CORONATION GLOBAL OPTIMUM GROWTH [ZAR] FEEDER FUND

Fund Information as at 31 December 2022

CORONATION
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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
Regulation 28	Does not comply
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 December 2022

CORONATION
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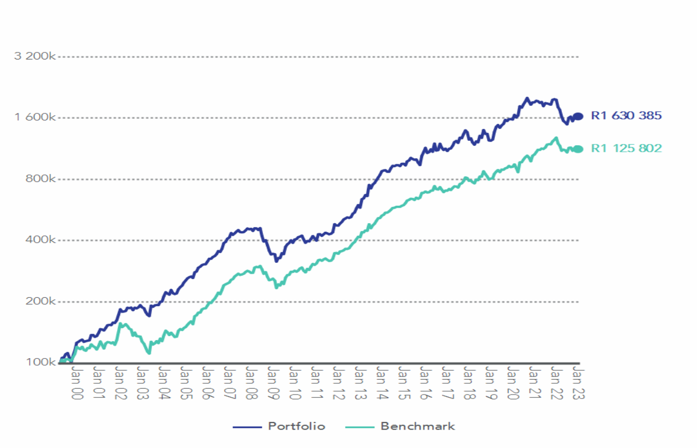
ASISA Fund Category	Worldwide - Multi Asset - Flexible
Launch date	15 March 1999
Fund size	R12.56 billion
NAV	12829.61 cents
Benchmark/Performance Fee Hurdle	Composite: 35% MSCI World, 35% MSCI EM, 30% BGBA
Portfolio manager/s	Gavin Joubert and Marc Talpert

	1 Year*	3 Year
Total Expense Ratio	0.99%	1.75%
Fee for performance in line with benchmark	1.00%	1.00%
Adjusted for out/(under)-performance	(0.15)%	0.48%
Fund expenses	0.08%	0.07%
VAT	0.06%	0.20%
Transaction costs (inc. VAT)	0.21%	0.14%
Total Investment Charge	1.20%	1.89%

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)	1530.4%	289.3%	1025.8%
Since Launch (annualised)	12.5%	5.9%	10.7%
Latest 20 years (annualised)	11.4%	5.5%	11.5%
Latest 15 years (annualised)	8.8%	5.6%	9.8%
Latest 10 years (annualised)	10.9%	5.2%	10.5%
Latest 5 years (annualised)	5.4%	4.9%	7.4%
Latest 3 years (annualised)	1.2%	5.3%	6.9%
Latest 2 year (annualised)	(7.7)%	6.5%	3.1%
Latest 1 year (annualised)	(17.2)%	7.1%	(12.3)%
Year to date	(17.2)%	7.1%	(12.3)%
Annualised Deviation	12.6%		10.9%
Sharpe Ratio	0.35		0.25
Downside Deviation	7.3%		5.8%
Positive Months	62.8%		62.8%

	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)	493.6%	81.9%	310.2%
Since Launch (annualised)	7.8%	2.6%	6.1%
Latest 20 years (annualised)	7.7%	2.5%	7.8%
Latest 15 years (annualised)	2.4%	2.4%	3.3%
Latest 10 years (annualised)	3.3%	2.6%	3.0%
Latest 5 years (annualised)	(1.1)%	3.9%	0.8%
Latest 3 years (annualised)	(5.1)%	4.9%	0.2%
Year to date	(22.0)%	6.4%	(17.7)%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2022
Equities	**79.9%**
Europe	33.6%
North America	26.3%
Asia	10.7%
South Africa	5.1%
Latin American	4.3%
Real Estate	**0.3%**
Europe	0.1%
North America	0.1%
Latin American	0.1%
Bonds	**9.7%**
South Africa	5.4%
North America	4.2%
Europe	0.1%
Cash	**10.1%**
USD	7.8%
Other	2.3%
ZAR	0.0%

TOP 10 HOLDINGS

As at 31 Dec 2022	% of Fund
Prosus Na	3.5%
JD.com Inc	3.3%
Capri Holdings Ltd	3.1%
Alphabet Inc	3.0%
SCHWAB (CHARLES) CORP	2.9%
Delivery Hero Se	2.9%
Microsoft Corp	2.8%
British American Tobacco Plc	2.5%
Canadian Pacific Railway Ltd	2.4%
Airbus Group Se	2.4%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2019	01 Oct 2019	57.31	48.05	9.25
29 Mar 2019	01 Apr 2019	30.81	26.96	3.85
28 Sep 2018	01 Oct 2018	69.10	67.56	1.54
29 Sep 2017	02 Oct 2017	15.67	13.67	2.00

MONTHLY PERFORMANCE RETURNS (AFTER FEES) (ZAR)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
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%**
Fund 2020	5.4%	(2.8)%	2.2%	11.1%	(1.7)%	3.8%	3.3%	4.2%	(4.1)%	(3.5)%	2.7%	0.1%	**21.6%**

** This column shows the most recently available figures for the 12 months ending November 2022.*
The 12-month TER for the financial year ending September 2022 was 1.00% which included a -0.15% adjustment for out/(under) performance and a total investment charge of 1.17%.

Issue date: 2023/01/16

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

Performance

The Fund increased by 5.6% in ZAR in the fourth quarter of 2022 (Q4-22). This improvement in short-term performance is encouraging and we remain excited about the Fund's future prospects as we feel the assets owned remain extremely attractively priced.

There are extensive risks globally, most notably the significant inflation still present across much of the world, widespread monetary tightening, and the ongoing war in Ukraine. When, and at what level, inflation normalises is a key area of debate globally, along with where interest rates will settle. Accurately predicting this is an incredibly difficult task in our view, and whilst these factors have an impact on all asset prices, we have always strived to value assets using normalised through-the-cycle inflation and interest rate assumptions (and hence valuation multiples and discount rates) instead of calibrating our valuation methodology to short-term point in time levels. This is aligned to our long-term valuation focused investment philosophy which has been consistent for nearly three decades.

We are not naïve to these changes and the impact they can have on investor psychology and risk appetite, but in our view, this provides an advantage to long-term investors who apply a consistent and robust philosophy. We believe that the more recent improvement in performance can be attributed to this approach beginning to bear some fruit.

We remain disappointed with the Fund's last two years of performance but believe that the collection of assets held today offers extremely compelling long-term risk-adjusted returns with which to deliver on its goal of compounding capital well ahead of inflation. With this in mind, the Fund's weighted average equity upside is currently 70%, which remains one of the highest levels since inception nearly 23 years ago. Beyond this, the weighted equity five-year IRR (internal rate of return) is 19% and weighted equity FCF (free cash flow) yield for stocks owned is 5%. The Fund has generated a positive return of 5.4% per annum (p.a.) over the last five years, over 10 years a return of 10.9% p.a. and, since inception over 20 years ago, 12.5% p.a.

Something that remains front of mind when managing the Fund is the question of whether we are entering a period of structurally higher interest rates in the developed world. Financial markets have benefited from a four-decade run of declining interest rates, which has undoubtedly provided a tailwind for asset prices. This trend has now reversed, and it remains uncertain if the days of ultra-low interest rates will return. If interest rates remain at higher levels into the future, this will make life difficult for many businesses which relied on low-cost funding to drive M&A or for those with elevated levels of financial gearing. Capital once again has a cost, and thus it will be even more important to invest in businesses that deliver superior and consistent operational results as opposed to those that might have used financial engineering to boost historic results.

In a world that faces a broad range of future outcomes and elevated risks, we continue to have diversified exposure to a broad range of businesses in different industries with a diverse set of underlying drivers. Whilst the exposure is diverse, each business has been selected using a bottom-up approach with the requirement for inclusion being the prospect of high risk-adjusted returns into the future. Historically it was tough to find yield and attractively valued companies in the world, but there is now an abundance, making us excited about the prospect of robust future returns, notwithstanding the bearish sentiment present in markets today.

During the quarter the largest positive contributors were Capri (+48%, 1.29% positive impact), Naspers/Prosus (+31%, 1.26% positive impact), and Airbus (+36%, 0.89 positive impact). The largest negative contributors were Amazon (-26%, 0.5% negative impact), Alphabet (-8%, 0.46% negative impact), and Meta (-11%, 0.23% negative impact).

Fund positioning

The Fund ended the quarter with 80% net equity exposure, higher than the 72% at the end of the prior quarter. The increased equity exposure was primarily driven by us removing some put option protection (and banking profits) at the beginning of Q4-22 post a significant sell-off in equity markets.

Our negative view on global bonds continues to evolve as rates have begun to rise, with some opportunities emerging. However, these opportunities are being weighed up against increasingly attractive equity opportunities that often also come with high and growing dividend yields. We continue to hold South African (SA) government bonds that now represent 5.4% of the Fund. While SA has fiscal risks, the bonds should yield a positive return even in a scenario where bond holders take a capital haircut, which provides a level of downside protection whilst providing a ~11% return in a non-haircut scenario. We have also recently purchased a 4.2% position in short-dated US Treasuries, yielding ~4%, as a higher yield alternative to holding US dollar cash.

The Fund sold its physical gold position to fund attractive equity opportunities, with the opportunity cost of holding physical gold increasing in a higher yield world. We have retained a 1.75% holding in AngloGold Ashanti due to fundamental attractiveness of the business which trades on ~11x earnings and continues to benefit from operational improvements. The balance of the Fund is invested in cash, largely offshore.

Notable increases in position sizes (or new buys) during the quarter were Adobe (global software), and Valaris (contract drilling equipment for oil and gas).

Adobe is the global leader in creative software which is mission critical for their user base as its embedded into the daily workflow of these users. It is a business with exceptional financial metrics – 88% gross margins, 35% EBIT margins, low CAPEX intensity and negative working capital, resulting in FCF being consistently above 100% of accounting earnings. It is also a business that generates recurring subscription revenue with low churn, allowing it to grow consistently with a good level of predictability. It is a business we have followed for many years and wanted to own but valuation was always the hurdle. This has however changed, driven by a general sell-off in internet stocks along with their very expensive purchase of Figma, resulting in Adobe falling ~50% from its peak. The strategic rationale of the Figma acquisition is sound, in our view, and should reduce Adobe's long-term disruption risk while expanding their addressable user base. We were therefore able to buy one of the highest quality software businesses globally for ~25x FCF which should grow by more than 15% per annum for the foreseeable future.

Valaris provides contract drilling equipment to the oil and gas industry. It is a business that has had a particularly tough time in the more recent past as their customers curtailed production growth, leading to less demand for their equipment along with the rates charged for this equipment declining. Whilst production growth is still limited from the oil majors, national oil companies are still spending to drive production growth as the oil demand outlook remains positive, notwithstanding the world's shift towards cleaner energy. This transition will most likely take time and oil demand remains diversified beyond just transport. So even with growing electric vehicle sales, other demand drivers remain positive. The lack of investment in the oil industry is becoming more pronounced as demand continues to grow, with limited supply growth resulting in a better oil price environment. This improved oil price environment, coupled with the continued investment by national oil companies to grow production, has resulted in demand for Valaris' equipment growing again, driving high rental rates and the recommissions of previously underutilised equipment. This has driven a recovery in the EBITDA generation of the business, with this now running at >$100m per quarter, but still well below what we consider normal (of $250m), with conservative assumptions embedded (equipment rental rates <50% of previous peaks). The company has a market cap of ~$5bn, and no debt so we can buy the business at a 5x normal EBITDA multiple, which we consider attractive.

Outlook

There remains an elevated number of unknowns today compared to the past due to a potential structural change in interest rates across the globe along with geopolitics bringing about another element of risk. 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 31 December 2022

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. 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) (FSP 548) Ltd, 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.