GLOBAL STRATEGIC INCOME STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 31 DECEMBER 2023

CORONATION TRUST IS EARNED™

LONG TERM OBJECTIVE

The Coronation Global Strategic USD Income Strategy is an asset allocation strategy that invests across different fixed interest securities. It aims to achieve capital growth and a competitive annual yield, while preserving capital over rolling 12-month periods. Its benchmark is 110% of the Secured Overnight Financing Rate (SOFR). The strategy has a flexible mandate with no restriction on duration (interest rate sensitivity) and term. However, duration is unlikely to be more than three years. The strategy invests mainly in a combination of fixed, floating-rate and inflation linked securities of varying maturities, denominated in a spread of currencies and listed on recognised exchanges worldwide. Debt securities in which the strategy invests may be issued by governments, government agencies, supranational institutions, banks, credit institutions and other companies. Up to 30% of the strategy may be invested in debt securities with credit ratings between BBB+ and BBB- (or equivalent) and up to 10% may be invested in debt securities that are unrated or rated below BBB- (or equivalent). A maximum allocation of 10% to listed property is allowed. The strategy may make use of derivatives for efficient portfolio management.

INVESTMENT APPROACH

Coronation is a long-term, valuation-driven investment house. Our aim is to identify mispriced assets trading at discounts to their fair value through extensive proprietary research. The fixed income portfolios are positioned on a long term strategic market view, but this is balanced by taking advantage of shorter-term tactical opportunities when the market lags or runs ahead of that strategic view. As active managers, we consider investment decisions across the full spectrum of potential return enhancers. These include duration and yield curve positions, inflation-linked assets as well as yield enhancement through credit enhanced assets. We aim to maximise returns by actively combining both a top-down and a bottom-up approach to portfolio construction.

STRATEGY RETURNS GROSS OF FEES

Period	Strategy	Benchmark	Active Return
Since Inception (cumulative)	44.5%	18.5%	26.0%
Since Inception p.a.	3.1%	1.4%	1.7%
Latest 10 years p.a.	2.6%	1.6%	1.0%
Latest 5 years p.a.	3.1%	2.2%	0.9%
Latest 3 years p.a.	2.6%	2.5%	0.1%
Latest 1 year	6.5%	5.6%	0.9%
Year to date	6.5%	5.6%	0.9%
Month	1.2%	0.5%	0.7%

CURRENCY EXPOSURE

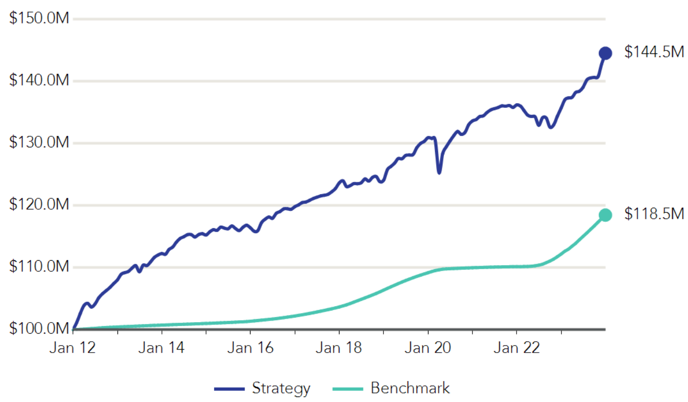
Currency	% Strategy
USD	99.8%
Other	0.2%

GENERAL INFORMATION

Inception Date	31 January 2012
Strategy Size *	$541.5 million
Strategy Status	Open
Mandate Benchmark	110% of Secured Overnight Financing Rate (SOFRINDX) Index
Redemption Terms	N/A
Base Currency	USD

*Strategy assets under management as at the most recent quarter end.

GROWTH OF US$100M INVESTMENT



Benchmark: 110% of Secured Overnight Financing Rate from 01 December 2021. Previously 110% of ICE LIBOR USD 3 Month (US0003M Index).

ASSET ALLOCATION

Asset Type	% Strategy
Fixed Rate Corporate Bonds	40.6%
Fixed Rate Government Bonds	29.0%
Cash	14.0%
Government ILBs	10.1%
Floating Rate Corporate Bonds	8.1%
Floating Rate Government Bonds	2.8%
Other	1.4%
Property	0.9%
Bonds Other	0.1%
Derivatives	(7.0)%

EFFECTIVE MATURITY PROFILE

Term	% Strategy
0 to 1 year	45.0%
1 to 3 years	38.9%
3 to 7 years	10.3%
7 to 12 years	3.8%
Over 12 years	0.9%

STRATEGY STATISTICS

Modified Duration (incl. inflation-linked bonds)	1.1
Modified Duration (excl. inflation-linked bonds)	0.9

PORTFOLIO MANAGERS

Nishan Maharaj - BSc (Hons), MBA

Nishan is head of Fixed Interest and responsible for the investment unit's process and performance across all strategies. He also manages all fixed interest assets. Nishan has 20 years' investment experience.

Seamus Vasey - BCom (Hons), MSc, CFA

Seamus is a portfolio manager and analyst within the Fixed Interest investment unit with more than 19 years' investment experience. He manages assets within Coronation's specialist bond strategies. He also co-manages the Coronation Global Bond and Granite Hedge funds as well as the Global Strategic USD and Bond unit trust funds.

REGULATORY DISCLOSURE AND DISCLAIMER

The Prospectus of Coronation Global Opportunities Fund and Fund KIID can be sourced on the following link: https://www.coronation.com/en/institutional/strategy-information/literature/ucits-fund-library/umbrella-fund and a Summary of Investor Rights can be sourced on the following link: https://www.coronation.com/en/institutional/about-us/ucits-v-disclosure/.

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The volatility of the Benchmark represented in the growth chart above may be materially different from that of the Strategy. In addition, the holdings in the accounts comprising the Strategy may differ significantly from the securities that comprise the Benchmark. The Benchmark has not been selected to represent an appropriate benchmark to compare the Strategy's performance, but rather is disclosed to allow for comparison of the Strategy's performance to that of a well-known and widely recognized Benchmark.

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REVIEW FOR THE QUARTER

The last few months of 2023 were particularly eventful for global markets, especially fixed income. While the first three-quarters of 2023 were busy: regional US bank failures, the collapse of Credit Suisse, an outlandish mania around AI technology, US debt ceiling drama, geopolitical flare-ups and a continuous battle between markets and central banks around the state of macroeconomics and policy (amongst others); this was a relative side-show compared to 2023's final instalment. Here, the combination of macro dataflow and signalled changes in approach by the US Federal Reserve Board (Fed) and European Central Bank (ECB) proved a potent mix in driving core market interest rates definitively and aggressively lower in a very condensed window.

The Strategy had a very strong end to the year, with a return of 2.8% for the fourth quarter (Q4-23), well ahead of the benchmark at 1.5%. Despite being relatively cautiously positioned with respect to corporate credit exposures, this allocation provided a reasonable contribution. However, the heavy lifting came from the Strategy's interest rate exposure, which had been escalated in prior months to position for cyclically elevated risk-free rates. While the timing, speed and synchroneity of the turn-around in the market's expectations for policy rate cuts was surprising, the Strategy had been appropriately positioned for this. For 2023 as a whole, the Strategy's performance was 6.5%, approximately 1% ahead of the benchmark.

The closing months of 2023 saw dramatic swings in Developed Market (DM) sovereign debt yields. Within core markets, the broad dynamics seen were essentially very similar: continued bear steepening to the worst levels of their respective cycles in September or October before a very swift reversal over November and December as yields fell substantially across the board. Driven by the Fed's leadership, but also common factors relating to global inflation trends, market expectations for monetary policy became wholly convinced of widespread peaks in policy rates and cutting cycles being initiated during 2024.

The Fed introduced significant communication changes during Q4-23. Most pertinently, the Federal Open Market Committee (FOMC) had previously expressed a reluctance to pursue easier monetary policy in the face of unusually resilient growth dynamics. With consumer spending remaining robust and an exceptionally tight labour market, the FOMC saw little opportunity to cut rates, even as inflation dynamics played out as more benign than anticipated. Yet Q4-23 saw this argument being dropped by key FOMC members in a universally interpreted move, signalling the end of the tightening cycle, as well as a shelving of the higher-for-longer mantra that the FOMC had maintained in prior months. The response in US interest rates was an extremely strong rally across the yield curve, although modestly more from shorter-end rates in yield terms. The net result was that US Treasury (UST) yields – especially longer-dated maturities – ended the year at very similar levels to which they started in 2023 after round-tripping to elevated levels last seen immediately before the Global Financial Crisis (GFC).

After diverging from the Fed in September by hiking another 25 basis points (bps), the ECB quickly fell into line with not too dissimilar messaging about the potential for monetary easing in Q4-23. Indeed, the refinancing rate is widely seen to have peaked at its current 4.5% and markets are pricing meaningful cuts to start in the first half of 2024 (H1:24). This was helped by a further fall in headline inflation (to a recent low of 2.4% y/y in November) and continued easing in core inflation (last at 3.4% y/y in December). The net result was a 12-month high in the 10-year Bund yield of 2.97% in early October and a low of 1.9% in late December. Within Europe, spreads to the German yield curve largely reflected moves in outright yields. After significant weakness in September and October, intra-European spreads reached their tightest levels for 2023 in the closing weeks of the year.

UK gilts came through persuasively in Q4-23, but especially in shorter-dated bonds. Indeed, the swing in short-rate expectations was among the largest among the G10. Strong headline disinflation helped provide the extra impetus. After closing Q3-23 at 6.7% y/y (EU harmonised), UK CPI fell to 3.9% y/y. Core CPI proved much stickier – as had been the case earlier in the year and relative to other core DMs – but the decline became more entrenched in Q4-23, with the last print of the year at 5.1% y/y.

Elsewhere in DMs, sovereign debt markets were the echoes of that seen in the US and eurozone. Japan was somewhat of an outlier among core bond markets. Although Japanese government bond yields ended lower on the quarter and some long-end steepening was seen, overall moves here were much more muted in magnitude – although when adjusted for outright levels, Japan was arguably just part of the herd. Higher beta markets (Canada and New Zealand) lived up to their reputations, while the especially maligned euro area markets of Q3-23 (including Greece, Italy, and Portugal) were the other markets that caught up more assertively from more beaten-up levels.

As was the case in driving the bulk of yield moves throughout 2023, real yields were again primarily responsible for the overall shift in interest rates in DMs. In the US, the bull steepening logged by Treasury Inflation-Protected Securities (TIPS) was the central force. After hovering around cyclical highs of 2.5% for several weeks, the 10-year US TIPS real yield then made a beeline lower to end the year around 1.7%. The shape of the US real yield curve is increasingly more normal, although it still does incorporate the priced-in imminent cutting cycle. Absolute levels of 1.5% to 1.75% for long-dated real yields are fairly defensible on a forward, through-the-cycle basis.

With a strong underpin provided by lower core rates across the board, it is unsurprising that Emerging Market (EM) local currency sovereign bonds notched up a strong quarter, especially after a challenging Q3-23 all-round. Contributions came from currency and bond performances, and all countries within the peer group participated in the rising tide. Even challenging, idiosyncratic stories weren't significant enough to produce outright drawdowns, except for Egypt and Turkey, which suffered mainly because of currency weakness. The net result for local currency EM debt markets for 2023 was a very respectable return of 12.7% in unhedged USD terms, helped by currency and capital gains.

For external (USD) EM sovereign bonds, 2023 produced an overall return of 11.1% in USD. After mediocre quarters over the year to date, Q4-23 bucked the trend and produced the largest three-month gain since the Covid-19 bounce in Q2-20 (prior highs were in the wake of the GFC). Wildly divergent returns, depending on country, but most of the out-sized gainers were from the highly stressed and/or defaulted country pool, depicting a fairly low-quality of return performance from the asset class.

US Investment Grade (IG) corporate credit had a magnificent last quarter of 2023. Total returns for the overall market were 7.9% – responsible for the vast bulk of the year's outcome of 8.4%. This was almost exclusively down to the strong underpin provided by base rates, as excess returns (i.e., returns from just the credit component) only managed 1.75% – a pretty good outcome, but not remarkable on a multi-year basis. The less impressive contribution from the credit component shouldn't be too unsurprising. Starting spreads at the end of Q3-23 were already judged as being on the tight side (c. 125bps for the aggregate market) – yet some additional compression was achieved in Q4-23, with the year's tightest levels notched up in the closing days of the year (c. 105bps).

For US High Yield (HY) corporate credits, the fourth quarter was also a strong finish to the year. For the aggregate market, total returns were 7.1% in Q4-23 (+13.5% for 2023), with decent excess returns of 3.2% in Q4-23, helping the overall outcome nicely. Spreads very much reflected the return profile of risk assets more broadly in the year's closing months, with a very weak October followed by two especially large, positive months in November and December. While sector and fundamental corporate news flow certainly didn't stand in the way of the rampantly rising market, the key driver remained expectations around monetary conditions and how these influenced base rates.

The IG and HY markets in Europe weren't as over-the-top impressive in Q4-23 relative to their US counterparts despite posting exceptional quarterly outcomes to close off the year. Indeed, this superior performance in the closing weeks of the year ensured that the US was moderately better performing in absolute (local currency) terms for the entire year across the credit quality spectrum. Indeed, from a corporate fundamental standing, this relative outcome appropriately reflects aggregate developments between the two markets over the year, even as this was only reflected as such in the closing moments. Spreads in Europe remain more elevated than in the US – a situation that has prevailed very noticeably since mid-year in HY and progressively so throughout the year in IG.

Finally, after a disappointing Q3-23, the FTSE EPRA NAREIT Global Index (TR) bounced aggressively in Q4-23, undoing the hardship and disappointment of all the preceding months. Indeed, even leading into the closing days of November, the aggregate index was still essentially flat for the YTD, having ended October at c. -10% YTD before putting on the entire year's positive gains in a few weeks. In a mirror image of the course of Q3-23, the common underlying factor lay with the synchronised re-pricing of interest rate risks across all the key composite markets. With the potential for higher, or at the very least, sustained high rates perceived to be the most probable outcome in September, it wasn't surprising that this sector – being especially sensitive to this influence – had been broadly maligned. But with the sharp turn-around with perceived risks here, the turn-around in fortunes was equally bold and substantial.

Concerning Strategy activity over the quarter, as is mostly the case, the bulk of transactions related to the recycling of existing exposures that had drifted into modestly expensive territory and were replaced by new issues perceived to be relatively cheaply priced. This tends to occur within the higher-rated credit buckets involving short-dated issues (usually one to three years). There is also the natural recycling of maturing issues, given that the Strategy tends to have a meaningful and continuous liquidity ladder spanning from one quarter to the next.

Aside from the Strategy's continuous turnover relating to value-driven recycling across the high-quality, short-dated buckets, activity during the past quarter was fairly contained. With US short-dated rates becoming even more elevated into the first part of Q4-23, there was plentiful opportunity to achieve the Strategy's objectives within the short end of the US yield curve without accumulating additional forms of risk. Indeed, as spreads continued to compress from already fairly cyclically stretched levels, the Strategy took the opportunity to pare back spread exposure here through individual instruments that had become less appealing from a long-term valuation perspective. In addition, the Strategy had previously accumulated a reasonable spread of interest rate duration exposures, situated at various tenors along the US yield curve – these were selectively and carefully trimmed into the wave of strength that cascaded over Q4-23. The aggregate response was a down-scaling of aggregate credit and interest rate exposure over the last quarter.

In terms of idiosyncratic risk that the Strategy found attractive during the quarter, opportunities certainly did arise. They were taken advantage of, but these proved much slimmer on the ground than in prior months as spread markets became zealously marked up in a frenzy of re-pricing. Specific names of interest included short-dated call USD AT1 Banorte (one of Mexico's four largest universal banking groups) – a credit we have long invested in and are especially impressed by within the LatAm banking sphere. A new name within the financials space: Citizens Financial Group (large, regional banking group concentrated in the NE US); this is a well-run entity with some of the best capital metrics (and generation!) within its peer group and is far removed from the issues that struck US regional banks earlier in the year. A new name within the mid-stream space, Western Midstream, is a sector that has found itself in an unexpectedly advantageous position given energy use developments in the US over 2023. This entity has solid credit metrics, a strong liquidity profile, and demonstrated behaviour supportive of its debt investors. This is a low-risk, diversified, volume-based entity which builds out its business through fee-based contracts and a welcome addition to the stable.

In the Strategy's property exposure, this was augmented during the early part of the quarter with additions to existing names: Charter Hall Long Wale, GrowthPoint Australia, Klépierre, Segro, Hammerson, and Land Securities. Some rotation took place out of British Land and Instone. This proved a timely net addition given the aggressive rally experienced in the immediately following weeks.