CORONATION

GLOBAL CAPITAL PLUS STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 30 SEPTEMBER 2021

CORONATION
TRUST IS EARNED™

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)	136.8%	6.8%	130.0%
Since Inception p.a.	6.9%	0.5%	6.4%
Latest 10 years p.a.	6.0%	0.0%	6.0%
Latest 5 years p.a.	5.3%	1.4%	3.9%
Latest 3 years p.a.	5.8%	1.3%	4.5%
Latest 1 year	8.9%	0.2%	8.7%
Year to date	2.8%	0.1%	2.7%
Month	(2.2)%	0.0%	(2.2)%

ASSET ALLOCATION

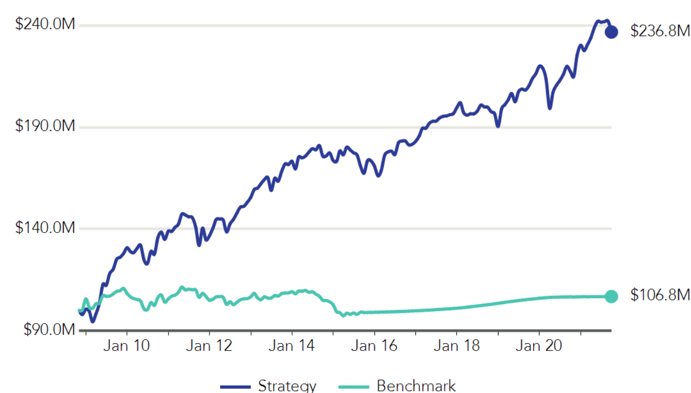
Asset Type	% Strategy
Equities	35.8%
Cash	29.5%
Bonds	28.4%
Commodities	5.1%
Property	1.2%

GENERAL INFORMATION

Inception Date	01 November 2008
Strategy Size *	$769.7 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

*Strategy assets under management as at the most recent quarter end.

GROWTH OF US$100M INVESTMENT



Benchmark: ICE LIBOR USD 3 Month (US0003M Index)

TOP 10 HOLDINGS

Holding	% Strategy
CORO GBL STRATEGIC INCOME-Z (IRL)	8.7%
US T-BILL 0.000% 161221 (USA)	5.4%
ISHARES PHYSICAL GOLD ETC ETP USD (IRL)	5.1%
US T-BILL 0.000% 051021 (USA)	4.7%
US T-BILL 0.000% 091221 (USA)	4.3%
US GOVT TREASURY ILB 0.750% 150245 (USA)	1.9%
51JOB INC ADR (CHN)	1.5%
GETLINK SE (FRA)	1.5%
VINCI SA (FRA)	1.5%
GROWTHPOINT PROPERTIES INTL 5.872% 020523 (ZAF)	1.3%

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GEOGRAPHIC EXPOSURE

Region	% Strategy
CEEMEA	36.7%
North America	34.6%
Europe	21.3%
LATAM	1.9%
Asia	(1.4)%
Other	6.9%

CURRENCY EXPOSURE

Currency	% Strategy
USD	84.6%
GBP	12.3%
EUR	5.3%
RUB	2.2%
CNY	(5.9)%
Other	1.5%

PORTFOLIO MANAGERS

Louis Stassen - BSc, BCom (Hons), CFA

Louis is a founding member and former chief investment officer of Coronation, with 31 years' investment experience. He is a key decision maker within the global investment team and co-manager across all Global Multi-Asset Class strategies.

Neil Padoa - BEconSc, FFA

Neil is a portfolio manager and head of Global Developed Markets. He joined Coronation in May 2012 and has 13 years' investment experience.

REGULATORY DISCLOSURE AND DISCLAIMER

The Prospectus of Coronation Global Opportunities Fund and Fund KIID can be sourced on the following link: https://www.coronation.com/en/institutional/strategy-information/literature/ucits-fund-library/umbrella-fund and a Summary of Investor Rights can be sourced on the following link: https://www.coronation.com/en/institutional/about-us/ucits-v-disclosure/.

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The volatility of the Benchmark represented in the growth chart above may be materially different from that of the Strategy. In addition, the holdings in the accounts comprising the Strategy may differ significantly from the securities that comprise the Benchmark. The Benchmark has not been selected to represent an appropriate benchmark to compare the Strategy's performance, but rather is disclosed to allow for comparison of the Strategy's performance to that of a well-known and widely recognized Benchmark.

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REVIEW FOR THE QUARTER

Equity markets declined by 1% over the third quarter, with a weak September (down approximately 4%) ending a strong run of consecutive positive monthly gains since February this year. The global bond market was down by a similar amount for the quarter (0.9%), bringing the year-to-date decline to -4%. Despite these price declines, the US 10-year Treasury bond yield is still low, at around 1.5%.

The Strategy declined 2.0% for the quarter. It is worth keeping in mind that fixed income markets broadly offer little in the way of return at present, so to deliver gains that beat both cash and inflation, we have said quite often that investors need to take some risk. This, inevitably, comes with short-term volatility. Importantly, this trade-off has been justified over longer time periods, and the Strategy has returned 8.9% over the last year, 5.3% p.a. over the last five years, and 6.0% p.a. over the last decade – all well ahead of cash alternatives and representing real growth too.

For the quarter, cash and commodity holdings were the primary contributors to return, while the Strategy's equity holdings were the primary detractors.

Netflix was a top contributor to performance in the third quarter. Netflix is the world's largest paid streaming video platform with over 200m subscribers worldwide. The company, led by visionary founder Reed Hastings, is extremely innovative and has shown the ability to disrupt itself to stay ahead of a dynamic market on numerous occasions – pivoting from rented DVDs to streaming in 2007, launching its first Netflix Original in 2013, and, more recently, its move into gaming, which we believe will bring significant benefits to already strong engagement metrics.

Netflix offers an unrivalled combination of global content production capabilities and distribution reach, giving it the ability to make and break great shows and movies around the world. The company has proven that good stories resonate globally, as evidenced by hit shows such as Narcos, Lupin or recent phenomenon Squid Game. Netflix Originals now dominate its Top 10 viewing lists.

Netflix has long been considered the disruptor of the traditional pay-tv bundle. However, we still see a significant growth runway, driven by latent pricing power and strong subscriber growth in international markets. The United States home market is often labelled mature, but we believe Netflix's pricing power is under-appreciated. Over 70m US households are still paying around $100 per month for a traditional pay-tv bundle. Against this backdrop, Netflix is an absolute steal, with an ARPU (average revenue per user) of $14.50 per month, and it will continue to be a beneficiary of accelerating pay-tv declines in its core market for years to come.

Netflix is no longer without streaming competition, but we consider it well-placed to be the streaming anchor in households around the world. With continued strong tailwinds from the global disintermediation of the pay-tv bundle, its subscriber base could double over the medium term, with above-inflation price increases. We expect earnings growth of over 25% per year over the medium term, with the company set to generate significant free cash flow going forward, as content costs begin to moderate off a massive $17bn base after years of accelerated investment.

The Strategy's aggregate exposure to North American railroads detracted from returns in the quarter. While we haven't discussed these investments in detail previously, our initial research work into the stocks dates back to 2012, where the first internal research notes on Union Pacific began: "UNP has a strong, defendable moat, an ongoing pricing opportunity, and an inherent cost advantage relative to its substitute, trucking. At the current share price, the risk/reward is in one's favour".

It's quite remarkable how enduring the core of this investment thesis has proved. In many ways, today, nine years later, the investment case is largely unchanged.

The North American rail industry comprises three duopoly rail networks and one network traversing from Kansas City to Mexico. These assets cannot be replicated, form an essential part of the North American supply chain backbone, and have a measure of pricing power that has allowed them to price in excess of their cost inflation over time. Management teams are shareholder-oriented. Over the past few years, there have been several developments in the industry that we think create an opportunity for these to be good investments over the next five years.

Firstly, CSX and Union Pacific, two of the US railroads, embarked on a new system of managing the railroads called Precision Scheduled Railroading, which emphasises moving cars through the network in a scheduled, point-to-point manner as opposed to the old hub-and-spoke model. This improved network throughput, lowered operating costs, increased the network's physical capacity, and improved the responsiveness of the rails, as demonstrated by limited margin compression during the volume downturn in the second quarter of last year. The improved service-levels that PSR has enabled will help the rails take share from trucking over time. Historically, trucks have achieved over 90% of deliveries on-time compared to 50-60% for rail. The gap has reduced significantly, with CSX claiming to have been on par with trucking in 2019.

Secondly, Covid-19 decimated the economy last year and, as mobility improves, we expect economic growth to pick up. However, as we stand today, inventory levels in the economy are below normal and global supply chains are stuttering. The railroads will be critical to getting inventory levels back to a normal level so that the economy can begin operating more smoothly. This should drive solid volume growth for the rails.

Thirdly, the rails compete with trucks over shorter haul lengths and for certain commodities. Currently, the truck market is facing driver and truck shortages, resulting in high truck prices. This has created an environment for the rails to achieve healthy pricing.

Given the above points, we think the US rails are well-positioned to generate low-double-digit free cash flow per share growth, with an attractive starting valuation. Union Pacific is trading at a free cash flow yield close to that of the market, and we think it is an above-average business with better growth prospects over the next five years and above-average prospects in the case of surprise inflation. Canadian Pacific has, arguably, the best management team in the North American rail industry and is in the process of merging with Kansas City Southern, the Mexican railroad. The combined railroad can offer more efficient single-line service instead of having to interchange, the reliability of which we believe will be highly valued by shippers. Both seemingly have been impacted by concerns related to supply chain issues. In time, the supply chain will untangle, and the rails will be important in supporting this.

At quarter-end, the Strategy was positioned with 44.5% in growth or risk assets comprised of the following:

- 25% effective equity
- 2% in property
- 5% in infrastructure
- 12.5% in high yield credit

The balance (55.5%) of the Strategy is invested in either more stable assets or diversifying assets, which we think have a lower correlation to equities:

- 42.5% in investment-grade fixed-income instruments (including 19% in corporate credit and 15% in short-dated Treasury bills)
- 8% in commodities
- 2% in inflation-linked bonds
- 3% in absolute return instruments

As highlighted in prior commentaries, we continue to feel the fundamental diversification evident in this Strategy construction, with an intentional tilt towards inflation protection at the expense of nominal government bonds, is both more appropriate and more robust than that of the Strategy's cash benchmark.

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