

# CORONATION GLOBAL EQUITY SELECT [ZAR] FEEDER FUND

Fund Information as at 30 June 2024

## WHAT IS THE FUND'S OBJECTIVE?

Global Equity Select aims to give investors access to the best opportunities in global equity markets. The fund is biased to developed markets and actively seeks out attractively valued shares to maximise long-term growth. Our intent is to outperform the global equity benchmark over all periods of five years and longer.

## WHAT DOES THE FUND INVEST IN?

The fund invests in the shares of companies listed on equity markets around the world. The fund has a bias towards developed markets, typically holding at least 70% in developed market shares and up to 30% invested in shares listed in emerging markets. While our intent is to remain fully invested in shares, the fund is allowed to hold up to 20% of its portfolio in cash and bonds.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

### Risk Profile



### Maximum growth/ minimum income exposures



Global Equity Select will only invest in shares we view as being attractively valued relative to other shares which may offer superior long-term investment growth.

The fund's share selection is the result of rigorous international research conducted by Coronation's investment team.

While we have a disciplined approach to reducing risk, shares can be volatile investments and there is a meaningful risk of capital loss 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 offshore domiciled Global Equity Select Fund. The only other assets that will be held at feeder fund level are local and foreign cash holdings for liquidity purposes.

## HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The fund is managed to deliver the best possible returns over the long term; an investment horizon of 10 years or more is therefore ideal. It is not suitable as a single investment for investors who need to preserve their capital over five years or less.

## WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are building wealth, and who

- ▶ are comfortable with full exposure to shares listed in global markets outside South Africa;
- ▶ accept that the fund may underperform the market significantly in the short term in pursuit of superior long-term gains;
- ▶ hold other investments and are looking to add exposure to global equity markets;
- ▶ do not require an income from their investment.

## WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 1.25% is payable.

Of the annual fee, 0.40% is collected at feeder fund level, while the balance of the fee is collected in the master fund.

Only the component of the fund fee charged at feeder fund level is subject to VAT.

Fund expenses that are incurred in the fund include administrative, 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](http://www.coronation.com).

## WHO ARE THE FUND MANAGERS?



### NEIL PADOA

BEconSci (AcSci),  
FFA, CFA

## GENERAL FUND INFORMATION

Launch Date	30 April 2015
Fund Class	A
Benchmark	MSCI All Country World Index
ASISA Fund Category	Global – Equity – General
Income Distribution	Semi-annually (March & September)
Investment Minimum	R5 000 or R500/m debit order
Bloomberg Code	CORGESA
ISIN Code	ZAE000202115
JSE Code	CGEFA

# CORONATION GLOBAL EQUITY SELECT [ZAR] FEEDER FUND

CLASS A as at 30 June 2024

ASISA Fund Category	Global – Equity – General
Launch date	30 April 2015
Fund size	R 1.06 billion
NAV	212.06 cents
Benchmark	MSCI All Country World Index
Portfolio manager/s	Neil Padoa

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.25%	1.25%
Fund expenses	0.04%	0.07%
VAT	0.06%	0.06%
Transaction costs (inc. VAT)	0.19%	0.16%
Total Investment Charge	1.54%	1.54%

## PERFORMANCE AND RISK STATISTICS

### GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



### RISK AND RETURNS VS BENCHMARK (AFTER FEES) (ZAR)

	Fund	Benchmark
Since Launch (unannualised)	112.1%	235.7%
Since Launch (annualised)	8.5%	14.1%
Latest 5 years (annualised)	10.0%	16.5%
Latest 3 years (annualised)	3.4%	14.3%
Latest 1 year	4.9%	15.2%
Year to date	1.8%	10.6%

### RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	18.4%	15.5%
Sharpe Ratio	0.10	0.48
Maximum Gain	25.1%	24.0%
Maximum Drawdown	(25.7%)	(18.5%)
Positive Months	58.2%	56.4%

  

	Fund	Date Range
Highest annual return	39.0%	Feb 2019 - Jan 2020
Lowest annual return	(22.5%)	Jul 2021 - Jun 2022

### MONTHLY PERFORMANCE (AFTER FEES) - ZAR RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2024	1.1%	6.9%	0.6%	(2.8)%	0.4%	(4.0)%							1.8%
Fund 2023	13.6%	2.6%	(2.8)%	2.8%	7.7%	1.1%	0.4%	1.5%	(6.8)%	(5.7)%	10.5%	4.1%	30.8%
Fund 2022	(8.4)%	(4.2)%	(5.0)%	(5.4)%	(2.1)%	(3.8)%	10.0%	1.0%	(6.8)%	6.5%	(1.1)%	(1.6)%	(20.4)%
Fund 2021	1.2%	5.0%	1.3%	3.1%	(5.7)%	4.6%	0.1%	(1.1)%	(1.3)%	5.8%	0.4%	0.5%	14.3%
Fund 2020	5.8%	(3.5)%	(3.9)%	15.3%	(1.1)%	0.1%	2.9%	6.4%	(7.1)%	(3.1)%	8.4%	(1.5)%	17.7%

## PORTFOLIO DETAIL

### GEOGRAPHIC ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2024
<b>Equities</b>	<b>100.0%</b>
North America	68.5%
Europe	24.8%
Asia	6.7%

### TOP 10 HOLDINGS

As at 30 Jun 2024	% of Fund
Amazon Com Inc	4.3%
Alphabet Inc	3.9%
Canadian Pacific Railway Ltd	3.8%
Charles Schwab Corp	3.7%
Interactive Brokers Group	3.6%
Canadian National Railway Co	3.4%
Flutter Entertainment Inc	3.4%
Airbus Group Se	3.4%
Elevance	3.3%
Entain Plc	3.2%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
28 Mar 2024	02 Apr 2024	0.00	0.00	0.00
29 Sep 2023	02 Oct 2023	0.00	0.00	0.00

**Please note that the commentary is for the US dollar retail class of the Fund. The feeder Fund is 100% invested in the underlying US dollar Fund. However, given small valuation, trading and translation differences for the two Funds, investors should expect differences in returns in the short term. Over the long term, we aim to achieve the same outcome in US dollar terms for both Funds.**

Markets continued their advance in the second quarter of 2024 (Q2-24), rising 3% over the period and rounding off a very strong first half of the year with gains of just over 11% (as measured by the MSCI All Country World Index). Returns continue to be led by an increasingly narrow US market, with the S&P 500, Nasdaq and Magnificent 7 up 15%, 17% and 37%, respectively, year to date (YTD). Looking more closely at the US, around 60% of YTD gains have been driven by just five stocks – Apple, Nvidia, Microsoft, Amazon and Meta – with Nvidia alone accounting for almost a third of market returns at the half-year mark. In fact, in Q2-24, an equally weighted S&P 500 Index returned a negative 2.6%, marking the second-worst underperformance on record when compared to the headline index's 4% gain and the worst market breadth in well over 20 years. Against this challenging backdrop, the Fund declined 3.1% in the second quarter, with gains of 2.7% year to date (YTD).

While US markets are at or near all-time highs, things below the index level look very different, marking a difficult environment for active investors. In our recent Corospondent article "Finding value in more than just the Magnificent Seven", we wrote about this and how we are finding lesser-known opportunities. Whilst this period of underperformance is frustrating, with markets narrow and at elevated levels, we continue to believe that the opportunity to add value from differentiated stock picking remains elevated for patient investors.

Auto1 Group was the largest positive contributor, with the stock advancing 39% in the quarter. Auto1 is a leading digitally-enabled European automobile wholesaler. The company is transitioning from a growth-at-all-costs mindset to a focus on profitability. In this regard, its first quarter earnings release showed excellent progress in several key areas, most notably a strong improvement in the wholesale (B2B) business' gross profit per unit accompanied by an upgrade to management's medium-term profitability guidance for this business. This was a significant turning point for the company and in line with our expectations of profitable growth in the core wholesale business, which should be further bolstered by recently launched dealer financing products, for which our channel checks support management's enthusiasm. The more nascent retail business (B2C), which trades under the Autohero brand, is still loss making, although we are cautiously optimistic that the fortunes of this business are set to improve in the coming years. Autohero is nearing the three-year underwriting track record for its consumer lending portfolio, allowing it to secure a credit rating from one of the rating agencies. This will result in a lower cost of funding and potentially the securitisation of this lending book, allowing the company to grow this product beyond its initial test markets. Whilst there are some nuances between the US and European auto lending markets, the progress of Carvana in the US demonstrates the potential for consumer lending to drive significantly increased profitability for online platforms like Autohero. This provides attractive optionality to the investment case.

The Taiwan Semiconductor Manufacturing Company, or TSMC, was the second largest contributor, climbing 28% during the quarter. TSMC is the world's leading semiconductor foundry. With an over 50% share of global semiconductor production, including a market share north of 90% in the most advanced, leading-edge semiconductors, TSMC is quite simply one of the most important companies globally. As the world's leading foundry, TSMC manufactures and supplies its chips to the world's largest companies, including all of Nvidia's GPUs. The largest hyper scalers like Microsoft Azure and Amazon AWS rely on Nvidia for their AI chips, but Nvidia relies on TSMC to make them. It is thus a direct beneficiary of the rapid growth in high-performance computing and the buildout of "AI factories", supporting a very healthy mid to high teens revenue growth outlook whilst earning very attractive ROEs of around 25%. Unlike Nvidia, TSMC has not benefited from significant price hikes (yet), which provides positive optionality going forward for its all-important products. Considering the above, we do find it surprising that

TSMC trades on 22x forward earnings, roughly half the rating of Nvidia, and this with far less optimism baked into its earnings outlook.

Airbus was the largest detractor in the quarter, declining by 25%. Its share price fell after a poor update from management in which 2024 delivery and earnings guidance was cut. Whilst we acknowledge this temporary setback, the future remains incredibly bright for the company. Airbus manufactures narrowbody and widebody airframes in a duopoly with Boeing. The industry structure has been remarkably stable for decades, a testament to the almost insurmountable barriers to entry that new competitors face. Coming out of Covid, Airbus has emerged even stronger as competitor Boeing entered the downturn with a weak balance sheet (versus Airbus' net cash position) and then suffered a series of well-publicised technical and quality issues. Airbus now stands with a backlog of over 8 500 planes on order. Considering that annual production is currently 770 planes (and growing), this equates to a multi-year backlog which underpins our very healthy growth forecasts, with Airbus continuing to gain share in a growing industry. So, what contributed to the recent earnings downgrade? The company – and, in fact, the whole aerospace industry – is still suffering from post-Covid supply chain bottlenecks that have caused delays in the production ramp-up of Airbus' most popular aircraft family (and biggest EBIT contributor by far), the A320neo narrowbody. Despite these delays, we believe it's only a matter of time before deliveries and, therefore, profits and sustainable free cash flow ramp up to management's ambitious long-term targets, which see a production run-rate for the key A320 family that is almost 50% higher than that achieved today. In addition, Airbus has a fortress balance sheet with a €10bn net cash position, and we expect returns to shareholders to continue to increase.

Considering its size and continued strong share price performance, Nvidia's absence in the fund was a large detractor from performance. Nvidia advanced 37% in the quarter, detracting a disappointing 1.1% from relative performance. Nvidia, the key supplier of the microchips powering the AI revolution, saw its market capitalisation rise from \$420bn before the public debut of ChatGPT at the end of 2022 to a staggering \$3 trillion-plus during the quarter. In fact, Nvidia's market capitalisation hit \$3 trillion less than four months after crossing the \$2 trillion mark – a truly unprecedented and remarkable move. Despite its dominant position in a rapidly growing market, we do not think the shares are a compelling investment at current levels. While there is little doubt that generative AI marks a paradigm shift, much uncertainty remains regarding the final business models and technology choices over time. As AI workloads shift from training (building the models) to inference (using the models), we see a greater role for chips optimised for specific applications, in-house designs from hyper scalers (such as Amazon or Google) and edge devices (such as AI-optimised PCs and smartphones). Nvidia sells its product to the richest companies in the world including Amazon, Meta and Alphabet, and these businesses do not want to continue to be totally reliant on Nvidia for these key products. Given the sheer size of the numbers involved (Nvidia's projected data center revenue this year is \$105 billion, roughly the size of the entire server market before the AI frenzy, while group margins are in the mid-60% range, well above its mid-30s historic range) we fear there is a real risk that Nvidia's growth and earnings – while objectively still high – will fall short of the lofty expectations embedded in the current valuation.

The first six months of the year have been a difficult time to be an active investor, and even more so for contrarian ideas. US markets have advanced in the face of building macroeconomic and geopolitical risks; in fact, the S&P 500 has now gone almost a full year without a one-day drop larger than 2%. Whilst this complacency points to a worrying setup at the index level, we continue to find many compelling bottom-up stock ideas, often in lesser-known names. We thus remain very optimistic about the outlook for our portfolio of companies, even though the same cannot be said for markets in general.

#### Portfolio managers

Neil Padoa

as at 30 June 2024

### IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION GLOBAL EQUITY SELECT [ZAR] FEEDER FUND

The Global Equity Select [ZAR] Feeder Fund should be considered a 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 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](http://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.

### 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 our website, [www.coronation.com](http://www.coronation.com)

### IMPORTANT INFORMATION REGARDING TERMS OF USE

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