(12.2%)
Since Launch (annualised)	13.6%	13.9%	(0.4%)
Latest 10 years (annualised)	13.8%	14.6%	(0.7%)
Latest 5 years (annualised)	9.8%	12.1%	(2.2%)
Latest 3 years (annualised)	9.8%	12.5%	(2.7%)
Latest 1 year	28.8%	27.3%	1.5%
Year to date	5.8%	7.0%	(1.3%)

### RETURNS VS BENCHMARK (AFTER FEES) (USD)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	92.5%	98.1%	(5.6%)
Since Launch (annualised)	6.6%	6.9%	(0.3%)
Latest 3 years (annualised)	5.8%	8.5%	(2.7%)
Latest 1 year (annualised)	14.6%	12.4%	2.2%
Year to date	(0.4%)	(0.2%)	(0.3%)

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2020	5.8%												5.8%
Fund 2019	(1.3)%	8.6%	3.9%	2.5%	(2.9)%	0.2%	3.0%	3.8%	1.0%	3.2%	(0.8)%	(2.0)%	20.2%
Fund 2018	(0.9)%	(4.9)%	(2.5)%	4.7%	1.1%	8.6%	(2.0)%	11.2%	(3.7)%	(0.8)%	(6.1)%	(2.8)%	0.3%

## PORTFOLIO DETAIL

### ASSET ALLOCATION EXPOSURE

Sector	31 Jan 2020
Equities	58.2%
Property	6.5%
Infrastructure	0.3%
Commodities	3.7%
Bonds	10.7%
Cash	20.6%

### TOP 10 HOLDINGS

As at 31 Dec 2019	% of Fund
British American Tobacco	3.1%
Alphabet Inc	3.0%
Charter Communication A	2.8%
Airbus Group Se	2.0%
Philip Morris Int Inc	1.9%
Anthem Inc	1.8%
Heineken NV	1.8%
Unitedhealth Group Inc	1.8%
Naspers Ltd	1.7%
Alibaba Group Holding	1.6%

### RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	13.5%	12.2%
Sharpe Ratio	0.47	0.55
Maximum Gain	22.7%	24.8%
Maximum Drawdown	(17.7)%	(14.0)%
Positive Months	61.8%	61.0%

	Fund	Date Range
Highest annual return	48.9%	Jan 2013 - Dec 2013
Lowest annual return	(7.7)%	Apr 2017 - Mar 2018

**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.**

2019 was a year to make money. In fact, of the 38 asset classes Deutsche Bank tracks, 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 US stock market posted its strongest gains since 2009 – in the 11th 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 8.3% in the fourth quarter (vs the benchmark return of 5.5%), bringing the full year return to 23.4% (vs the benchmark of 18.6%). The fund has returned 6.5% p.a. since inception (a real return of approximately 4.7%). 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. Global equity markets returned 26.6%, with the portion of our portfolio invested in equities outperforming by a handsome 15%, delivering 41.9% for the year. Our property stocks recovered in the fourth quarter, returning 5%. But the annual return was a disappointing 2%. Considering the minimal risk carried, we are satisfied with the 3.4% fixed income return for the year, even though it lagged the benchmark by 3.5%. 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 60%; Property 7%; Infrastructure 0.3%; Commodities 3%; Corporate credit 10%; Inflation break-evens 5%; Government bonds 1.5%; and "Cash plus" instruments 13.2%.

The fund's benchmark is a blend of global equities (the MSCI All Country World Index with a 60% weight) and global bonds (the Bloomberg Barclays Global Aggregate Bond Index with a 40% weight). Despite our current equity weighting being approximately equal to the benchmark, it is important to note that the fund in aggregate looks very different to the benchmark.

This is philosophically an important point. 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 attractive absolute returns (meaningfully ahead of inflation)
2. Offer some downside protection from equity market volatility (through with equities as a core building block, investors in the fund should not expect to be fully shielded from market sell-offs)
3. Do not expose the fund to excessive risk, even if such exposures are large in the benchmark (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

Owning a part-interest of a business (which is exactly what a share is) with a strong competitive position, in a growing market, led by capable managers, who allocate capital accretively (retaining earnings to fund high return on capital investments, or returning capital to shareholders in the absence of such opportunities) is, in essence, what we strive to fill the portfolio with. Owning a share in such businesses is the best way we know of to grow capital at rates ahead of inflation. Furthermore, our aim is to a) find a range of businesses that are fundamentally different on a number of dimensions (growth drivers; geographic, FX, and sector exposure; factor characteristics) to strive for an uncorrelated portfolio mix, and b) to purchase these business interests at a discount to what they are worth, when considering their long-term earnings power and a normal (ie: not based on today's abnormally low debt costs) cost of capital.

Quantitatively, the difference in our equity portfolio is perhaps best summarised by an active share of 85% (active share measures the percent of a portfolio that differs from the benchmark index. Only c.15% of the portfolio looks the same as the index). Historically the portfolio's active share has ranged from 85-95%.

If we step back from our bottom-up research process and aggregate individual exposures, we often find clusters of value with similar characteristics. Qualitatively, 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, from value, to growth, to quality):

- 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: a range of well-capitalised, strong banking franchises, trading on single digit PEs – firmly in "value-stock" territory
- US health insurers: high quality compounders in our view, which 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 (EM) consumer-driven businesses, including two Asian insurers (Ping An and AIA), an Indian financial, and two leading Latin American consumer-focused operators
- Music streaming, including the world's largest platform (Spotify) with over 110m paying subscribers
- Aerospace, including Airbus: a duopolist in the structurally (although cyclical) growing aerospace sector
- Railways, which own irreplaceable transport infrastructure across the US
- Unique content owners such as Formula 1
- Software businesses, including a recent purchase of Salesforce.com, the world's leading CRM provider
- Alternative asset managers, including the world's leading alternatives franchise, Blackstone, which we have owned since 2011
- Payments, including payment processors, credit card networks and online payment systems
- Japanese drugstores

These 16 buckets (for want of a better word) account for nearly 90% 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 rest 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 8 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 re-calibration (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 the fund) has declined slightly over the year as we sold into strength (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 13% of the fund 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, airports, 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 feel 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 feel both have reasonable return expectations and should pay off in different market environments to those where 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) FX (currencies)

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 ECB 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, global trade discussions, recent geopolitical developments, and any withdrawal of central bank asset purchases all potentially pose challenges to markets. Yet, 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.

#### Portfolio manager change

With effect from 1 December 2019, Humaira Survé was appointed as a co-manager of the fund. She holds an MBA from INSEAD and is a CFA charterholder. Humaira joined Coronation in 2012 as a global developed markets analyst and has made a significant contribution to the fund over this period. We look forward to her future contributions.

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

#### Portfolio managers

Louis Stassen, Neil Padoa and Humaira Survé  
as at 31 December 2019

### IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION GLOBAL MANAGED [ZAR] FEEDER FUND

The Global Managed [ZAR] Feeder 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 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. 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. The 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](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 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 our website, [www.coronation.com](http://www.coronation.com)

### IMPORTANT INFORMATION REGARDING TERMS OF USE

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