CORONATION GLOBAL OPTIMUM GROWTH [ZAR] FEEDER FUND

CORONATION TRUST IS EARNED™

Fund Information as at 31 October 2023

WHAT IS THE FUND'S OBJECTIVE?

Global Optimum Growth [ZAR] Feeder Fund aims to maximise long-term investment growth by investing in a globally diversified portfolio with exposure to both developed and emerging markets across multiple asset classes. Our intent is to provide competitive after inflation returns over all five-year periods.

WHAT DOES THE FUND INVEST IN?

Global Optimum Growth [ZAR] Feeder Fund will normally have a significant bias towards shares, but can invest in a variety of assets including listed property, bonds and cash. The fund has a flexible mandate and can invest in any combination of developed economies (including the US, Europe and Japan), South African assets and other emerging market assets.

The fund will vary exposure to South African, developed and emerging market assets based on where the most attractive valuations are available. We expect the fund to have the majority of its assets invested in global equities over time. Its exposure will be in a variety of currencies, primarily the US dollar, British pound, euro and yen.

The fund may use exchange traded funds and other financial instruments (eg. derivatives) to implement specific investment views.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Risk Profile

7/10
Aggressive

Maximum growth/ minimum income exposures

Growth Assets: 100%
Income Assets: 0%

Global Optimum Growth [ZAR] Feeder Fund aims to achieve the best possible long-term growth for investors.

Consequently, it will have a sizeable exposure to shares, which typically offer the best returns over the long run.

Global Optimum Growth [ZAR] Feeder Fund will only invest in assets we view as being attractively valued and that could offer strong long-term investment growth. The fund's share selection is the result of rigorous international research conducted by Coronation's investment team.

While shares typically offer superior long-term returns, this comes with higher levels of risk and volatility. We have a disciplined approach to reducing risk, but shares can be volatile investments and may suffer capital losses over the short term. Global currency movements may intensify investment gains or declines.

This feeder fund aims to remain fully invested in units in the Global Optimum Growth 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.

HOW LONG SHOULD INVESTORS REMAIN INVESTED?

An investment term of more than ten years is recommended.

WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are building wealth, and who

- are looking for the best growth opportunities available in both developed and emerging markets and accept the possibility of volatility and the risk of short-term losses;
- are comfortable with allowing Coronation a wide degree of discretion, in allowing us to make both the asset and geographical allocation decisions;
- require investment growth over the long term and accept the possibility of volatility and the risk of short-term losses;
- do not require an income from their investment.

WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of a minimum of 0.85% and a maximum of 2.40%, depending on the fund's performance, is payable.

If the fund's return (after fees and costs) is equal to that of its benchmark, a fee of 1.00% will be charged.

We share in 20% of the outperformance above the benchmark, up to a maximum total annual fee of 2.40%. Performance is measured over a rolling 24-month period.

When the fund return is below the benchmark over a rolling 60-month period the fee is discounted by 0.15%.

All fees exclude VAT. Fund expenses that are incurred in the fund include trading, custody and audit charges. All performance information is disclosed after deducting all fees and other portfolio costs.

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

More detail is available on www.coronation.com.

WHO ARE THE FUND MANAGERS?

GAVIN JOUBERT
BBusSc, CA (SA), CFA

MARC TALPERT
BAccSc, HDipAcc, CA (SA), CFA

GENERAL FUND INFORMATION

Launch Date	15 March 1999
Fund Class	A
Benchmark	Composite: 35% MSCI World, 35% MSCI EM, 30% BGBA
ASISA Fund Category	Worldwide – Multi-asset – Flexible
Income Distribution	Semi-annually (March & September)
Investment Minimum	R5 000 or R500/m debit order
Bloomberg Code	COROPTG
ISIN Code	ZAE000019782
JSE Code	CNOG

CORONATION GLOBAL OPTIMUM GROWTH [ZAR] FEEDER FUND

CLASS A as at 31 October 2023

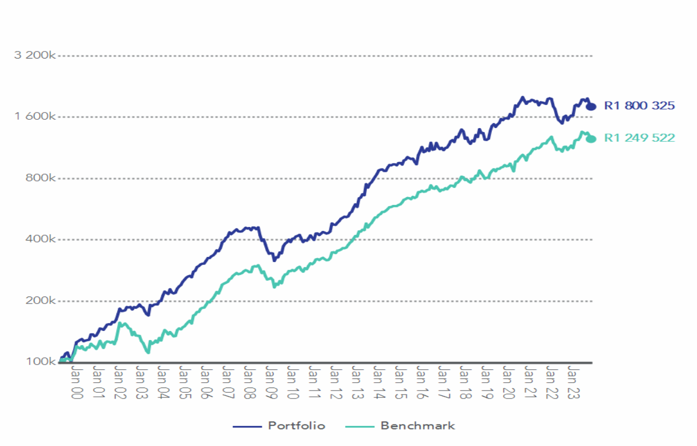
CORONATION
TRUST IS EARNED™

ASISA Fund Category	Worldwide - Multi Asset - Flexible
Launch date	15 March 1999
Fund size	R11.50 billion
NAV	14166.88 cents
Benchmark/Performance Fee Hurdle	Composite: 35% MSCI World, 35% MSCI EM, 30% BGBA
Portfolio manager/s	Gavin Joubert and Marc Talpert

	1 Year*	3 Year
Total Expense Ratio	0.97%	1.29%
Fee for performance in line with benchmark	1.00%	1.00%
Adjusted for out/(under)-performance	(0.15)%	0.10%
Fund expenses	0.06%	0.07%
VAT	0.06%	0.12%
Transaction costs (inc. VAT)	0.18%	0.16%
Total Investment Charge	1.15%	1.45%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PERFORMANCE OVER VARIOUS PERIODS (AFTER FEES) (ZAR

	Fund	Inflation	Benchmark
Since Launch (unannualised)	1700.3%	308.4%	1149.5%
Since Launch (annualised)	12.5%	5.9%	10.8%
Latest 20 years (annualised)	11.6%	5.5%	11.9%
Latest 15 years (annualised)	11.4%	5.2%	11.1%
Latest 10 years (annualised)	8.2%	5.2%	9.2%
Latest 5 years (annualised)	6.1%	5.0%	8.6%
Latest 3 years (annualised)	(1.1)%	6.0%	8.4%
Latest 2 year (annualised)	(4.3)%	6.6%	0.8%
Latest 1 year (annualised)	12.5%	5.5%	10.0%
Year to date	10.4%	4.8%	10.7%
Annualised Deviation	12.8%		11.0%
Sharpe Ratio	0.35		0.26
Downside Deviation	7.2%		5.8%
Positive Months	62.7%		62.4%

	Fund	Date Range
Highest annual return	51.1%	Jan 2013 - Dec 2013
Lowest annual return	(31.5%)	Mar 2008 - Feb 2009

PERFORMANCE OVER VARIOUS PERIODS (AFTER FEES) (USD)

	Fund	US CPI	Benchmark
Since Launch (unannualised)	495.5%	87.8%	314.7%
Since Launch (annualised)	7.5%	2.6%	6.0%
Latest 20 years (annualised)	6.2%	2.6%	6.4%
Latest 15 years (annualised)	6.7%	2.4%	6.5%
Latest 10 years (annualised)	1.7%	2.8%	2.7%
Latest 5 years (annualised)	1.2%	4.0%	3.7%
Latest 3 years (annualised)	(5.6)%	5.8%	3.5%
Year to date	0.3%	2.8%	1.1%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Oct 2023
Equities	**72.1%**
Europe	28.7%
North America	22.3%
Asia	14.3%
Latin American	6.6%
South Africa	0.3%
Real Estate	**0.4%**
Latin American	0.2%
South Africa	0.1%
Europe	0.1%
Bonds	**11.0%**
North America	6.7%
Europe	4.3%
Cash	**16.5%**
USD	13.0%
Other	3.5%
ZAR	0.0%

TOP 10 HOLDINGS

As at 30 Sep 2023	% of Fund
Airbus Group Se	3.9%
Heineken Holdings NV	3.7%
Prosus Na	3.7%
JD.com Inc	3.5%
Canadian Pacific Railway Ltd	2.6%
Philip Morris Int Inc	2.2%
Taiwan Semiconductor Man	2.2%
HDFC BANK LIMITED	1.9%
Amazon Com Inc	1.9%
ASML HOLDING	1.9%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Sep 2023	02 Oct 2023	0.00	0.00	0.00
30 Mar 2023	03 Apr 2023	0.00	0.00	0.00

MONTHLY PERFORMANCE RETURNS (AFTER FEES) (ZAR)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2023	11.7%	1.3%	(1.9)%	3.0%	4.8%	0.1%	(2.0)%	3.3%	(5.1)%	(4.1)%			**10.4%**
Fund 2022	(8.1)%	(2.9)%	(7.5)%	(4.5)%	(1.7)%	(2.2)%	7.8%	1.3%	(5.1)%	3.7%	2.0%	(0.1)%	**(17.2)%**
Fund 2021	1.7%	(0.5)%	(1.8)%	1.0%	(4.6)%	3.4%	(0.3)%	(0.7)%	(0.8)%	5.8%	0.6%	(0.6)%	**2.9%**

**This column shows the most recently available figures for the 12 months ending September 2023. The 12-month TER for the financial year ending September 2023 was 0.97% which included a -0.15% adjustment for out/(under) performance and a total investment charge of 1.15%.*

Issue date: 2023/11/09

Please note that the commentary is for the retail class of the Fund. Our full range of rand-denominated offshore funds is temporarily closed to new investments via the South African Unit Trust product. Read more here.

Performance

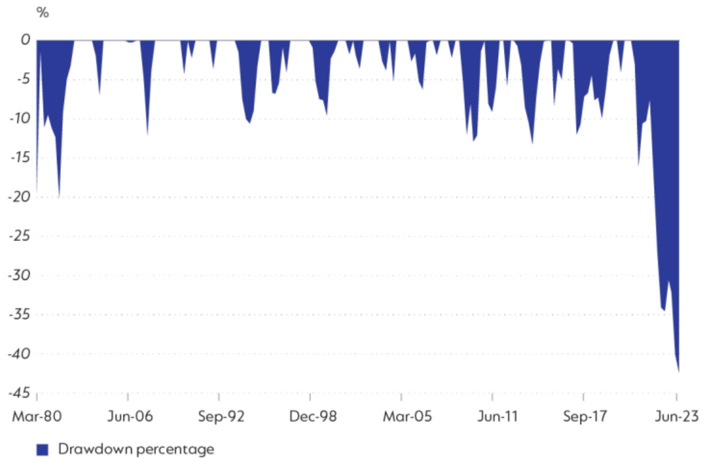
The Fund declined by 3.9% in ZAR in the third quarter of 2023 (Q3-23). Despite this quarter's decline, the Fund's overall improvement in short-term performance remains intact, with its 12-month return sitting at 21.6% in ZAR. While giving back some of the previous gains is disappointing, we remain excited about the Fund's prospects as we feel the combination of assets owned remains extremely attractively priced.

Fund positioning

During the quarter, we continued to observe stress in bond markets. This intensified as interest rates rose from their previous ultra-low levels. The stress is best contextualised by the following drawdown recently observed in long-term (30-year) US Treasuries (USTs) and compared to previous drawdowns.

Figure 1

LONG-TERM TREASURIES FALL MORE THAN 45% FROM PEAK



Source: Bloomberg

USTs had been viewed as a low-risk asset class; however, if you had bought them at their peak you would have lost nearly half your money as of today. This is an important reminder that risk is not determined by the nature of the asset but rather by the price you pay – assets perceived as low risk can in fact be very risky if you pay the wrong price as was the case with long-term USTs.

Determining where interest rates settle is not straightforward, but it remains important to consider that the last 10 years were most likely an anomaly compared to longer-dated history. We believe the normalisation of interest rates will continue to create volatility and have a real impact on businesses that are leveraged. Considering this, the Fund has limited exposure to companies with high levels of gearing and where we do own companies with gearing, their debt has generally been termed out, allowing them to de-gear as free cash flow is generated without having to rely on expensive debt markets to refinance any maturing debt.

The volatility being observed in global markets, whilst uneasy in the short term, is presenting us with extremely compelling long-term opportunities, and the Fund's weighted average equity upside is currently 75% – one of the highest levels since inception nearly 24 years ago. Beyond this, the weighted equity five-year expected internal rate of return (IRR) is 20%, and the weighted equity free cash flow (FCF) yield for stocks owned is just over 6%. Over the past five years, the Fund has generated a positive return of 7% per annum (p.a.), over 10 years a return of 9% p.a. and, since inception 24 years ago, 12.7% p.a.

During the quarter the largest positive contributors were Capri (+43%, 1.19% positive impact), Magnit (1.09% positive impact), and Yandex (0.36% positive impact). The largest negative contributors were Delivery Hero (-35%, 0.55% negative impact), JD.com (-13%, 0.48% negative impact) and Naspers/Prosus (-12%, 0.47% negative impact).

Capri was the subject of a cash takeover bid during the quarter for a 59% premium to the 30-day volume weighted average price. While we think this bid undervalues the business and is a good deal for Tapestry, who is acquiring the business, the board has approved the deal, and thus the likelihood of it going through is high. Therefore, we sold Capri to zero and re-deployed a portion of the proceeds into Tapestry, on which we elaborate below.

The positive contributions from both Magnit and Yandex were due to capital being recovered from our Russian holdings, which were previously written to zero. Prior to the Russian invasion of Ukraine just over 3% of the Fund was invested in Russia, and we have managed to recover just under 50% of this value in hard currency with this capital being externalised from Russia. While not the perfect outcome, we were happy to have realised value from a significantly complex process.

The Fund ended the quarter with 76% net equity exposure, in line with that of the prior quarter.

As alluded to above, the stress in bond markets is presenting some interesting credit opportunities that we are actively monitoring as yields are getting to levels, which in our view, compensate you for the risk taken. We have already acted on some of these opportunities, and the Fund now has ~11% exposure to sovereign and corporate bonds – a much higher-level compared to the past, as we believe yields have now begun to rise to levels that appear attractive. The current weighted yield for the collection of bonds held is ~7%, or 9.3% when excluding the short-term (two-year) USTs that are seen as an alternative to cash. This level of yield, in hard currency, is far more attractive than what we have observed in the past decade.

We have limited exposure to real estate, with the balance of the Fund invested in cash, largely offshore.

Notable increases in position sizes (or new buys) during the quarter were Tapestry (clothing retail), Reckitt Benckiser (consumer goods) and St. James's Place (wealth management).

Tapestry is the owner of Coach, Kate Spade and Stuart Weitzman, and as mentioned above has bid to buy Capri at what we deem to be an attractive price, with this acquisition being funded by debt and cash. Capri's main brand Michael Kors plays in a similar category (mid-to-high-end luxury handbags) to Coach, and thus transaction synergies (of >$200m versus a pro forma group EBIT of ~$2bn) should be realised. Tapestry has also effectively managed the channel exposure of Coach by significantly reducing its exposure to the wholesale channel, especially department stores, a journey that Michael Kors is also on, but which should be further accelerated under the stewardship of the combined entity's management team. The combined entity trades on a pro forma 6x price-to-earnings (PE) multiple or 15% FCF yield, which is incredibly attractive. In the unlikely event that the deal isn't consummated, the Tapestry standalone valuation is attractive, with the business trading on a 7x PE multiple.

Reckitt Benckiser is a consumer goods company that sells iconic brands such as Dettol, Gaviscon and Neurofen. The business has recently underperformed after receiving a Covid-induced boost in their hygiene business, with these sales now normalising. They have also been experiencing input cost inflation, necessitating price increases that have hurt volumes across various divisions. The business has also experienced management changes (including a new CEO), which should drive positive change. Therefore, while the business is currently underperforming, we perceive this to be cyclical as opposed to structural, with the valuation being much more attractive today compared to the past, thus providing a margin of safety. The business now trades on 16x forward earnings, with earnings expected to grow by high single digits after the 2023 reset. Along with a 3.5% dividend yield, this should provide a fairly dependable double-digit hard currency IRR.

St. James's Place is a wealth manager based in the UK that is well entrenched with a respected brand. It has £154bn in assets under administration spanning 860k clients, which are sourced via a 4 500-person tiered financial advisor network. In the UK, there remains an advice gap, and thus St. James's Place is solving a real need. The business has recently sold off after making some downward fee adjustments, with the market concerned this process is not yet complete. Management, however, was proactive in their approach to these adjustments, and they do not feel there are significant further adjustments needed; thus the current earnings power of the business should be sustained at current levels. Considering the business now trades on 11x earnings and a 6% dividend yield with expected earnings growth to remain in the double digits, supported by structural growth due to the advice gap. This is compelling in our view.

Outlook

The chance of a recession in the US and parts of the EU and UK, the consistent geopolitical tension globally, persistently high inflation and elevated interest rates are just some of the notable risks present which will most likely drive continued market volatility. We remain aware of these risks, and they are factored into our portfolio construction, but the primary focus remains bottom-up analysis of individual businesses. Against this uncertain backdrop, we remain excited about the outlook for the Fund, which has been built bottom up, with a collection of attractively priced assets to provide diversification to achieve the best risk-adjusted returns going forward in a variety of future scenarios.

Portfolio managers
Gavin Joubert and Marc Talpert
as at 30 September 2023

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

The Global Optimum Growth [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. Asset allocation and top 10 holdings are reflected on a look-through basis. A feeder fund invests in a single fund of a collective investment scheme, which levies its own charges and could result in a higher fee structure for the feeder fund. Coronation Management Company (RF) (Pty) Ltd is a Collective Investment Schemes Manager approved by the Financial Sector Conduct Authority in terms of the Collective Investment Schemes Control Act. Portfolio managed by Coronation Asset Management (Pty) Ltd (FSP 548), 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.

BENCHMARK DETAILS

The benchmark used for performance purposes is a composite benchmark consisting of 35% MSCI World Daily Total Net Return Index (MSCI World), 35% MSCI Global Emerging Markets Daily Total Net Return Index (MSCI EM), and 30% Barclays Global Aggregate Bond Total Return Index Unhedged USD (BGBA).

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 a rolling 12-month period to the last available month end (updated monthly). The financial year TER displayed at the bottom of page 2, is the latest available 12-month TER to the end of the previous financial year ending 30 September (updated annually). The 3 Year TER is for a rolling 36-month period to the last available quarter end (December, March, June and September). Transaction costs are a necessary cost in managing a fund and impacts the fund's return. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER. The Total Investment Charge is the sum of the Total Expense Ratio (TER) and transaction costs.

ADVICE AND PLATFORM COSTS

Coronation does not provide financial advice. If you appoint an adviser, advice fees are contracted directly between you and the adviser. For more information please contact the relevant platform (Linked Investment Service Provider or Life Assurance Provider).

WHERE CAN I FIND ADDITIONAL INFORMATION?

Additional information such as daily fund prices, brochures, application forms and a schedule of fund fees and charges is available on our website, www.coronation.com

IMPORTANT INFORMATION REGARDING TERMS OF USE

This document is for information purposes only and does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase any particular investment. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance upon the information.