

WHAT IS THE FUND'S OBJECTIVE?

Global Capital Plus is in the first instance managed to achieve reasonable investment growth over time. Our intent is that the fund should meaningfully outperform an investment in developed market cash over any five-year period. In addition, we aim to preserve capital over any 12-month period.

WHAT DOES THE FUND INVEST IN?

Global Capital Plus can invest in all listed asset classes including shares, listed property, bonds and cash. The fund will primarily have exposure to developed economies (including the US, Europe and Japan) but can also invest in emerging markets.

The fund is managed to suit the needs of more conservative investors who want to invest for longer than three years. Exposure to growth assets (shares and listed property), which pose more risk than income assets, will typically not exceed 50%.

The intent is to keep the fund fully invested in foreign assets at all times. It will have exposure to a variety of currencies, with a general bias towards developed markets, specifically to the US dollar and euro.

The fund is allowed to make use of exchange traded funds and financial instruments to implement its investment views.

This feeder fund aims to remain fully invested in units in the Global Capital Plus Fund, which is domiciled offshore. The only other assets that will be held at feeder fund level is local and foreign cash for liquidity purposes.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Risk Profile



Maximum growth/ minimum income exposures



Global Capital Plus aims to protect capital over any 12-month period in all market conditions, while offering real investment growth over the long term. However, capital is not guaranteed.

The fund invests in a broad range of different assets and many countries. Global currency movements may intensify investment gains or declines.

A conservative multi-asset fund which aims to preserve capital, it is classified as having a conservative to moderate risk profile. However, the fund has significant foreign asset exposure and is therefore subject to currency volatility. For the rand investor the risk profile of the fund should be considered as moderate to high.

HOW LONG SHOULD INVESTORS REMAIN INVESTED?

An investment term of more than three years is recommended.

WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are building wealth, and who

- ▶ seek a single international investment that will give them access to some of the best opportunities around the globe, while aiming to protect their capital;
- ▶ require conservative exposure to offshore 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.

All fees exclude VAT. Fund expenses incurred in the fund include fees payable to unconnected international fund managers on a portion of assets situated offshore as well as 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?



LOUIS STASSEN

BSc, BCom (Hons), CFA



NEIL PADOA

BEconSc (AcSci), FFA,
CFA

GENERAL FUND INFORMATION

Launch Date	1 November 2008
Fund Class	A
Benchmark	Secured Overnight Financing Rate (SOFR) + 1.5%
ASISA Fund Category	Global – Multi-asset – Low Equity
Regulation 28	Does not comply
Investment Minimum	R5 000 or R500/m debit order
Bloomberg Code	COGCPFA
ISIN Code	ZAE000126652
JSE Code	COLA

CORONATION GLOBAL CAPITAL PLUS [ZAR] FEEDER FUND

CLASS A as at 31 July 2022

ASISA Fund Category	Global - Multi Asset - Low Equity
Launch date	01 November 2008
Fund size	R 3.41 billion
NAV	316.97 cents
Benchmark	SOFR + 1.5%
Portfolio manager/s	Louis Stassen and Neil Padoa

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.41%	1.42%
Fund expenses	1.25%	1.25%
VAT	0.10%	0.10%
Transaction costs (inc. VAT)	0.06%	0.06%
Total Investment Charge	0.06%	0.06%
	1.47%	1.48%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES) (ZAR)

	Fund	Benchmark
Since Launch (unannualised)	205.4%	121.7%
Since Launch (annualised)	8.5%	6.0%
Latest 10 years (annualised)	10.3%	9.2%
Latest 5 years (annualised)	6.8%	7.6%
Latest 3 years (annualised)	7.2%	7.2%
Latest 1 year	6.2%	15.5%
Year to date	(1.2)%	5.3%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES) (USD)

	Fund	Benchmark
Since Launch (unannualised)	79.0%	31.4%
Since Launch (annualised)	4.3%	2.0%
Latest 10 years (annualised)	2.8%	1.9%
Latest 5 years (annualised)	1.9%	2.8%
Latest 3 years (annualised)	1.6%	2.2%
Latest 1 year (annualised)	(6.7)%	1.9%
Year to date	(5.3)%	1.2%
2021	2.9%	1.7%
2020	3.6%	2.2%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	12.6%	14.3%
Sharpe Ratio	0.32	N/A
Maximum Gain	23.7%	N/A
Maximum Drawdown	(19.6)%	N/A
Positive Months	57.6%	N/A
	Fund	Date Range
Highest annual return	34.8%	Jun 2012 - May 2013
Lowest annual return	(11.9)%	Jun 2020 - May 2021

MONTHLY PERFORMANCE RETURNS (AFTER FEES) (ZAR)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2022	(4.3)%	0.3%	(4.2)%	5.0%	(2.0)%	1.2%	3.2%						(1.2)%
Fund 2021	1.7%	1.1%	(1.1)%	0.3%	(4.3)%	3.9%	2.6%	(1.6)%	1.9%	2.4%	3.1%	1.5%	11.8%
Fund 2020	6.0%	2.6%	5.6%	7.1%	(2.6)%	(0.9)%	(0.3)%	1.1%	(3.0)%	(3.4)%	(1.0)%	(2.6)%	8.2%
Fund 2019	(4.0)%	7.0%	4.2%	0.9%	(0.5)%	(1.5)%	2.1%	5.6%	1.0%	1.3%	(2.1)%	(2.7)%	11.3%
Fund 2018	(2.8)%	(2.9)%	(0.5)%	5.4%	1.9%	8.5%	(3.3)%	11.6%	(3.6)%	2.9%	(7.0)%	0.8%	9.8%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Jul 2022
Equities	32.7%
Infrastructure	3.0%
Property	2.2%
Convertible Bonds	1.8%
High Yield Bonds	5.8%
Commodities	5.0%
Merger Arbitrage	1.9%
Fixed Income	41.9%
T-Bills	22.1%
Inflation break-evens	1.7%
Investment Grade	20.1%
Cash	5.7%

TOP 10 HOLDINGS

As at 30 Jun 2022	% of Fund
Vinci Sa	1.3 %
World Quantum Growth Acquisi	1.2 %
British American Tobacco	1.0 %
Visa Inc	1.0 %
Charter Communication A	0.9 %
Alphabet Inc	0.9 %
National Grid Plc Common Stock Gbp 12.43129	0.9 %
Canadian Pacific Railway Ltd	0.8 %
Heineken Holdings Nv	0.8 %
Getlink Se	0.8 %

CURRENCY ALLOCATION

Currency as at 31 Jul 2022	% of Fund
US Dollar	82.1%
Other	17.9%

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.

Global asset markets have had a torrid start to the year, with equities experiencing the worst first half of a year in over 50 years. In a rare, coordinated sell-off, where both core asset classes (equities and bonds) declined, investors had few, if any, places to hide in 2022 so far. Indeed, the declines have been widespread, with REITs declining 20% (according to Morgan Stanley “the worst start to a year on record”) and gold down approximately 5%. Only short-dated USD cash and certain commodities delivered positive returns.

Considering this backdrop, the Fund’s performance suffered, returning -7.7% in the quarter. Over more meaningful periods such as five and 10 years, the Fund has returned 2.7% p.a. and 4.3% p.a. respectively.

While the severity and somewhat indiscriminate nature of the sell-off has been painful to endure, it has also resulted in widespread price dislocation. In equity markets, for instance, good businesses have been jettisoned alongside weak businesses, with little regard for differences between their long-term prospects. Across multiple industries and investment themes, our analysts are finding a range of opportunities that we consider to be very attractive today.

Long-time readers will know that we follow a valuation-driven investment research process. By assessing multiple factors (including the underlying earnings power of a business, the quality of management and key risks), we aim to determine a fair value (FV) – our estimate of what a business is really worth. When the price the stock is trading at in the market is well below our FV estimate, it often signals opportunity.

Using these fair values for each stock, we can calculate a FV (and upside to FV) for the equity portfolio as a whole, which we have tracked over time. This is far more than a mere analytical exercise. As the table below shows, there is a strong positive correlation between the equity portfolio’s estimated upside, and subsequent returns. In previous periods where the upside to FV has been within the 60% - 80% range, subsequent equity returns (over the next two years) were approximately double the Fund’s average equity return. Today, the upside within the equity portfolio is again in the 60% - 80% region. And while there are no guarantees, this is one of the reasons for our optimism about the portfolio’s future prospects.

HISTORIC UPSIDE TO FAIR VALUE VS. SUBSEQUENT RETURNS

Starting Upside	Frequency (% of time)	Average Subsequent Equity Performance (2 years) p.a.
30 - 40%	31%	4.6%
40 - 50%	25%	8.6%
50 - 60%	19%	10.8%
60 - 70%	4%	17.1%
70 - 80%	7%	21.0%

Source: Coronation

To highlight the broad range of opportunities our analysts see today, we have selected a few examples from different corners of the market – spanning multiple industries and style factors – where we believe the long-term fundamentals of the businesses are not reflected in the valuation.

(Some) High growth stocks are no longer expensive

Software has long been an industry where the leaders have enjoyed high growth, high margins, and exceptional returns on invested capital. Large parts of the sector have transitioned from a licensed, on-premises model to a subscription-based (software-as-a-service) model, with even better economics accruing to the winners (for instance, through higher customer retention and lifetime value). This insight has not been lost on the market, and the sector justifiably seldom appears “cheap” on shorter-term metrics. However, valuations became detached from reality, in our view, as the market, fueled by low interest rates, demonstrated a near insatiable appetite for growth stocks during the pandemic with little regard for the price paid. This changed dramatically in 2022 as rising interest rates have led to a repricing of growth, with the sector selling off sharply and indiscriminately. This has enabled us to purchase Adobe, a name that has been on our watchlist for some time.

Adobe is the leading software provider for creative professionals. Its products such as Photoshop, Illustrator and Premiere Pro are market leading, industry standard tools that are essential for users to do their jobs effectively. Adobe thus boasts sticky customer relationships with a high degree of recurring revenue. It is a high-quality compounder that is well placed to benefit from continued growth in the creation and consumption of content, the growing use of technology in effective marketing solutions and the continued digitisation of paper processes.

These positive attributes, coupled with a history of innovation, have enabled Adobe to deliver top-tier revenue growth (22% five-year historic compound annual growth rate), margins (37% at the operating level, and rising), cash generation (over 100%) and returns on invested capital (close to 40%). We believe Adobe has sold off on macro concerns, rather than for any stock-specific reasons, and expect double-digit annual returns from this quality asset going forward.

(Some) Consumer cyclicals already anticipate a recession

Capri Holdings is the owner of three iconic, founder-led luxury brands in Michael Kors, Jimmy Choo, and Versace. The latter two were acquired in 2017 and 2018, respectively, and added true luxury cachet alongside Kors’ more accessible positioning.

Versace is a highly regarded fashion brand, known for its innovative and glamorous designs. While celebrities regularly donned its bold creations at red carpet events around the world, the brand was historically severely undermonetised due to a narrow focus on haute couture and bespoke runway items. This has changed under Capri’s ownership, with Versace growing its ready-to-wear ranges and devoting more resources to new menswear, footwear, and high margin leather accessories ranges, as well as developing ecommerce capabilities. Capri plans to more than double Versace’s revenue base over the medium term while expanding operating margins well above 20%. Based on our research, the brand is in excellent shape with strong pricing power, and the aforementioned targets are very achievable. Early evidence of profitable growth leaves us excited about what lies ahead for Versace.

Known for its handbags, Michael Kors operates in the affordable luxury segment. The group was historically over-exposed to department store sales and discount outlets, where they had limited control over pricing and, by implication, brand perception. However, both Kors and key competitor Coach have successfully begun to elevate their brand profiles through narrower distribution, focusing on a smaller number of higher priced items and reducing promotional intensity.

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.

(Some) Steady compounders are priced for disruption

Payment processors benefit from a long-term structural shift from cash to electronic payment methods (e.g. cards). This global trend has multiple drivers, including growth in ecommerce, reduction in friction (e.g. tap-to-pay), behavioural changes (e.g. hygiene preferences post Covid) and government incentives. Despite ongoing innovation from challengers, we believe the resilience of a number of incumbents in the payments ecosystem is underappreciated. Similarly, the revenue streams of the payment companies are principally a function of nominal payment volumes, providing a natural hedge in an inflationary environment.

For instance, Visa’s position as the dominant card network allows them to be an enabler of innovation, rather than being disrupted. New market entrants have in many cases found that partnering with Visa is the most effective route to get to scale. Similarly, Visa (as well as MasterCard) remains an indispensable partner for retailers – even Amazon walked away from a high-profile threat to stop accepting Visa cards in the UK. This strong incumbent position affords Visa the resources and credibility to invest in new product lines, like Visa Direct and B2B payments. We estimate Visa can grow earnings by 15% p.a. over the next five years; the current 23 times price-to-earnings (P/E) multiple does not sufficiently capture this growth.

Similarly, a number of merchant acquirers (who accept payments on behalf of merchants and connect to various payment schemes, such as Visa) have seen their shares derate on fears of disruption. Fiserv, which is the second largest acquirer in the US, has in our view been mischaracterised by the market as a stodgy incumbent, weighed down by old technology and overexposure to banks, destined to lose market share. We think this narrative is far too simplistic (and frankly wrong). More than 20% of Fiserv’s merchant revenue is from its software-led Clover POS platform, targeting smaller merchants in the restaurant and retail verticals, which is growing at 30% p.a.; similarly, its new Carat platform aimed at enterprise omnichannel retail is growing at 20%. Fiserv is also the leading provider of core banking software, a slower growing but incredibly stable business, that creates meaningful opportunity to cross sell merchant services in partnership with their banking customers. We think Fiserv can grow revenue at a high single-digit rate and earnings by mid-teens over the next five years, leaving the stock grossly mispriced on 13 times P/E.

Even (some) long-duration, loss-making businesses offer attractive risk vs. reward trade-offs

It has been a particularly brutal year for long-duration growth companies, with many names down 60% - 70%. Many nascent businesses with unproven business models were beneficiaries of the ultra-low-rate environment, where the prospect of future riches – however speculative – was chased to extreme levels. With valuations in many instances detached from reality, a reset was necessary.

The subsequent sell-off has been swift but also indiscriminate. With access to cheap capital suddenly limited, many of these early-stage companies now need to pivot from growth at any price, to generating sustainable profits and cash flows. Some of these businesses are likely to fall short of their lofty aspirations, but some will succeed.

While the range of potential outcomes is wide, we see an opportunity for long-term investors to identify disruptive companies with attractive, sustainable business models that offer the potential for outsized gains; we have started to build a modest position in this segment via a basket of winners across industries including ecommerce and food delivery.

At quarter-end the Fund was positioned as follows:

- 31.3% in equity, which includes our commodity equity exposure of 3.7%
- 45.8% in investment-grade fixed income (with 22% in short-dated Treasury bills, and 20% in investment-grade corporate credit)
- 10.2% in high yield fixed income
- 5.3% in inflation-linked investments (gold and inflation break-evens)
- 5.5% in property and infrastructure
- 1.9% in merger arbitrage situations

We continue to find and own a range of businesses which we think offer the prospect of strong US dollar-denominated returns. In addition, the Fund’s portfolio construction is balanced through holdings of long-duration inflation-linked infrastructure assets, undervalued commodity businesses, gold, and select reasonably priced credit (both investment-grade and high yield).

Portfolio managers
Neil Padoa and Louis Stassen
as at 30 June 2022

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

The Global Capital Plus [ZAR] Feeder Fund 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. 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 top 10 holdings are 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.

HOW ARE THE BENCHMARK RETURNS CALCULATED?

The benchmark used for performance purposes is the Secured Overnight Financing Rate (SOFR) + 1.5%. From 1 December 2021 the benchmark changed from the USD 3-month LIBOR + 1.5% to the Secured Overnight Financing Rate (SOFR) + 1.5%. The benchmark returns shown in this MDD will be spliced between the previously applicable index values and the new benchmark from 1 December 2021.

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 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

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