CORONATION GLOBAL STRATEGIC USD INCOME FUND

Fund Information as at 30 April 2023

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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 30 April 2023

CORONATION

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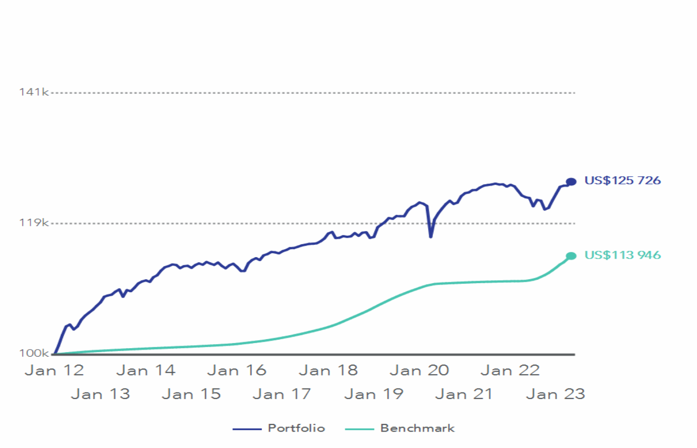
Launch date	30 December 2011
Fund size	US$ 500.61 million
NAV	1256.54 cents
Benchmark	110% of SOFR
Portfolio manager/s	Nishan Maharaj & Seamus Vasey

	1 Year	3 Year
Total Expense Ratio	0.87%	0.88%
Fee for performance in line with benchmark	0.80%	0.80%
Adjusted for out/(under)-performance	-	0.00%
Fund expenses	0.07%	0.07%
VAT	0.00%	0.00%
Transaction costs (inc. VAT)	0.01%	0.01%
Total Investment Charge	0.88%	0.89%

PERFORMANCE AND RISK STATISTICS

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



PERFORMANCE (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	25.7%	13.9%	11.8%
Since Launch (annualised)	2.0%	1.2%	0.9%
Latest 10 years (annualised)	1.5%	1.3%	0.2%
Latest 5 years (annualised)	1.5%	1.8%	(0.3)%
Latest 3 years (annualised)	1.7%	1.2%	0.4%
Latest 1 year	2.1%	3.4%	(1.3)%
Year to date	1.6%	1.6%	0.0%

	Fund
Modified Duration	0.9
Yield (Net of Fees)	5.3%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	2.1%	0.3%
Sharpe Ratio	0.56	0.87
Maximum Gain	5.4%	13.9%
Maximum Drawdown	(4.5)%	N/A
Positive Months	72.1%	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)	81.9%
Fixed Rate Bonds	*52.2%*
Floating Rate Bonds	*15.7%*
Inflation Linked Bonds	*14.1%*
Emerging Markets (Investment Grade)	6.0%
Fixed Rate Bonds	*5.3%*
Floating Rate Bonds	*0.7%*
Inflation Linked Bonds	*0.0%*
Developed Markets (High Yield)	0.3%
Emerging Markets (High Yield)	3.1%
Convertibles and Hybrids	4.9%
Listed Property	0.9%
ETF	1.4%
Cash & Money Market	1.4%
Total	100.0%

ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Corporations	59.3%
Sovereigns	37.4%
Cash	1.5%
Multi-National	0.9%
REITS	0.9%
	100.0%

ASSET ALLOCATION BY RATINGS BAND

	% of Fund
Investment Grade	93.5%
Sub-investment Grade	3.4%
Other instruments	3.1%

TOP 5 ISSUER EXPOSURE

	% of Fund
United States Government Treasury	34.8%
NatWest Group	3.2%
HSBC Holdings	3.0%
Wells Fargo	2.9%
Lloyds Banking Group	2.4%

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2023	0.9%	0.1%	0.0 %	0.5%									**1.6%**
Fund 2022	(0.2)%	(0.6)%	(0.6)%	(0.2)%	(0.1)%	(1.1)%	0.9%	(0.1)%	(1.2)%	0.2%	1.0%	0.9%	**(1.2)%**
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%**

Issue date: 2023/05/11

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.

Global fixed income markets had a stellar start to the year. After a particularly aggressive and sustained period of monetary tightening in prior months, anticipation swung towards the end of such campaigns for the US and many other major central banks early in the new year. These beliefs co-mingled with more benign inflation expectations, providing an additional boost to both interest rate and credit markets. However, this was a relatively short-lived episode across markets as data flow from both Europe and the US suggested continued strong underlying economic momentum, undermining the notion that central banks had gotten ahead of price formation and had won the war on inflation. And to complicate matters even further, a flare-up in bank risk on both sides of the Atlantic proved a focal point for markets in the quarter.

The failure of Silicon Valley Bank (SVB) in early March represented the largest of any bank since the Global Financial Crisis (GFC) of 2007-08 and the second-largest bank failure by assets in US history (after Washington Mutual). While the antecedents to SVB's collapse may appear well laid out in hindsight, the speed and severity of the bank's failure and placement in receivership caused substantial damage in confidence towards the wider US financial sector, but especially around the smaller, regional banks. Indeed, while only weeks have passed since the failure of SVB, sentiment remains fragile, and the risk of confidence withdrawal continues to weigh over the (perceived) weaker regional US banks. However, there is an emerging consensus that SVB was very much an outlier and failed largely because of poor risk management and exceptionally unusual concentrations on its balance sheet. Indeed, the root causes of SVB's collapse stand in stark contrast to the stresses that caused the GFC, where poor asset quality and uncertainty around who was exposed to credit losses characterised that crisis. Rather, SVB was the victim of a classic bank run: depositors left the bank en masse in a rush, fearing an inability of the bank to redeem them – which became largely a self-fulfilling event. While the similarly rapid demise of Credit Suisse (through a forced sale to its national rival, UBS) was slightly more complicated, the very same dynamic of a classic bank run was also at play.

The downstream effects of these events in quick succession to each other in the US and European banking sectors was meaningful. Aggressive re-pricing of financial debt – and especially sub-ordinated bank paper – occurred practically overnight. And the re-pricing of bank debt certainly wasn't where the fall-out ended. For even as there is growing unanimity that these bank failures don't represent systemic fractures within the US and European financial architectures, there is equally widespread acknowledgement that pricing of bank risk needs to adjust. There is likely to be a formidable regulatory response to these events in the medium term and overall bank risk-taking, through credit extension, will be curtailed in the immediate aftermath, at the very least.

Asset class performances

With a few exceptions on either side, developed sovereign bond markets were reasonably stable over the first three months of the year. Following the banking sector stress of early March, core government bond markets strengthened, partly as a consequence of elevated safe-haven demand, but also as policy rate expectations, which had undergone a meaningful reset higher over the prior weeks, were rapidly reversed.

Indeed, the key theme was a strong outperformance from longer-duration bonds as both financial and real economy consequences of the banking sector stress were incorporated into enhanced demand for defensive assets. In the US, the 10-year bond started the year around 3.90% before closing the quarter close to 3.40%; similarly, the 30-year long-bond ended 2022 touching on 4.0% before closing out Q1-23 around 3.60%. A very similar profile was seen for German bunds: the 10-year started Q1-23 around 2.60% before ending around 30 basis points (bps) stronger at 2.30%; the 30-year moved from c.2.50% to c.2.35%.

Within developed economy inflation-linked markets, a similar format was seen. Indeed, in the US, break-even rates (the difference between equivalent maturity nominal and inflation-linked bond yields) ended the quarter largely unchanged, reflecting that the bulk of the move of US Treasuries was a function of real yield declines. Across the developed market linker spectrum, the best performing markets tended to be the longer-duration pools, which had also undergone persistent re-pricing in prior quarters. Leading the pack was the UK (+7.1%), followed by Italy (+6.6%) and Australia (+5.7%).

Unsurprisingly, within the local currency Emerging Market sovereign debt arena, the first quarter of the year had a far wider range of dispersion of returns, depending on the issuer and whether considering local currency versus unhedged returns in US dollars. The overall market (JP Morgan's GBI-EM Global Diversified Index) did reasonably well, posting a total return in local currency of c.+2.8%. With better performances from most EM currencies against the US dollar, the index return was boosted to a respectable c.+4.8%. There were a few stand-out performances in USD terms: at the top of the leader board was Colombia (+13.3%), followed by Hungary (+12.6%), Mexico (+9.9%) and Chile (+9.9%). The laggards were Egypt (-22%), Turkey (-9.1%) and South Africa (-2%).

In hard currency EM sovereign debt, a less impressive overall asset class performance was achieved relative to the local currency version. Here, the index (JP Morgan EMBI Global Diversified Index) return was c.+1.9%, which for the additional duration and credit risk of the constituents relative to its local currency counterpart, is somewhat disappointing. Dispersion within the asset class was, however, particularly substantial over the quarter. The largest gainers were almost exclusively part of the select club of defaulted and distressed entities (Maldives, Sri Lanka, Ethiopia, Tajikistan, Venezuela, and El Salvador). While double-digit returns from heavily subdued levels isn't a particularly demanding outcome, they do come with all the attendant risks of distressed debt.

Within developed market spread products, the first quarter of 2023 was particularly eventful, especially from an excess return perspective. For the US investment grade (IG) market (ICE BofA US Corporate Index), total returns on the quarter were decent at +3.4%, similar to the +3.5% seen in Q4-22. However, this was mostly a function of interest rate movements, as excess returns in the quarter only amounted to +0.3% (vs +2.9% in the prior quarter). However, the small aggregate return contribution from spread movements belies the substantial volatility seen in DM credit markets across the quarter. Aggregate US IG spreads started the year around 138bps, reached a low of 120bps and a peak of 164bps, before closing the quarter around 145bps.

A very similar outcome was seen within the US high yield (HY) market. The total return for this asset class (ICE BofA US High Yield Index) amounted to a respectable +3.7% (vs +3.9% in Q4-22); excess returns for the index were +1.4% vs +2.9% in the prior quarter; index spreads opened at c.480bps and closed near 460bps, after having followed the same circuitous route as that of IG spreads – but with commensurately more vim.

On an aggregate basis, the total and excess return profiles of the European corporate credit markets faithfully echoed that seen in their US cousins over Q1-23. More interesting than the differentiation across geography, rating bucket or term structure among corporate credit markets was that found across sectors and specifically among financials vs non-financials.

With the forced sale of Credit Suisse to UBS in particular, various capital instruments were bailed-in during that process. Aside from the volatility and fluidity that banking stress episodes bring to financial markets more generally, but most especially financial sectors themselves, the additional complication of this most recent risk event arose specifically from added uncertainties surrounding the nature and true riskiness of banks' junior subordinated debt instruments. Indeed, while non-financial Euro corporates saw aggregate spread compression over the quarter, their equivalently rated financial sub-ordinated and LT2 counterparts experienced the opposite and this from an already more punitive starting spread level.

Finally, across global real estate equity markets, it was a sombre period as most markets came under renewed pressure after what had been a generally perky first few weeks of the year. The global index eked out a modest +1% gain with the best performance from the major markets coming from Singapore (+4.7%) and Hong Kong (-7.2%) bookending the worst performers. Europe (-6.6%) remained at the centre of the negative news-flow given still high inflation and higher leverage than other markets. Indeed, with policy rates potentially further to rise and cap rates still at objectively low levels, the risk within this sector of hardening headwinds has grown and consequently been reflected in counter performances over the quarter. The US (+2.6%), conversely, actually had a defensible quarter, although with a fair amount of differentiation across sectors and individual counters.

Fund activity

With respect to Fund activity over the quarter, as is mostly the case, the bulk of transactions 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. This tends to take place within the higher-rated credit buckets, involving short-dated issues (usually 1-3 years) of better-quality issuers. Names added during the quarter included: American Tower, Bayer AG, Energy Transfer, General Motors, Nissan, VW, and AT&T.

Indeed, the first half of the quarter bore witness to a net reduction in risk within the Fund, as more holdings that had appreciated beyond their fundamentally justified values were trimmed and not replaced with better valued alternative issues. Issuers sold included: Ryanair, Simon Property Group, PAA, Prosus and JD Group.

Other shifts within the Fund included reducing the placeholder assets (debt ETFs in the UK and US) with individual exposures from within these same markets that were more attractive on a risk-adjusted basis than what the market average could provide.

Within the real estate allocation in the Fund, opportunities presented themselves very selectively in the quarter, primarily within the debt space, as this sector became heavily denigrated in the face of macroeconomic concerns, elevated inflation and central banks asserting their inflation-fighting credentials.

On the duration front, the Fund positioned fluidly but lightly. On the whole, interest rate risk was not emphasised as a significant performance lever, given that credit opportunities remained more compelling – especially in the latter part of the period. Overall, established interest rate ranges were traded – which proved the correct approach. Elsewhere, the Fund added to direct inflation-linked exposures in the US, favouring longer tenors.

But most significant for the Fund in Q1-23 in terms of activity was the addition of both sub-ordinated and senior bank paper in the wake of the financial sector stresses seen in the US and Europe. Favoured names were typically the G-SIBs (Global Systemically Important Banks) alongside strong national entities, as even the higher quality institutions that were unblemished by the travails within the sector experienced asset re-pricing in the immediate aftermath of the SVB/Credit Suisse fallouts. Issuers added included: UBS, Wells Fargo, Société Générale, NatWest, National Bank of Canada, Barclays, Citi, and HSBC.

Outlook

The end-phase of any interest rate tightening cycle is usually difficult to navigate for fixed income markets. This time will be no different; indeed, there are probably more reasons why this episode may prove particularly challenging.

Firstly, the current high degree of synchronisation across major central bank interest rate cycles complicates policymaking in any single jurisdiction. Secondly, the stresses in the US and European banking sectors – also felt elsewhere – may yet translate into an impact on financial conditions. And the magnitude may be material enough to influence the course of monetary policy. Thirdly, and perhaps most concerningly, there is also the lingering possibility that additional underlying fractures within banking systems haven't all surfaced yet. If these were to arise, the potential for more significant downturns beyond 'technical' recessions in key economies would become significantly greater.

There are other concerns that have the possibility of breaking the surface within the coming months. In the US, the 'x-date' for financing the deficit through extraordinary measures is likely to be hit in August – however, this is just an estimate, and it could be as early as June, assuming that corrective measures won't have been implemented prior to that. The long history of political wrangling around the debt ceiling does suggest there isn't a high likelihood of partisan brinkmanship actually bringing the US government into some form of technical default. But if this does happen, the impact on both US Treasury markets and financial markets more broadly, could well be significant. Hence, the closer the x-date draws without resolution, rightfully the more concerned markets will become as the potential for a very small probability event with a very high impact outcome grows larger.

A final high-impact risk (although certainly not the last!) that's worth highlighting lies with the change in personnel at the Bank of Japan (BoJ). While all indications thus far are for policy continuity, there is the latent chance that new leadership may inspire a new direction for the BoJ's monetary and exchange rate stance that has placed this economy very much at odds with the rest of the G10.

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 remain 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. 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 31 March 2023

CORONATION GLOBAL STRATEGIC USD INCOME FUND

Important Information

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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 yield disclosed on the MDD is current and calculated as at the MDD reporting date. 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