

## LONG TERM OBJECTIVE

The Coronation Global Equity Strategy provides access to the best investment opportunities across global markets through capital growth of underlying stocks selected. It is a flexible portfolio invested predominantly in equities listed on developed market exchanges, but will have exposure to emerging market listed companies as well. The Strategy may hold cash and interest bearing assets where appropriate. The objective is to outperform the MSCI All Country World Index over a 5-year period.

## INVESTMENT APPROACH

Coronation is a long-term, valuation-driven investment house, focused on bottom-up stock picking. 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 clean-slate 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)	36.0%	67.9%	(31.9)%
Since Inception p.a.	3.8%	6.6%	(2.8)%
Latest 5 years p.a.	1.0%	5.2%	(4.2)%
Latest 3 years p.a.	(2.3)%	4.0%	(6.3)%
Latest 1 year	(23.9)%	(18.4)%	(5.5)%
Year to date	(23.9)%	(18.4)%	(5.5)%
Latest 6 months	4.8%	2.3%	2.5%
Latest 3 months	11.9%	9.8%	2.1%
Month	(4.3)%	(3.9)%	(0.4)%

For a side-by-side comparison of gross and net performance, please refer to <http://www.coronation.com/us/strategy-performance>  
Active return calculated as strategy return less benchmark return. Figures may differ due to rounding.

## GEOGRAPHIC EXPOSURE

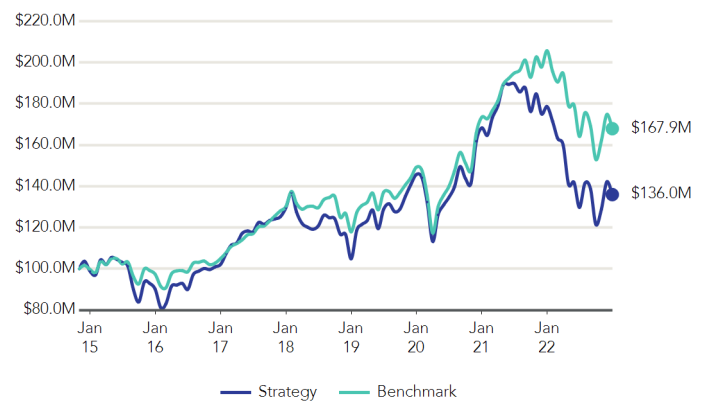
Region	% Strategy
North America	59.4%
Europe	30.0%
Asia	8.4%
LATAM	1.9%
Interest Bearing	0.3%
Market	% Strategy
Developed	90.0%
Emerging	8.5%
Other	1.5%

## GENERAL INFORMATION

Inception Date	01 November 2014
Strategy Size *	\$1.07 billion
Strategy Status	Open
Mandate Benchmark	MSCI Daily TR Net All Country World USD (NDUEACWF Index)
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: MSCI Daily TR Net All Country World USD (NDUEACWF Index)

## TOP 10 HOLDINGS

Holding	% Strategy
VISA INC-CLASS A SHARES (USA)	3.8%
CAPRI HOLDINGS LTD (GBR)	3.7%
ALPHABET INC-CL A (USA)	3.7%
AIRBUS SE (FRA)	3.7%
CANADIAN PACIFIC RAILWAY LTD (CAN)	3.5%
SCHWAB (CHARLES) CORP (USA)	3.2%
PROSUS NA (CHN)	3.2%
JD.COM INC ADR (CHN)	2.9%
CANADIAN NATL RAILWAY CO (CAN)	2.9%
UBER TECHNOLOGIES INC (USA)	2.4%

## SECTOR EXPOSURE

Sector	% Strategy	Sector	% Strategy
Technology	30.0%	Oil & Gas	8.3%
Consumer Services	17.7%	Basic Materials	5.0%
Industrials	16.3%	Health Care	2.3%
Financials	9.5%	Derivatives	2.0%
Consumer Goods	8.6%	Interest Bearing	0.3%

## PORTFOLIO MANAGERS



Neil Padoa - BEconSc, FFA, CFA

Neil is a portfolio manager and head of Global Developed Markets. He joined Coronation in May 2012 and has 14 years' investment experience.



Humaira Surve - BScEng, MBA, CFA

Humaira is a portfolio manager within the Global Developed Markets team, responsible for co-managing the Coronation Global Equity Select, Active Global Equity and Global Managed strategies. Humaira has 10 years' investment experience.

## FUND MANAGERS

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## 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/>.

The Prospectus of the Coronation Universal Fund and a Summary of Investor Rights can be sourced on the following link: <https://www.coronation.com/en/institutional/strategy-information/literature/>.

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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

In what was a torrid year for almost all asset classes, the fourth quarter (Q4-22) provided some respite. Specifically for equities, the MSCI ACWI index advanced 9.8%. Despite this recovery, however, the year still ended firmly in negative territory, down -18.4%. The Strategy had a strong quarter in absolute terms, and a reasonable one compared to the market, advancing 10.6%.

In our Q2-22 commentary, we discussed Coupa Software and highlighted that some “high growth” stocks are no longer expensive. Coupa is a cloud-based software platform that offers an extensive suite of expense management solutions, including strategic sourcing, benchmarking, automating mundane procurement activities, streamlining processes and policies, and real-time supply chain visibility. Coupa is the software market’s undisputed business spend management leader and has a long runway for growth as companies continue to digitise their back-office processes. Over the last year, the business experienced elongated sales cycles in a tough macro environment, however our conviction in its product superiority and customer proposition through its high return on investment remained intact. On 12 December 2022, Coupa’s Board entered into an agreement with a private equity firm, Thoma Bravo, to be taken private in the next six months. The enterprise value was determined to be \$8bn, an 8.7 times multiple of next year’s revenue, equating to a 77% premium to the pre-acquisition undisturbed share price. While the \$81 takeout price is marginally below our fair value, we are satisfied with the offer, considering the swift return generated for our portfolios and the large opportunity set of high conviction ideas we currently have.

In the same commentary we also discussed “value” stock Capri, the owner of three iconic founder-led brands in Michael Kors, Jimmy Choo, and Versace. “In our view, the resilience of Kors and the significant growth potential of Versace and Choo is being totally overlooked by the market, with Capri Holdings being valued on 6-7 times earnings. Management clearly agrees, with a new \$1bn share repurchase programme and the company buying back \$300m of stock (5% of the market capitalisation) in the last quarter alone. We believe Capri offers tremendous value for long-term investors.” Capri was the top contributor to returns in Q4-22, advancing 49%.

Netflix was a positive contributor in Q4-22. This follows a strong period of outperformance, with the share almost doubling since its May 2022 lows. As a reminder, Netflix shares tumbled in the first half of 2022, driven by worse-than-expected results and subscriber declines after years of strong growth. We subsequently scrutinised the investment case intensely, which resulted in a lowering of our growth assumptions and fair value. Importantly, we did, however, conclude that our core investment thesis was largely unchanged and that the market had overly penalised Netflix based on two quarters of weak growth. Netflix remains the clear market leader in streaming, an industry, with high barriers to entry, ample pricing power, and strong structural growth tailwinds. We stuck to our view, with our long-term focus being key in a skittish and volatile market.

Finally, we had discussed how not owning certain mega caps hurt returns relative to the market in 2021. It was notable that much of this reversed in 2022 and not owning Tesla (-65% for the year), Nvidia (-50%), and Apple (-26%) all contributed to the Strategy’s relative returns.

There were a number of detractors for the year. For Amazon specifically, 2022 was a year to forget, with many headwinds culminating in its first share price decline since 2014.

Amazon has two key businesses: the namesake retail business (Amazon.com) and a very profitable, market-leading cloud service provider (Amazon Web Services).

During 2022 the retail business suffered from both uncontrollable and controllable headwinds, which have resulted in the retail business contribution margin falling almost 6% over the last two years. On the less controllable side, strong wage inflation, high fuel costs and a strong US dollar have increased fulfilment costs. On the controllable side, in hindsight, Amazon mis-forecast demand and overbuilt capacity, investing in as much fulfilment centre capacity in the past three years as its whole prior existence. It also chose to follow competitor pricing which had been reduced to clear excess inventory.

Looking forward, many of these headwinds are likely to reverse, which is likely to result in strong earnings growth. Wage inflation, while high, has moderated slightly. Fuel prices are down 20% from Q1-22 to today and the US dollar has begun weakening. Amazon has pulled back on fulfilment centre expansion and as these warehouses are better utilised, we should see a reversal of the almost 3.5% of margin pressure from shipping and fulfilment. Finally, with retail inventories in better shape, about 2.5% of gross profit pressure should also reverse.

Amazon trades on approximately 20 times our estimate of normalised earnings power in 2023. This embeds an arguably conservative 4% margin for the ecommerce business (mostly driven by high margin advertising revenue, where Amazon has grown to be the third largest digital advertiser in the US). When a share price has halved, it is sometimes easy to forget the strengths of that business. And Amazon has many, including two of the most competitively entrenched businesses in the world; a corporate culture that is almost impossible to replicate; an obsessive focus on the customer and the long term; and many years of above market growth potential.

As always, we have no insight into the direction of the market in the near term. We aim to focus on what we control, which is researching investment ideas, and responding to opportunities as and when they arise. We think certain stocks are heavily discounted and offer attractive returns for investors with a long-term time horizon.

Thank you for your support and interest in the Strategy.