

CORONATION GLOBAL STRATEGIC USD INCOME [ZAR] FEEDER FUND

Fund Information as at 31 March 2021

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



Maximum growth/ minimum income exposures



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

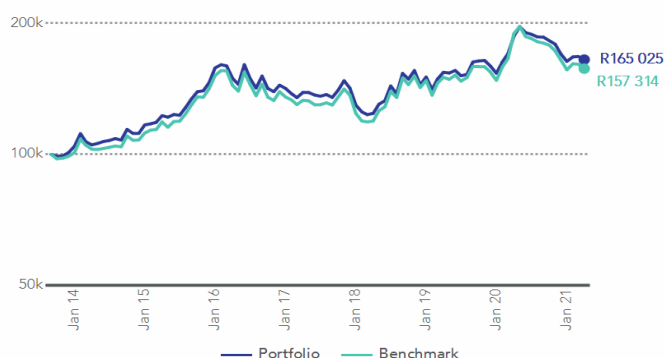
CLASS A as at 31 March 2021

Fund Category	Global - Multi-Asset - Income
Launch date	30 August 2013
Fund size	R 1.87 billion
NAV	165.02 cents
Benchmark/Performance	110% of USD 3-month LIBOR
Fee Hurdle	
Portfolio manager/s	Stephen Peirce, Nishan Maharaj & Seamus Vasey

Total Expense Ratio	1 Year	3 Year
Fund management fee	0.92%	0.94%
Fund expenses	0.80%	0.80%
VAT	0.08%	0.09%
Transaction costs (inc. VAT)	0.05%	0.04%
Total Investment Charge	0.03%	0.02%
	0.95%	0.96%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES) (ZAR)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	65.0%	57.3%	7.7%
Since Launch (annualised)	6.8%	6.2%	0.7%
Latest 5 years (annualised)	2.0%	1.8%	0.2%
Latest 3 years (annualised)	10.0%	9.7%	0.3%
Latest 1 year	(11.7)%	(16.9)%	5.3%
Year to date	1.0%	0.6%	0.3%

	Fund
Modified Duration	0.8
Yield	1.7%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES) (USD)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	14.2%	9.3%	4.9%
Since Launch (annualised)	1.8%	1.2%	0.6%
Latest 1 year (annualised)	6.8%	0.4%	6.5%
Year to date	0.4%	0.1%	0.4%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	14.3%	15.1%
Sharpe Ratio	0.08	0.03
Maximum Gain	30.7%	33.0%
Maximum Drawdown	(23.2)%	(23.8)%
Positive Months	53.8%	50.5%

	Fund	Date Range
Highest annual return	36.7%	Feb 2015 - Jan 2016
Lowest annual return	(15.4)%	Mar 2016 - Feb 2017

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2021	2.4%	0.2%	(1.6)%										1.0%
Fund 2020	6.2%	4.5%	9.7%	5.2%	(3.1)%	(0.9)%	(1.4)%	(0.1)%	(1.8)%	(1.9)%	(5.1)%	(3.8)%	6.5%
Fund 2019	(6.4)%	5.7%	3.7%	(0.4)%	1.4%	(2.8)%	0.7%	6.8%	0.5%	0.2%	(2.9)%	(3.7)%	2.0%
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)%

PORTFOLIO DETAIL

ASSET ALLOCATION BY INSTRUMENT TYPE

	% of Fund
Developed Markets (IG)	73.4%
Fixed Rate Bonds	55.4%
Floating Rate Bonds	13.7%
Inflation Linked Bonds	4.3%
Emerging Markets (IG)	9.4%
Fixed Rate Bonds	7.8%
Floating Rate Bonds	1.6%
Developed Markets (High Yield)	3.0%
Emerging Markets (High Yield)	4.9%
Convertibles	4.1%
Listed Property	1.4%
EFT	2.0%
Cash & Money Market	1.8%
Total	100.0%

ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Corporations	58.9%
Sovereigns	30.6%
Cash	1.8%
Multi-National	7.3%
REITS	1.4%
Total	100.0%

ASSET ALLOCATION BY RATINGS BAND

	% of Fund
Investment Grade	85.5%
Sub-investment Grade	9.7%
Other instruments	4.7%

TOP 5 ISSUER EXPOSURE

	% of Fund
United States Government Treasury	24.9%
European Investment Bank	2.2%
UBS Group	2.7%
European Bank for Reconstruction and Development	2.2%
Credit Suisse	2.2%

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.

Government bond yields rose during the quarter as expectations for global growth increased in response to the pace of vaccine rollouts accelerating. US Treasuries posted the weakest quarterly returns in 40 years as rising inflation concerns led to a significant rise in yields. Despite the continuation of a very dovish narrative from the US Federal Reserve (the Fed), investors moved to price earlier rate hikes. The passing of President Joe Biden's \$1.9 trillion US stimulus package and the unveiling of a \$2.25 trillion infrastructure programme put additional pressure on yields. Credit markets were more relaxed with the expansionary stance, with spreads modestly tighter. The US dollar strengthened against most currencies as it benefited from wider interest rate and higher growth differentials. The Fund returned 0.41 during the first quarter and 6.44% over the last 12 months versus a benchmark return of 0.06% and 0.36%, respectively.

In late 2020, the passing of the \$900 billion pandemic relief bill set the scene for more expansionary fiscal policy, and the Democrats' victories in Georgia in the early January runoff elections gave the party control of the Senate and, with it, power to pass further stimulus. That additional stimulus came in the form of 'The American Rescue Plan Act, passed on the 11th of March and amounting to \$1.9 trillion. President Biden also announced his infrastructure proposal, the 'American Jobs Plan' of which the first phase amounts to \$2.25 trillion and is set to be disbursed over a period of eight years. The intention is to fund this by raising corporate tax rates from 21% to 28%. The second yet-to-be-announced phase will focus more on social spending and may amount to as much as \$1.5 trillion, funded by high taxes on higher-earning Americans. All segments of the legislation are likely to prove more challenging than the stimulus passed to date. What is apparent is that the front-loaded stimulus will significantly boost GDP in 2021 but become contractionary in 2022.

Against this backdrop, US bond yields rose sharply at the beginning of January and continued to selloff throughout the quarter, with the US 10-year yield rising from 0.91% to 1.74%. This resulted in the worst quarterly performance (-4.3%) since 1980. The initial selloff came through wider breakeven rates of inflation, but this began to change in mid-February, with the subsequent rise increasingly coming via higher real yields. With the Fed maintaining a very dovish stance, the nominal yield curve steepened significantly.

At the very front end of the curve, money market rates have been pushed lower as reserve growth, and money market inflows outstrip a decline in the amount of Treasury Bill issuance as the Treasury manages down the Treasury General Account (TGA) ahead of the debt ceiling deadline at the end of July. The current backdrop is likely to continue unless the Biden administration addresses the issue sooner as part of the fiscal stimulus plan. The Fed's decision not to extend the exemption for holding Treasuries and deposits under the Supplementary Leverage Ratio (SLR) calculation may cause banks to move towards shedding deposits, accelerating flows into money market funds. The Fed is monitoring the situation and may adjust the Interest on Excess Reserves (IOER) and Reverse Repo Programme (RRP) rates if deemed necessary to drain excess liquidity from the system. Despite the Fed keeping the dot-plot unchanged and Chairman Powell's openly dovish communiques, markets have begun to price in rises in the Fed Funds rate as soon as the second half of 2022, with between three and four hikes priced by the end of 2023 in contrast to the Fed's unchanged dot plot.

Within the Treasury Inflation-Protected Securities (TIPS) market, shorter-dated breakeven rates of inflation rose most, reflecting the near-term concerns surrounding inflation. When combined with the shape of the nominal curve, this has resulted in deeply negative real rates in short-dated maturities and a steeper real yield curve over the quarter. Five-year breakeven rates of inflation rose to 2.60% at the end of March from 1.97% at the year-end, with 10-year breakevens ending the quarter at 2.37% (up from 1.99% at the end of 2020). The Fund switched its shorter-dated holdings longer, as short-dated levels now look increasingly stretched.

In assessing current valuations, it is worth noting that five-year forward five years out (5y5y) has risen from 1% in mid-2020 to 2.6% today - a similar move to that experienced during the Taper Tantrum of 2013 and a level that leaves them broadly in line with the Fed's current expectations of the median long-term target rate. However, with inflation concerns persisting and headline CPI to move higher in coming months (likely peaking just over 3.5% due to base effects), the Fed's ongoing dovish stance against the large issuance pipeline is likely to mean the path of least resistance may still be higher, especially with real yields remaining historically low. The Fund's duration position remains defensive at 0.8 years and concentrated in the two to four-year segment of the curve, with additional exposure via our holdings in Europe and, more recently, in Australia and Canada.

Within Europe, the selloff in bond yields was more contained as cohesive policymaking was once again absent, leading to a slow vaccine rollout, renewed lockdowns and a downgrade in growth expectations to below 4% for 2021. The European Central Bank (ECB) also sought to limit rising yields by front-loading its Pandemic Emergency Purchase Programme (PEPP). Fears of a slower-than-anticipated deployment of the EU's Recovery and Resiliency Facility have also surfaced, adding to the downbeat sentiment towards Europe. But just as US sentiment has soared, perceptions towards Europe could change materially should it be able to catch up with its initial vaccine rollout timetable. We find little value in European government bonds, where real yields are at historically low levels. Within shorter-dated corporate bonds, the level of the cross-currency basis swaps and tighter credit spreads has meant hedging instruments into US dollars has been less appealing during the quarter. The only purchase the Fund made was some Berkshire Hathaway 2024 debt.

To date, the UK has had one of the most successful vaccine rollout programmes and one of the most aggressive fiscal stimulus programmes. This has helped alleviate concerns surrounding the fallout from the UK's exit from the EU, which has given rise to considerable trade disruption. The planned reopening of the economy has boosted business confidence, but trade disruption and potential job

losses as furloughed workers are not reabsorbed into the labour force remain significant challenges. As a result, the Bank of England has continued to adopt a very accommodative monetary stance. Overall, yields look unattractive, and hedging opportunities have been less evident, as has been the case with Europe.

Emerging markets struggled during the first quarter bar one significant exception - China. Index-driven flows into Chinese bonds (as investors upweight holdings) do appear to be detracting from flows into other local currency emerging markets, where flows remain benign (in contrast to hard currency flows). Aside from China, other local currency emerging markets performed poorly in the face of rising US rates and ongoing Covid-19 outbreaks. In addition, political events weighed heavily on some countries, such as Turkey, Brazil and Russia. The Fund purchased some short-dated AAA exposure in India and Indonesia, which it hedged out. We also purchased some longer-dated exposure in South African government bonds that trade much cheaper than the hard currency equivalent instruments.

Corporate bonds continued to perform well as investors took heart from both the prospect of economies reopening and large fiscal support packages. To date, the rise in government bond yields has not detracted from the hunt for yield within corporate credit. Overall, a broad US investment-grade index outperformed government bonds by 0.9% during the quarter (despite losing 4.5% in absolute terms), with lower-rated and longer-dated bonds performing best. February produced the strongest monthly outperformance. Despite continued high issuance during the quarter, new issue premiums remain modest. High yield bonds outperformed investment-grade bonds by 2.8% as spreads tightened by 50 basis points (bps) to 336bps, and with a shorter duration, managed to post positive returns of 0.9%. US High yield supply was a record \$59 billion in March, bringing the year-to-date issuance to close to \$150 billion - double that of 2020. Within Europe, the outperformance of investment-grade bonds was less, at 0.4%, but absolute returns were higher, down 0.7%, as government bond yields rose less. European high yield bonds returned 1.5%, 2% above similar duration government bonds.

In contrast to local currency markets, emerging market hard currency debt performed well, with the spread on the Emerging Markets Bond Index rising only by 2bps to 324bps. Unlike corporate credit, it was the higher quality issuers who provided the best excess returns (0.7% vs -0.2%) within high yield issuers, but once again high yield issuers outperformed in absolute terms (-4.25% vs -5.3%) as their higher yield and lower duration prevailed over longer duration investment grade issuers. The Fund sold its exposure in Hewlett Packard Enterprise and bought instruments issued by Société Générale and Tencent, while numerous instruments matured or were tendered for. The Fund was also active in several convertibles, selling its exposure in Michelin, BP and CAPC and investing in Weibo, Deutsche Wohnen and LEG. Overall, the Fund's credit duration fell from 1.4 years to 1.2 years during the quarter, reflecting what are now quite fully priced valuations.

Property valuations continued to recover with the EPRA/NAREIT Developed Index up by 6.1%, led by gains in February and March as the reopening trade boosted many depressed stocks in sectors such as retail. Markets that were perceived to be making the most progress on vaccine deployments, such as the UK and US, did best. After a slight reduction in the Fund's exposure to property during January, it marginally increased exposure again to end the quarter at 1.4%. During the quarter, the Fund continued to reduce some retail exposure, selling Simon Property Group and reducing exposure to Klépierre and Hammerson. The Fund also reduced some exposure to MAS Real Estate after a strong recovery and rotated the proceeds into Growthpoint Properties Australia, NEPI Rockcastle and LEG Immobilien, as well as adding to Vonovia, Deutsche Wohnen and Segro.

Within foreign exchange markets, the US dollar reasserted itself, strengthening against all but a handful of currencies (Canadian dollar +1.3%, pound Sterling +0.8% and Norwegian Krone +0.3%), with the Fed's broad trade-weighted index appreciating 2.3% over the quarter. The US dollar index (DXY), which has a higher weighting to the yen and euro, rose by 3.7%. Within G10 currencies, the yen was the weakest, down 6.7%. This decline was due to the ever-widening interest rate differentials between the US and Japan. Elsewhere, the euro was 4% weaker, as Europe's vaccine rollout struggled to gain traction in contrast to pound Sterling, given the UK is having one of the most successful rollouts to date. Apart from the Chinese renminbi, emerging market currencies performed poorly against the backdrop of rising US rates, rising cases of Covid-19 and weaker inflows. In the near term, US dollar shorts have largely corrected, and the scope for further growth divergence may be limited, suggesting the US dollar strength may begin to wane against other G10 currencies. The outlook for emerging markets is more difficult, as the ongoing damage to the fiscus from Covid-19 makes them more vulnerable to adverse movements in foreign flows and risk sentiment.

Despite the selloff in medium-dated rates, the Fund's interest rate duration remains low at around 0.8 years and credit duration modest at 1.2 years. The recent selloff in bond yields and the steeper yield curve is beginning to present value, but we believe the selloff may have a little further to run. Corporate bonds should gain comfort from an upturn in global growth, supporting improvements in credit quality, but investors should be mindful that valuations largely reflect this, and breakeven protection remains relatively low. We see opportunities within property, but one needs to be conscious of the current positive sentiment towards equities and scale positions accordingly. As we alluded to at the end of 2020, US policy changes under the Biden administration may have repercussions for various asset classes, and this view continues to be the case.

Portfolio managers
Stephen Peirce, Nishan Maharaj and Seamus Vasey
as at 31 March 2021

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. The asset allocation by instrument type are reflected on a look-through basis. The asset allocation by issuer type and top issuer exposures are not 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 2020 (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.