CORONATION

GLOBAL STRATEGIC INCOME STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 31 MARCH 2025

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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)	56.2%	27.0%	29.2%
Since Inception p.a.	3.4%	1.8%	1.6%
Latest 10 years p.a.	3.0%	2.3%	0.7%
Latest 5 years p.a.	4.5%	3.0%	1.5%
Latest 3 years p.a.	5.1%	4.8%	0.3%
Latest 1 year	6.3%	5.7%	0.6%
Year to date	1.6%	1.2%	0.4%
Month	0.4%	0.4%	0.0%

CURRENCY EXPOSURE

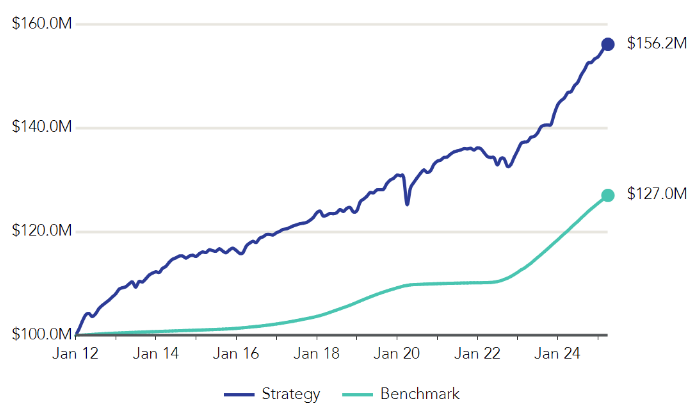
Currency	% Strategy
USD	100.0%

GENERAL INFORMATION

Inception Date	31 January 2012
Strategy Size *	$773.2 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 (SOFRINDX) Index

ASSET ALLOCATION

Asset Type	% Strategy
Fixed Rate Corporate Bonds	42.4%
Floating Rate Government Bonds	17.5%
Floating Rate Corporate Bonds	15.6%
Fixed Rate Government Bonds	9.3%
Government ILBs	6.8%
Cash	6.2%
Property	1.5%
Other	1.2%
Derivatives	(0.5)%

EFFECTIVE MATURITY PROFILE

Term	% Strategy
0 to 1 year	42.9%
1 to 3 years	40.9%
3 to 7 years	13.6%
7 to 12 years	0.9%

STRATEGY STATISTICS

Modified Duration (incl. inflation-linked bonds)	1.0
Modified Duration (excl. inflation-linked bonds)	0.8

PORTFOLIO MANAGERS

Nishan Maharaj - BSc (Hons), MBA

Nishan is Head of Fixed Interest at Coronation and a portfolio manager across all fixed interest strategies. He joined Coronation in 2012 has 21 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 20 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 Strategy produced a 1.6% return compared to the benchmark return of 1.2% for the quarter. Over more meaningful periods, the Strategy has consistently outperformed its benchmark.

A uniform theme persisted throughout the second quarter across all the important parts of the G10 country grouping: inflation has proven stickier and more resilient than expected. At a headline level, consumer inflation continued to moderate across pretty much all of the developed world. But disinflation has often been less pronounced than anticipated, and underlying inflation measures (particularly those excluding energy and food costs) have demonstrated that prior cost increases have continued to leak into previously less affected pricing buckets.

Some of this core inflation resilience could be attributed to lags in pricing behaviour within economies. But policymakers, in particular, are concerned that healthy labour markets have created fertile ground for pricing traction to take hold as increased labour costs filter through unchallenged to end-price product and service cost increases. Indeed, the messaging was very similar close to the end of the quarter when the leaders of the G4 central banks gathered in Portugal for a conference hosted by the European Central Bank (ECB). Their readiness to continue raising policy rates in the face of tight labour markets and persistent underlying price pressures was high, and their belief that monetary policy may need to be restrictive for an extended period was pointedly highlighted.

So, for the US, April to June was really a continuation of the first three months of the year with respect to the growth and inflation nexus. Headline CPI fell from 6.0% in February to 4.0% in May, yet core CPI only managed a modest nudge lower from 5.5% to 5.3% over the same period. Then the labour market has not only defied expectations for a softer slide but demonstrated continued strength in aggregate. Not only have job gains proven substantially higher in the past few months (payroll gains of c.200-300k per month), but earnings growth has also risen faster than most economists had anticipated. This shows unexpected momentum at c.4.4% year on year (y/y) after the hefty nominal increases across all of 2022 (c.5-6% y/y). This was the critical fundamental dynamic underpinning pricing in US policy rates and Treasuries over the quarter. But there were plenty of other colourful and potentially dangerous distractions along the way.

The effects of the regional banking crisis in Q1-23 naturally filtered through into the following months. While additional systemic effects were relatively limited, there was another large regional bank casualty (First Republic, which was essentially bought by JP Morgan, with shareholders taking a full write-down). The US also faced up to its worst political stand-off surrounding the extension of its debt ceiling seen for many years. The relatively benign outcome – mostly a postponement of the same problem to another day – didn't look wholly assured for several weeks during the quarter, and the political solution was only reached at the eleventh hour. This caused a fair amount of discord across short-term money markets in the US, the complete unwinding of which will continue to be seen over the remainder of this year.

On the surface, the eurozone has faced a similar dynamic to the US, with concerningly sticky inflation (5% to 6%) and a buoyant jobs market (unemployment at a record low of 6.5%). But there is a very important difference: the extent of economic stagnation in Europe is more pressing. For Q4-22 and Q1-23, quarterly GDP growth was negative, with the Q2-23 high frequency data showing little evidence of an imminent resurgence. The balancing factor for a strong jobs market and weak growth lies with deteriorating worker productivity. But explanations for this have been wildly divergent and unsettled, as have potential policy prescriptions. But what can be agreed upon are the substantial differences within the eurozone itself: between the public sector and private labour markets; across diverse sectors; goods versus services industries; and especially between different member states. This divergence in economic experience and endurance of the existing slowdown complicates how the ECB sets monetary policy. It's a perennial problem for interest rates across a large and varied economic union – but an acute one at present. Despite these complications for policy-setting, the ECB has been the most consistent of the major central banks in its focus and messaging and that continued in Q2-23. With core inflation still high and little to indicate this will fall rapidly soon, the ECB signalled its intent to continue removing accommodation and pulling inflation expectations lower.

Developed nation sovereign bond curves largely delivered similar aggregate return profiles over Q2-23. Bear flattening was essentially the universal move. Short-end rates swung higher as monetary policy expectations readjusted to the data flow and unusually unambiguous central bank guidance. Longer maturity interest rates repriced higher in sympathy, but the step-up tapered off the further along the curve one went. With the ECB having been most consistent with their guidance before Q2-23 (and having more room to adjust their policy rate upwards), rate expectations in Europe were already firmly pinned for additional hikes. This sentiment was merely solidified over Q2-23, and hence interest rate moves were the most muted across core European yield curves. Conversely, the UK experienced exceptionally large upside inflation shocks into a market that was guided by the Bank of England into anticipating an imminent conclusion to their hiking cycle. The weakness across the entire GBP yield curve was substantial.

While developed market (DM) long-dated interest rates predominantly experienced weakness over the quarter, trading ranges were mostly quite subdued. The benchmark US 10-year Treasury yield only experienced modest weakness over the quarter from its starting levels at the end of Q1-23 of c. 3.5%, closing at c.3.80% – the weakest levels seen over the period. The 10-year German Bund yield traded in an even more restrained range, opening around 2.30%, reaching highs of about 2.50% intra-period and closing at c.2.4%. The UK 10-year gilt, however, had a torrid time: opening at c.3.45% and ending nearly 100 basis points (bps) higher.

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Within the DM inflation-linked bond space, there was little excitement. Break-even rates (the difference between equivalent maturity nominal and inflation-linked bond yields) were mostly all stable to modestly lower across DMs for the quarter. Ostensibly, this reflects a market belief in the updated guidance provided by most G10 central banks that indicate more tightening is necessary, but also an implicit recognition that these additional rate hikes will likely prove sufficient to regain control over inflation in the medium term. So long-term real interest rates were higher across most of the developed world.

Very unusually but encouraging for these markets, is that local emerging market (EM) bonds managed to stage an aggregate rally over Q2-23. The overall market managed +2.75% unhedged in USD terms – a very decent result. Bond market performances in local currency terms were diverse, although there were few countries with negative returns for the quarter (most notably: Turkey, South Africa, and Thailand).

Inflation data confirming a disinflationary path for many emerging markets, together with a solid performance from many EM central banks (which have been pro-active and assertive in their tightening cycles) have been key drivers. Indeed, unusually, aggregate EM inflation is currently around the same level as that for aggregate DMs (5% to 6%), when the norm is for EMs to run noticeably higher inflation. The broad stability of the US dollar over the period has helped, keeping EM currencies largely stable, with a couple of exceptions. It has also helped that growth outcomes across many EMs over the last few months have actually proven unusually resilient. This is somewhat surprising given the sluggishness in Europe and the (seeming) faltering start in China over the same period, which have both tended to be phenomena that dampen trade and activity in many EMs. A final contributor was good fiscal outcomes across many EMs, partly a result of favourable macroeconomic developments and, in numerous instances, solid policy choices.

Within the hard currency EM bond market, there was an exceptionally wide distribution of performances, although no outsized drawdowns from any of the primary EMs. There were, however, several outsized gainers over Q2-23. Just like Q1-23, these hefty gainers were almost all drawn from the dubious club of defaulted or distressed sovereigns. The aggregate index delivered 2.2%, which lagged that provided by local currency EM bonds and was of much poorer quality. With base rates not helping much, the overall performance came from meaningful spread compression (c.50bps).

In contrast to an especially volatile first quarter, the US investment grade (IG) corporate credit market had a much more sedate second quarter. For the market, the related index spread mainly kept within a range of 135-150bps over the period, with a strong finish at the end of June. Overall, a reasonable excess return (i.e., with base interest rates hedged) performance was seen: +1.4% from 0.3% in Q1-23. However, on a total return basis, the IG market declined modestly (-0.2%) after a very strong Q1-23 (+3.4%) as base rates moved higher over the period. Spreads performed best at longer maturities – credit spread curve flattening – but this was largely offset by the duration drawdown on a total return basis. Thus, the best risk-adjusted returns were found at the very short end of the curve despite policy rate expectations causing bear curve flattening in the risk-free curve.

A similar profile was to be found in the US High Yield (HY) corporate credit market in Q2-23. However, the lower duration and higher coupons of the related index ensured that the total return outcome for the quarter was still positive at +1.6%, albeit lower than the impressive +3.7% seen in Q1-23. Excess returns were a solid +2.8% (versus +1.4% in Q1-23). Indeed, HY spreads closed the quarter at the low end of the range (c.400bps) established since the start of the Fed’s breakneck hiking cycle in early 2022.

The IG and HY markets in Europe largely echoed the market leadership provided by the US. However, the European IG market managed to deliver a positive outcome (+0.5%), although the base for the quarter wasn’t nearly as demanding as in the US, after a pedestrian gain of +1.6% in Q1-23. For European HY, total returns were low but positive at +1.7% after a strong start to the year of +2.7%.

Finally, across real estate markets, the second quarter bore witness to all the same struggles experienced in the Q1-23. Indeed, the overwhelming significance and focus on REIT borrowing costs didn’t pale at all, despite the repricing seen in prior months. Balance sheets across all markets remained in focus, with a fair degree of trepidation at the prospect of further cap rate expansion. This concern is very understandable, as real yields continue to adjust upwards in major DMs, and aggregate real estate cap rates are arguably still very low from a historical perspective. The FTSE EPRA NAREIT Global Index (USD) returned +0.9% over the quarter after a better, but still paltry, +1.7% in Q1-23. By sector, offices remain the most challenged across most regions. However, this is particularly acute in the US – vacancy rates here are around 20% - and the news flow over the quarter hasn’t been encouraging, with several high-profile instances of assets being transferred to lenders. But it is also worth highlighting that real estate is always a local market and that the aggregates across regions and sectors will hide the pockets of strength and opportunity.

With respect to 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 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 relatively low-key. There are very good reasons for this. Most importantly, with US short-dated rates at their current highs and bolstered by expectations for further Fed interest rate hikes, there is plentiful opportunity to achieve the Strategy's objectives within the short end of the US yield curve. Indeed, with base rates as elevated as they are, there is even less call to pursue additional yield through alternative avenues. Furthermore – as is always the case in late-stage tightening cycles – investors do need to be especially cognisant of the fundamental risks posed by the lagged effects of rapidly increased borrowing costs. With tightening monetary conditions necessary to subdue inflation and control inflation expectations, corporate fundamentals will become more challenged. In this circumstance, there is always the potential for policy errors to arise and monetary tightening to be pushed too far, raising the risk of a much deeper and more damaging economic slowdown.

Within the non-USD space, there was limited activity. The most interesting addition came from a long-duration exposure to local currency Mexican sovereign debt. In recent years, the Strategy has had a fair degree of involvement within this market, both at the sovereign and corporate exposure level, and through both local and hard currency instruments. Longer-dated Mexican duration offers a favourable return profile. Not only has Banxico's policymaking been proactive and assertive, but the results of this uncompromising approach appear set to bear fruit in the quarters ahead. By gaining exposure to currency-hedged, long-dated Mexican peso-denominated bonds, the Strategy can benefit from a reduction in both realised inflation in Mexico and a compression of the inflation risk premium evident in the curve. With local yields currently around 9%, there is significant room for compression over the next two years.

In non-USD DMs, the Strategy re-entered an exposure to Imperial Brands. This is a familiar entity to the Strategy, with the Strategy holding positions in this issuer's paper in prior years. The bond was a senior GBP issue, with a maturity date of less than one year and a coupon step-up in the event of a rating downgrade to HY. At an outright yield level of c.6.5%, and what we view as a very comfortable short-term outlook for the entity, this was an especially attractive find during the quarter. Resources for this addition came from the Strategy's holding of a GBP corporate credit exchange traded Strategy (ETF). ETFs are typically used within the Strategy as a liquid placeholder that captures a broad exposure assessed as cheap on aggregate, with the view that this gets rotated into specific entities with a better risk-reward profile than the market on average.

The Strategy also chose to increase its exposure to property equity during the quarter. At the end of March, the Strategy's equity REIT holding was deliberately subdued, in recognition of the challenging backdrop and attendant risks of extended rate hiking cycles, even as sizeable long-term opportunities within the asset class continuously beckoned. The material, widespread weakness in Q2-23 provided a valuable opportunity to top up the Strategy's existing REIT exposures. These are the entities that offer particularly good long-term prospects, with a bias in favour of those that have solid balance sheets and well-distributed funding profiles. Examples of such entities include British Land, Derwent and Segro.

As highlighted previously, the end phase of any interest rate tightening cycle is usually difficult for fixed income markets to navigate. This time it has also proven to be the case, and it's far too early to even call the completion of hiking cycles across most primary markets. While there haven't been major systemic consequences arising out of the US and European banking sector wobbles in Q1-23 yet, there is still plenty of time for these, or other fragilities, to arise.

The Strategy 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 Strategy retains both the appetite and ability to continue accumulating these exposures. But this needs to be executed judiciously.

For particularly cyclically-exposed entities, the worst economic outcomes remain only partially priced. Deep recessions within either the US or Europe would still be painful across many risk assets if they were to arise. As such, and given the Strategy's already attractive outright yield, the Strategy 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 Strategy and provides a favourable base off of which the Strategy can navigate the phases of the cycle still to come.