CORONATION GLOBAL STRATEGIC USD INCOME FUND

Fund Information as at 31 October 2022

CORONATION

TRUST IS EARNED™

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 fund is mandated to use derivative instruments for efficient portfolio management purposes.

The average duration in the fund will typically not exceed three years.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

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.

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.

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?

NISHAN MAHARAJ

BSc (Hons), MBA

SEAMUS VASEY

BCom (Hons), MSc

GENERAL FUND INFORMATION

Fund Launch Date	30 December 2011
Class	A
Class Type	Accumulation
Fund Domicile	Ireland
Morningstar Fund Category	Global Bond – USD Hedged
Currency	US Dollar
Benchmark	110% of Secured Overnight Financing Rate (SOFR)
Investment Minimum	US$15 000
Bloomberg	CORGSUA
ISIN	IE00B4TFHM43
SEDOL	B4TFHM4

CORONATION GLOBAL STRATEGIC USD INCOME FUND

CLASS A as at 31 October 2022

CORONATION

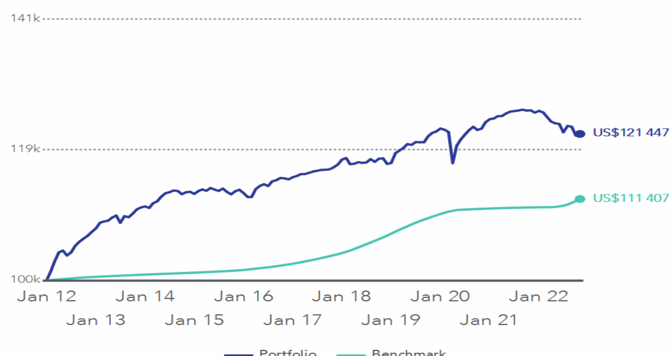
TRUST IS EARNED™

Launch date	30 December 2011
Fund size	US$ 472.00 million
NAV	1214.47 cents
Benchmark	110% of SOFR
Portfolio manager/s	Nishan Maharaj & Seamus Vasey

	1 Year	3 Year
Total Expense Ratio	0.89%	0.88%
Fee for performance in line with benchmark	0.80%	0.80%
Adjusted for out/(under)-performance	0.01%	0.00%
Fund expenses	0.08%	0.07%
VAT	0.00%	0.00%
Transaction costs (inc. VAT)	0.01%	0.01%
Total Investment Charge	0.90%	0.89%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A $100,000 INVESTMENT (AFTER FEES)



PERFORMANCE (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	21.5%	11.4%	10.0%
Since Launch (annualised)	1.8%	1.0%	0.8%
Latest 10 years (annualised)	1.4%	1.0%	0.3%
Latest 5 years (annualised)	0.9%	1.5%	(0.6)%
Latest 3 years (annualised)	0.0%	0.8%	(0.8)%
Latest 1 year	(3.1)%	1.1%	(4.2)%
Year to date	(3.0)%	1.1%	(4.1)%

	Fund
Modified Duration	1.0
Yield (Net of Fees)	4.7%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	2.1%	0.3%
Sharpe Ratio	0.53	1.16
Maximum Gain	5.4%	11.4%
Maximum Drawdown	(4.5)%	N/A
Positive Months	70.8%	100.0%

	Fund	Date Range
Highest annual return	7.1%	Jan 2012 - Dec 2012
Lowest annual return	(3.2)%	Oct 2021 - Sep 2022

PORTFOLIO DETAIL

ASSET ALLOCATION BY INSTRUMENT TYPE

	% of Fund
Developed Markets (Investment Grade)	70.5%
Fixed Rate Bonds	*44.4%*
Floating Rate Bonds	*14.6%*
Inflation Linked Bonds	*11.5%*
Emerging Markets (Investment Grade)	11.7%
Fixed Rate Bonds	*10.4%*
Floating Rate Bonds	*1.3%*
Inflation Linked Bonds	*0.0%*
Developed Markets (High Yield)	0.3%
Emerging Markets (High Yield)	4.3%
Convertibles	5.2%
Listed Property	1.1%
ETF	5.4%
Cash & Money Market	1.5%
Total	100.0%

ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Corporations	60.0%
Sovereigns	36.5%
Cash	1.5%
Multi-National	0.9%
REITS	1.1%
	100.0%

ASSET ALLOCATION BY RATINGS BAND

	% of Fund
Investment Grade	91.0%
Sub-investment Grade	4.5%
Other instruments	4.5%

TOP 5 ISSUER EXPOSURE

	% of Fund
United States Government Treasury	31.3%
iShares USD Short Duration	3.0%
HSBC Holdings	2.6%
Lloyds Bank	2.5%
Citigroup	2.1%

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2022	(0.2)%	(0.6)%	(0.6)%	(0.2)%	(0.1)%	(1.1)%	0.9%	(0.1)%	(1.2)%	0.2%			**(3.0)%**
Fund 2021	0.1%	0.3%	0.0 %	0.3%	0.2%	0.1%	0.1%	0.1%	(0.1)%	0.0 %	(0.3)%	0.2%	**1.1%**
Fund 2020	(0.2)%	(0.3)%	(4.0)%	2.4%	0.8%	0.6%	0.6%	0.4%	(0.4)%	0.2%	0.9%	0.4%	**1.2%**
Fund 2019	1.3%	0.3%	0.4%	0.5%	(0.1)%	0.4%	0.0 %	0.0 %	0.8%	0.5%	0.2%	0.4%	**4.7%**
Fund 2018	0.2%	(0.8)%	0.1%	0.2%	(0.1)%	0.1%	0.4%	(0.4)%	0.4%	0.1%	(0.7)%	0.1%	**(0.5)%**

Issue date: 2022/11/09

Please refer to page 4 of the Comprehensive Fact Sheet for important additional infomation, including change in cost disclosures.

Please note that the commentary is for the retail class of the Fund.

What initially appeared like the foundations of a broad-based recovery across financial markets in the first part of the third quarter (Q3-22) ultimately turned to dust. The initial basis for the widely experienced rebound in risk assets, after the sharp declines in the first half of 2022, was an emergent belief that the very worst surge in inflation was behind us. This took hold most persuasively in the US where a combination of modestly improved inflation data and a willingness of financial markets to emphasise the more dovish elements of the Federal Reserve (the Fed)'s commentary elevated the expectation that the end of FOMC tightening was in sight and that monetary loosening was foreseeable in 2023. The factor that initially tempered the recovery of cyclical assets was push-back from the Fed itself. Clearly the members of the FOMC became concerned about the overly enthusiastic interpretation by financial markets of the Fed's risk assessment around a potential peak in inflation and what this might imply for the course of monetary tightening in the quarters ahead. And this rectifying communications broadside built up sizeable momentum, culminating in comments from Fed Chairman Jerome Powell at the central bank's annual symposium in Jackson Hole, which spelt out in unambiguous terms how inappropriately dovish market pricing of rate hikes in the US had become.

If this wasn't enough, an unexpectedly sharp turnaround in inflation measures for August cemented the case that market expectations for the scope and scale of the Fed's tightening cycle had become hopelessly too optimistic. Shortly after, the Fed delivered a third consecutive 75 basis points (bps) rate hike and signaled the favoured potential for at least another 100bps over the remainder of the year, with more upside than downside, as well as an extended period of an elevated policy rate over the course of 2023. With the double hit from an evaporation of the mid-year inflation softening and the Fed's much more assertive stance outlining their willingness to crimp growth in order to bring inflation back to heel, the nascent recuperation in asset prices was swiftly reversed and added to in the second half of Q3-22.

This temporary rebound in risk assets during the first part of Q3-22 was largely incited by US developments. However, there were also clear parallels in other major markets around overly hopeful monetary policy expectations having to be restruck to more realistic profiles – and with commensurate adjustments to cyclical and interest-rate sensitive assets. Indeed, this was most clearly evident in Europe, where prior expectations had been for a well-flagged and mild initiation of the hiking cycle in July. What should have been a 25bps hike was notched up to 50bps, and together with another concerning inflation surge over the quarter, followed up by a 75bps hike in September. But while Europe's woes were a clear analogue to US developments, these were magnified by the extension of the particularly European energy shock seen in the second half of 2022. Gas prices undertook another sizeable acceleration in the quarter, prompting several government initiatives to protect consumers/producers. Undoubtedly helpful, but also complicating, as energy markets become more distorted and fiscal costs weigh on sovereign risk premia and influence monetary policy interventions.

Thus, three interconnected influences moved swiftly to tear down the wide-spread asset price recovery seen at the start of Q3-22: overly benign monetary policy expectations premised off a belief in the worst of inflation having past, coupled with a corrected assumption of markets around central bank willingness to enforce a slow-down in growth. Indeed, fears around internally-driven recessions within 12 to 24 months took a leap-step upwards across most major economies over the course of the quarter.

With the combination of these particular influences, it was hardly surprising to see listed property come under especially severe pressure. Indeed, while the initial recovery across real estate sectors moved in lockstep with their broader equity counterparts, when the retraction came, this was exaggerated within property to a substantive degree. Weakness in listed real estate was experienced across geographies and sectors – there were no real exceptions over the quarter although, notably, Japan was the, relatively, least impacted. European counters were especially hard-hit. Here, the impact of enhanced recession fears, higher energy costs and a re-setting of interest rate expectations, together with an aggressive start to the European Central Bank's tightening programme, proved a formidable combination. The focal point for investors was balance sheet vulnerability. With funding costs rising unexpectedly rapidly and medium-term interest rate expectations migrating higher, those entities with shorter debt profiles, higher gearing, mis-matched hedging or any other debt-related fragility were commensurately chastised.

Alongside equities, global credit markets experienced universal negative performances over Q3-22. For the most part, these drawdowns were not quite as draconian as those seen in the first two quarters of 2022. The notable exception was the UK, which was a stand-out among both developed and emerging asset markets over Q3-22. This was mostly a late quarter development, as the UK was roiled in the wake of the 'mini-budget' event presented by the new Chancellor. With significant tax cuts funded by new borrowing, on the eve of the Bank of England's pivot with its own government debt holdings, the market response was one of shock and fear. Sterling, gilts and corporate bonds all came under severe pressure, meaning there was no safe refuge within GBP markets.

Across the quality spectrum in credit markets, Q3-22 proved more of a struggle for investment-grade (IG) bonds. Here, longer duration assets and the sharp move in base rates across yield curves in major corporate credit markets meant larger total return drawdowns than those seen in lower quality credits. High-yield (HY) markets, with less overall sensitivity to base rate moves and particularly extended spreads to start the quarter, actually held up reasonably well, even if all major indices still ended in the red on aggregate.

Sovereign debt markets had another poor quarter. Among major Developed Market (DM) government bond markets, only Canada managed to eke out a positive total return for Q3-22 – and at +0.1%, this was barely significant. Next most resilient were the Australian and Japanese sovereign debt markets, which only saw modest (sub-1%) negative performances. European markets were harder hit (c. between -4-5% down), although not much differentiation made across continental names, with the exception of Italy. Here, the combination of a resurgence of ever-present fiscal concerns and increased political flux has led the market to require an even wider country risk spread over German bunds. Over the course of last year, the relative spread pick-up between Italy over Germany tended to hover around 100bps (for the 10-year area). This reached new highs around 250bps during Q3-22 and has remained elevated since.

Within Emerging Markets (EM), a much more diverse set of performances across sovereign bond markets was seen in Q3-22 relative to the broad declines seen across DMs. In local currency terms, the best performer within major EMs came from Brazil, with a gain of 5.2% (excluding Turkey, which jumped c.33% in lira terms). Elevated starting yield levels, as well as some evidence that the peak in Brazilian inflation has actually been achieved – alongside a pro-active and assertive interest rate hiking cycle – has allowed for longer-dated Brazil bonds to outperform. At the other end of the scale, Hungary was the clear laggard among major EMs with a decline of -7.5% for the quarter. A combination of exceptionally elevated inflation, a particularly high reliance on Russian energy imports, a (re)turn to unorthodoxy by the central bank and further political conflict with the EU has paid a heavy toll on both the forint and Hungarian asset prices quite broadly.

However, once exchange rate movements are taken into account, the third quarter was another tough period for performances in EM bonds, once measured in US dollars. For the asset class as a whole, Q3-22 saw a decline of -4.7% for an unhedged holding measured in US dollars. Only two markets achieved positive returns: Brazil and the Dominican Republic (excluding Turkey again). The worst performers were Hungary (-18.7%), Colombia (-12.1%) and the Philippines (-10.8%).

Within hard currency denominated EM sovereign bonds, a similar story unfolded. The overall asset class fell by 4.6%, with very few positive performances on an individual country basis. By region, all major indices were down on the period, with Asia being the worst performer at -6%. On a credit quality basis, there was a mixed bag, with the best performing rating bucket actually being BBs, which only declined -1.8%. The lowest quality bucket (CCCs) fell a substantial -8.8%, which was noteworthy considering the already beaten-up levels the poorest rated EMs had already been taken to in the first half of the year. Indeed, among this group, fiscal distress is only increasing and the potential for additional debt restructuring exercises among the most fragile EM borrowers grew palpably between June and September.

Fund positioning

Fund activity across the quarter was characterised by de-risking into the recovery seen across risk assets during July and the first part of August. From a duration standpoint, the Fund did regulate its aggregate exposure here modestly over the course of the quarter, although the net change from start to finish was relatively small. However, from a credit duration perspective, the Fund took the opportunity to de-risk into the relative stability seen in corporate credit yields seen in the wake of the June sell-off. The net result was that overall credit risk within the portfolio was reduced through a combination of recycling maturities/tenders into cash/risk-free instruments, net corporate credit selling and not offsetting natural duration shortening. In addition to the reduction in credit risk within the portfolio, net property exposure also declined from levels that had already been trimmed earlier in the year.

But, as is usual, the bulk of the Fund's activities related to recycling of existing exposures that had drifted into modestly expensive territory to be replaced by new issues that were perceived to be relatively cheaply priced. Within the EUR market, covered bonds were purchased, including Bank of Montreal, Bank of Canada and Toronto Dominion. These were trading at distinctly wider spreads than was fundamentally justified and their addition also served to enhance the overall credit quality within the portfolio (all issues AAA-rated). At the other end of the scale, the Fund also added a small tranche of a BP hybrid issue. Within the GBP market, the Fund saw several maturities within this space over the quarter. However, with the market turmoil within the UK towards the end of September, opportunity presented itself to accumulate UK exposure. This was initially spearheaded by a generic placeholder purchase of broad UK corporate exposure (through a credit ETF), but then supplemented with additions of VW and Rabobank issues.

Furthermore, the Fund also added UK property exposure through purchases of Land Securities, British Land and Derwent. These are particularly high-quality UK real estate exposures – all with sound balance sheet resilience – which were caught up in the generalised shock to hit UK financial markets in the tail of Q3-22. While the immediate outlook for the UK economy has justifiably been reset lower as a result of higher inflation, higher interest rates and a weaker currency, valuations for the longer-term for what remain some of the best of the UK's listed property sector were too compelling to pass by. Thus, even as the outlook for at least the rest of the year is particularly grim, on a multi-quarter basis these deep-value additions are expected to be fruitful, despite being diminutively sized.

Other fund activity of particular note rested with its EM exposure. Here, holdings of long-dated SAGBs were trimmed in a fortunately very timely way – essentially at the very peak of their early August surge into strength. In terms of additions, the Fund participated in a primary auction of a new Mexican three-year deal, denominated in Japanese yen. The combination of the cross-currency basis and weakness in EM sovereign spreads made for an attractive addition to the Fund when this was hedged back into USD.

The outlook for the remainder of the year and beyond continues to be fraught. While the re-pricing of base rates and expectations for additional core market monetary policy tightening has taken a sizeable leg upwards in the past three months, these levels may stay elevated for an extended period. In addition, the reversal of what appeared to be a fading inflation surge during Q3-22 has revived concerns around much more persistent second-round effects over 2023 and beyond, across practically all jurisdictions to a greater or lesser degree.

Indeed, with necessarily revitalised aggression shown by most of the core central banks in recent months, the corresponding potential for more severe slowdowns across much of the globe's growth centres has scaled upwards accordingly. And while there isn't especially persuasive evidence that wage-price spirals have taken hold assertively in any major economy, it is far too early for any central bank to definitively claim victory here either. Hence, the potential for further front-loading rate hikes in an emphatic manner is what likely lies ahead in the next couple of quarters.

Outlook

The Fund recognises the tension between a stagflationary outlook and asset prices that already acknowledge this potential environment. As such, where specific cases of asset price weakness have become exaggerated, the Fund retains both the appetite and ability to continue accumulating these exposures. But this needs to be executed in a judicious manner. For particularly cyclically-exposed entities, the very worst economic outcomes are only partially priced – deep recessions within either the US or Europe would still manifest themselves very painfully across many risk assets, if to arise. As such, and given the attractive outright yield already produced by the portfolio, the Fund retains sufficient flexibility to accumulate additional risk in the event of further weakness in the months ahead. Indeed, this capacity was fortunately replenished during the first part of Q3-22 and only utilised sparingly to date. This is available across all the primary risk buckets available to the Fund and provides a favourable base to set the Fund up for the ensuing phases of the cycle to come.

Portfolio managers
Nishan Maharaj and Seamus Vasey
as at 30 September 2022

IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION GLOBAL STRATEGIC USD INCOME 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. 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 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. Coronation Global Fund Managers (Ireland) Limited is authorised in Ireland and regulated by the Central Bank of Ireland. The fund is approved under Section 65 of the Collective Investment Schemes Control Act by the Financial Sector Conduct Authority of South Africa. Portfolio managed by Coronation Investment Management International (Pty) Ltd (FSP45646), an authorised financial services provider. JP Morgan (Ireland) has been appointed as the fund's trustees (www.jpmorgan.com; t: +353-1-612-4000), and its custodian is JP Morgan Administration Services (Ireland) Limited (www.jpmorgan.com; t: +353-1-612-4000). Coronation is a full member of the Association for Savings & Investment SA (ASISA).

HOW ARE UNITS PRICED AND AT WHAT PRICE WILL MY TRANSACTION BE EXECUTED?

Unit trusts are traded at ruling prices set on every business day. Fund valuations take place at approximately 17h00 each business day (Irish Time) and forward pricing is used. Instructions must reach Coronation before 12h00 (SA Time) one day prior to the dealing date. You can expect to receive withdrawal payouts three business days after the dealing day. Large investments or redemptions (exceeding 5% of fund value) may be subject to an anti-dilution levy to defray dealing costs and expenses. This levy, where applicable, is applied fully for the benefit 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 110% of Secured Overnight Financing Rate (SOFR). From 1 December 2021 the benchmark changed from the 110% of USD 3-month LIBOR to 110% of the Secured Overnight Financing Rate (SOFR). 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 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 www.coronation.com. You will also find additional information on the considerations pertinent to investing in a fund denominated in a foreign currency and domiciled in an offshore jurisdiction. 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. A summary of Investor Rights can be sourced on the following link: https://www.coronation.com/en/institutional/about-us/ucits-v-disclosure/.

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.