

## LONG TERM OBJECTIVE

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

## INVESTMENT APPROACH

Coronation is a long-term, valuation-driven investment house. Our aim is to identify mispriced assets trading at discounts to their long-term business value (fair value) through extensive proprietary research. In calculating fair values, through our fundamental research, we focus on through-the-cycle normalised earnings and/or free cash flows using a long-term time horizon. The Portfolio is constructed on a cleanslate basis based on the relative risk-adjusted upside to fair value of each underlying security. The Portfolio is constructed with no reference to a benchmark. We do not equate risk with tracking error, or divergence from a benchmark, but rather with a permanent loss of capital.

## STRATEGY RETURNS GROSS OF FEES

| Period                       | Strategy | Benchmark | Active Return |
|------------------------------|----------|-----------|---------------|
| Since Inception (cumulative) | 77.0%    | (1.5)%    | 78.5%         |
| Since Inception p.a.         | 5.4%     | (0.1)%    | 5.5%          |
| Latest 10 years p.a.         | 5.6%     | 0.6%      | 5.0%          |
| Latest 5 years p.a.          | 3.7%     | 1.5%      | 2.2%          |
| Latest 3 years p.a.          | 3.3%     | 2.0%      | 1.3%          |
| Latest 1 year                | 2.6%     | 1.6%      | 1.0%          |
| Year to date                 | (3.2)%   | 0.5%      | (3.7)%        |
| Month                        | 1.1%     | 0.0%      | 1.1%          |

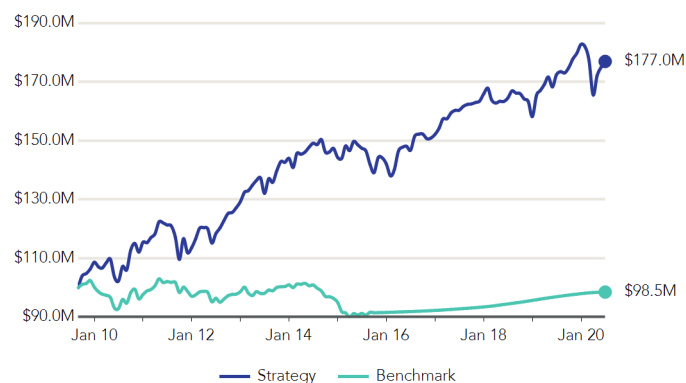
## ASSET ALLOCATION

| Asset Type  | % Strategy |
|-------------|------------|
| Cash        | 41.0%      |
| Bonds       | 25.0%      |
| Equities    | 24.3%      |
| Commodities | 6.7%       |
| Property    | 3.0%       |

## GENERAL INFORMATION

|                    |  |
|--------------------|--|
| Inception Date     | 01 September 2009                            |
| Strategy Size      | \$685.8 million                              |
| Strategy Status    | Open   |
| Mandate Benchmark  | ICE LIBOR USD 3 Month (US0003M Index)        |
| Performance Target | ICE LIBOR USD 3 Month (US0003M Index) + 1.5% |
| Redemption Terms   | An anti-dilution levy will be charged        |
| Base Currency      | USD  |

## GROWTH OF US\$100M INVESTMENT



Benchmark: ICE LIBOR USD 3 Month (US0003M Index)

## TOP 10 HOLDINGS

| Holding                                  | % Strategy |
|--|------------|
| CORO GBL STRATEGIC INCOME-Z (IRL)        | 9.3%       |
| GOLD BULLION SECURITIES (JEY)            | 5.0%       |
| REMGRO 2.625% 220321 (ZAF)               | 3.7%       |
| US T-BILL 0.000% 270820 (USA)            | 3.6%       |
| US GOVT TREASURY FIX 1.750% 150128 (USA) | 3.6%       |
| US T-BILL 0.000% 100920 (USA)            | 2.9%       |
| REDEFINE PRP 1.500% 160921 (ZAF)         | 2.2%       |
| US GOVT TREASURY ILB 0.750% 150245 (USA) | 2.0%       |
| US T-BILL 0.055% 160720 (USA)            | 1.5%       |
| US T-BILL 0.085% 030920 (USA)            | 1.5%       |

## GEOGRAPHIC EXPOSURE

| Region        | % Strategy |
|---------------|------------|
| CEEMEA        | 55.5%      |
| North America | 21.6%      |
| Europe        | 13.5%      |
| LATAM         | 0.8%       |
| Asia          | 0.8%       |
| Japan         | (0.4)%     |
| Other         | 8.2%       |

## CURRENCY EXPOSURE

| Currency | % Strategy |
|----------|------------|
| USD      | 88.8%      |
| GBP      | 10.6%      |
| EUR      | 1.3%       |
| CNY      | (3.0)%     |
| Other    | 2.3%       |

## PORTFOLIO MANAGERS



Louis Stassen - BSc, BCom (Hons), CFA

Louis is a founding member and former chief investment officer of Coronation, with 30 years' investment experience. He is a key decision maker within the global investment team and co-manager across all Global Multi-Asset Class strategies, as well as the Global Equity Strategy.



Neil Padoa - BEconSc, FFA

Neil is a portfolio manager and head of Global Developed Markets. He joined Coronation in May 2012 and has 12 years' investment experience.

## DISCLAIMER

The information contained herein is not approved for use by the public and must be read together with our [Disclaimer](#) that contains important information. If you are in possession of a physical copy of this document and you are unable to access our [Disclaimer](#) online, kindly contact us at [cib@coronation.com](mailto:cib@coronation.com) and a copy will be sent to you via email.

## REVIEW FOR THE QUARTER

Following a rapid sell-off earlier this year, markets rebounded strongly in the second quarter (Q2-20). The stock market recovery has been very much V-shaped with a gain of 19.2% in Q2-20 following the first quarter's -21.4%, despite continued economic uncertainty and an unclear path to recovery. Nevertheless, this leaves global markets (as measured by the MSCI All Country World Index) still down 6.3% for the year.

The Strategy returned 6.8% for Q2-20, well ahead of the benchmark's 0.2% return.

Contributions to performance were broad-based as most risk assets rallied:

- The Strategy's equity holdings returned 16%
- Property returns were also strong at 19.4%
- Fixed interest rebounded, returning 4.8% (approximately 1.5% ahead of the benchmark)
- Gold delivered a 10.5% return, bringing the gain over the last year to over 26%

Individual contributors to returns were also broad-based, with long held positions in Alphabet, Charter Communications, Naspers, UnitedHealth, Bayer and Spotify all in the top 10. The diversity of these contributors should highlight the approach to risk management, where we aim to own as many uncorrelated assets as is feasible (both within and across asset classes) subject to the constraint that each individual security should offer an attractive expected return.

Philip Morris was the largest detractor from performance, although with a return of -2.6% the effect was only marginally negative. Philip Morris International (PMI) is a global tobacco company and the global leader in potentially reduced-risk next generation products (NGPs) through its IQOS heated tobacco franchise. IQOS is already contributing c.20% to company revenues. PMI has invested significantly into the IQOS franchise over a sustained period of time and has built a significant first mover advantage in the heated tobacco category. IQOS has been a phenomenal success in our view, ranging from truly extraordinary results in Japan to solid steady progress across many European markets. To date c.11 million smokers have completely quit smoking combustible cigarettes and moved to IQOS. At the time of writing, the US Food and Drug Administration (FDA), probably the preeminent tobacco regulator globally renowned for its science led approach to regulation, had just authorised IQOS to be sold in the US with a reduced exposure claim to the effect that completely switching to IQOS significantly reduces a smokers exposure to harmful chemicals. Importantly, as IQOS grows, it is accretive to PMI's revenues and profits. We believe there is still a long runway of growth for IQOS globally. Despite the resilience of tobacco as a consumer category, PMI has not been immune to Covid-19 lockdowns. PMI has been severely impacted by lost duty-free sales, the impact of lockdowns in emerging markets such as the Philippines and Indonesia and temporarily slower IQOS user conversion. Second quarter results will be significantly negatively impacted by these factors, but we expect that over the medium term these lost sales should be recovered and that IQOS should fairly quickly resume its growth trajectory. PMI remains a top 10 holding.

At quarter-end, the strategy was positioned with 41% in growth, or risk assets, comprised of the following:

- 23% effective equity
- 3% property
- 2% in infrastructure
- 6% in convertible bonds
- 7% in high yield corporate bonds

The remaining 59% of the strategy is invested in more stable, diversifying assets with limited correlation to equities:

- 10% in hedged equity
- 7% in commodities
- 42% in fixed income, the bulk of which is invested in Treasury Bills (13%), inflation protected securities (7%) and investment grade corporate bonds (20%)

Last quarter, we felt that there were attractive opportunities for those investors with a long time horizon and the ability to filter companies whose prices had been dislocated with little impact to their sustainable earnings power. After a sharp rally, these opportunities are now harder to find. In addition, the need to reassess the prospects of many businesses continues as investors parse fundamental virus-induced behavioural changes from short term noise. Fundamental changes, however, play to the strengths of fundamental investors, and we continue to find a select number of stocks with attractive long-term prospects that are reasonably priced, while appropriately managing exposures across a range of asset classes.

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