

CORONATION GLOBAL EQUITY SELECT [ZAR] FEEDER FUND

Fund Information as at 31 December 2022

WHAT IS THE FUND'S OBJECTIVE?

Global Equity Select aims to give investors access to the best opportunities in global equity markets. The fund is biased to developed markets and actively seeks out attractively valued shares to maximise long-term growth. Our intent is to outperform the global equity benchmark over all periods of five years and longer.

WHAT DOES THE FUND INVEST IN?

The fund invests in the shares of companies listed on equity markets around the world. The fund has a bias towards developed markets, typically holding at least 70% in developed market shares and up to 30% invested in shares listed in emerging markets. While our intent is to remain fully invested in shares, the fund is allowed to hold up to 20% of its portfolio in cash and bonds.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Risk Profile



Maximum growth/ minimum income exposures



Global Equity Select will only invest in shares we view as being attractively valued relative to other shares which may offer superior long-term investment growth.

The fund's share selection is the result of rigorous international research conducted by Coronation's investment team.

While we have a disciplined approach to reducing risk, shares can be volatile investments and there is a meaningful risk of capital loss 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 offshore domiciled Global Equity Select 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 fund is managed to deliver the best possible returns over the long term; an investment horizon of 10 years or more is therefore ideal. It is not suitable as a single investment for investors who need to preserve their capital over five years or less.

WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are building wealth, and who

- ▶ are comfortable with full exposure to shares listed in global markets outside South Africa;
- ▶ accept that the fund may underperform the market significantly in the short term in pursuit of superior long-term gains;
- ▶ hold other investments and are looking to add exposure to global equity markets;
- ▶ 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.

Only 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 fund costs. We do not charge fees to access or withdraw from the fund.

More detail is available on www.coronation.com.

WHO ARE THE FUND MANAGERS?



NEIL PADOA
BEconSci (AcSci),
FFA, CFA



HUMAIRA SURVE
BScEng, MBA, CFA

GENERAL FUND INFORMATION

Launch Date	30 April 2015
Fund Class	A
Benchmark	MSCI All Country World Index
ASISA Fund Category	Global – Equity – General
Regulation 28	Does not comply
Investment Minimum	R5 000 or R500/m debit order
Bloomberg Code	CORGESA
ISIN Code	ZAE000202115
JSE Code	CGEFA

CORONATION GLOBAL EQUITY SELECT [ZAR] FEEDER FUND

CLASS A as at 31 December 2022

ASISA Fund Category	Global – Equity – General
Launch date	30 April 2015
Fund size	R 1.02 billion
NAV	159.38 cents
Benchmark	MSCI All Country World Index
Portfolio manager/s	Neil Padoa and Humaira Surve

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.38%	1.30%
Fund expenses	1.15%	1.15%
VAT	0.17%	0.09%
Transaction costs (inc. VAT)	0.06%	0.06%
Total Investment Charge	0.14%	0.15%
	1.52%	1.46%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



RISK AND RETURNS VS BENCHMARK (AFTER FEES) (ZAR)

	Fund	Benchmark
Since Launch (unannualised)	59.4%	131.0%
Since Launch (annualised)	6.3%	11.5%
Latest 5 years (annualised)	5.9%	12.2%
Latest 3 years (annualised)	2.3%	11.0%
Latest 1 year	(20.4%)	(12.8%)
Year to date	(20.4%)	(12.8%)

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	18.3%	15.6%
Sharpe Ratio	0.01	0.36
Maximum Gain	24.5%	18.0%
Maximum Drawdown	(25.7%)	(18.5%)
Positive Months	55.4%	54.3%

	Fund	Date Range
Highest annual return	39.0%	Feb 2019 - Jan 2020
Lowest annual return	(22.5%)	Jul 2021 - Jun 2022

MONTHLY PERFORMANCE (AFTER FEES) - ZAR RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2022	(8.4)%	(4.2)%	(5.0)%	(5.4)%	(2.1)%	(3.8)%	10.0%	1.0%	(6.8)%	6.5%	(1.1)%	(1.6)%	(20.4)%
Fund 2021	1.2%	5.0%	1.3%	3.1%	(5.7)%	4.6%	0.1%	(1.1)%	(1.3)%	5.8%	0.4%	0.5%	14.3%
Fund 2020	5.8%	(3.5)%	(3.9)%	15.3%	(1.1)%	0.1%	2.9%	6.4%	(7.1)%	(3.1)%	8.4%	(1.5)%	17.7%
Fund 2019	1.9%	10.6%	3.9%	4.6%	(5.1)%	2.1%	4.4%	2.5%	0.7%	4.8%	1.0%	(1.1)%	33.9%
Fund 2018	1.1%	(6.7)%	(5.2)%	4.4%	1.1%	8.4%	(0.4)%	11.4%	(3.5)%	(4.2)%	(5.3)%	(6.4)%	(6.9)%

PORTFOLIO DETAIL

GEOGRAPHIC ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2022
Equities	100.0%
North America	51.3%
Europe	29.7%
Asia	18.8%
South Africa	0.2%

TOP 10 HOLDINGS

As at 31 Dec 2022	% of Fund
Alphabet Inc	3.8%
Schwab (charles) Corp	3.6%
Visa Inc	3.5%
Capri Holdings Ltd	3.5%
Jd.com Inc Adr	3.3%
Prosus Na	3.1%
Canadian Pacific Railway Ltd	2.8%
Airbus Group Se	2.7%
Entain Plc	2.7%
Microsoft Corp	2.5%

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.

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 Fund had a strong quarter in absolute terms, and a reasonable one compared to the market, advancing 11.7%.

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 Fund’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.

Portfolio managers

Neil Padoa and Humaira Survé
as at 31 December 2022

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

The Global Equity Select [ZAR] Feeder Fund should be considered a 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 top 10 holdings are reflected on a look-through basis. 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. 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 over the period referenced. 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 underlying 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 the previous financial year (updated annually). The 3 year TER is for a rolling 36-month period to the last available 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.