

2025

INVESTING OFFSHORE



COROLAB

Your guide to investment ideas

CORONATION

TRUST IS EARNED™



The Coronation client charter

- + We strive to always put clients first
- + We have an unwavering commitment to the long term
- + We focus on producing top performance over all meaningful periods
- + We are uncompromising about ethics



Overview

As a South African investor, one of the best investment strategies is to ensure that your asset base is appropriately diversified.

By not putting all your “eggs” into a single (and notably small) basket, you spread your investment risk and return opportunities across geographies and, importantly, jurisdictions.

This edition of *Corolab* demonstrates:

- ▶ the benefits of strategic diversification into international markets;
- ▶ why it makes sense to consider doing so with a manager who has proven and established global capabilities across both developed and emerging markets; and
- ▶ how best to take action.

The benefits of an appropriately diversified asset base

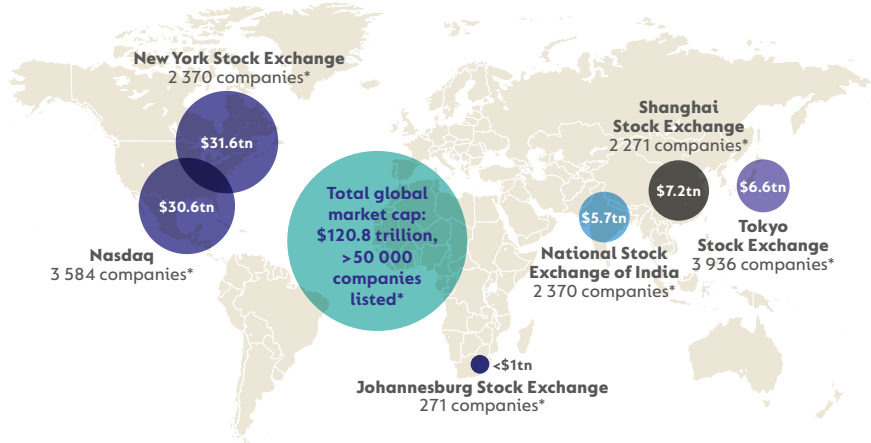
Strategic diversification into international markets holds the following benefits for your portfolio:

1. Enhanced returns through larger, more diverse and deeper markets

The sheer magnitude of investment opportunities outside our home market is evident in the combined market capitalisation of the world's top five exchanges*, which exceeded \$80 trillion (and comprised more than 14 500 listed companies) compared to the JSE's ~\$1 trillion (and universe of 271 listed companies) as at end-December 2024.

Diversify your asset base into larger and deeper markets

The world's largest exchanges by market cap vs the JSE



*number of domestic and foreign companies listed

Source: World Federation of Exchanges as at end-December 2024

When you widen your investment universe, you gain exposure to engines of innovation and growth, and access industries that are not as deep in our home market, likely improving your overall investment outcomes.



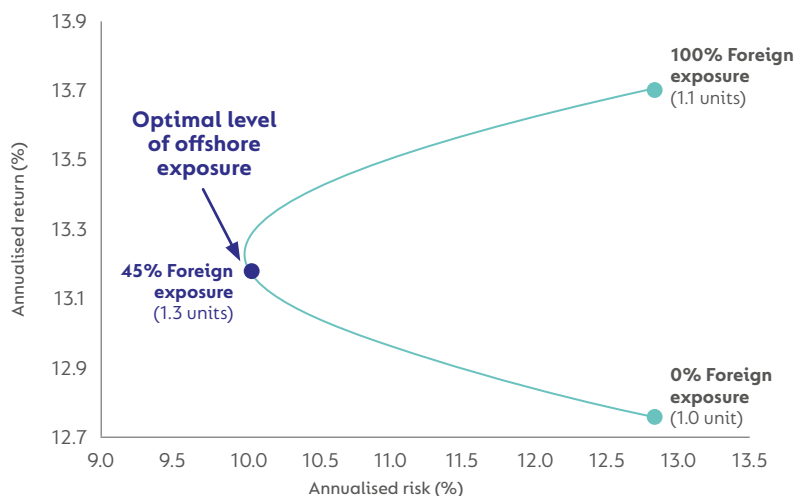
What do you get when you combine a greater opportunity set with more diversification?

The following graph demonstrates that South African investors who diversify their asset base with meaningful international exposure can expect better risk-adjusted outcomes from their long-term investment portfolios.

At 0% international exposure, investors are compensated with 1 unit of return for every unit of risk taken. But by having international exposure of 45%—the optimal point—investors' return increases, and their risk decreases, meaning that they can achieve 1.32 units of return for every unit of risk taken.

Risk-return frontier since 1950

Achieve less risk and a higher return with optimal offshore exposure



Source: Coronation research as at 28 February 2025

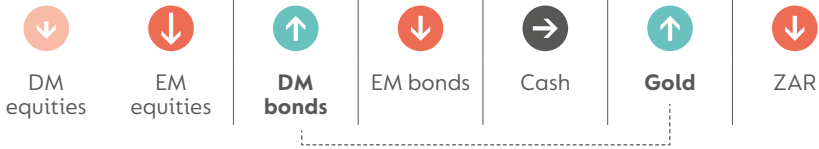
2. Reduced overall risk through uncorrelated returns

When considering which asset classes to include in your overall investment portfolio, it is vital to consider correlation. Correlation measures how closely the price movements of two asset classes are related.

You can combine asset classes with negative or no correlation to reduce your investment portfolio's overall risk. This means that if one asset class in your portfolio declines during a market downturn, other asset classes will either rise or remain unaffected, resulting in a better overall outcome and reduced overall risk.

Consider an SA-heavy portfolio with exposure to the following asset classes.

Typical direction of price movements in risk-off scenario



Source: Coronation

In a severe risk-off event, the inclusion of developed market assets (specifically bonds), gold and cash can offer much-needed diversification at a time when equities (global and SA) typically sell off and emerging market bonds depreciate.

The following table demonstrates the value of introducing global assets to your South African portfolio.

- South African equities and bonds have low to negative correlation with their global equivalent asset classes, and
- there is an even lower correlation when looking at the relationship between asset classes (i.e. SA equity to global bonds and SA bonds to global equity).

SA equity and bond returns are uncorrelated with that of their global equivalents

Correlation of returns in ZAR (2001 to 2025 YTD)

	Global equity	Global bonds
SA equity	0.52	-0.05
SA bonds	-0.22	-0.34

Source: Coronation and IRESS

The key takeaway from this exercise is that by allocating money internationally, you add another asset class or set of asset classes to your overall investment portfolio, that behave differently to those in your local asset class mix, especially when factoring in the impact of the local currency.



3. A further perk – hedging your future shopping basket

Many items in the South African consumer's shopping basket (from fuel to food to healthcare) are largely priced in foreign currencies as the inputs are either commodities (with prices struck in global markets) or heavily reliant on imported content.

Having adequate international exposure within your overall investment portfolio is a hedge against the long-term change in the price of this part of your future shopping basket.

Your future shopping basket

Everyday expenses are influenced by currency fluctuations



Medical costs

Prices of pharmaceuticals and treatments are subject to currency changes



Education

Especially for those who want the option of studying overseas



Technology

Mostly imported



Transport

Through commodity prices that are set in hard currencies

Episodes of currency weakness will more than likely remain a strong driver of price increases into the future. Having more than the minimum offshore exposure recommended for retirement savers may also be warranted for those planning for future liabilities in hard currency. This would include expenses such as overseas travel (for leisure purposes or visiting family members living abroad), business opportunities, investing for the next generation's education, or emigration.

A deeply established global offering investing according to a tried-and-tested approach

We've spent the last 25+ years using a deliberate and methodical approach to building a comprehensive global fund range to meet South Africa's every offshore investment need. Today, this range has a demonstrable track record, and we are proud to be one of the few local investment firms with:

- ▶ **critical mass** to build world-class teams in both the domestic and global markets;
- ▶ a deeply established global offering, **covering all major asset classes (building blocks) and multi-asset class strategies** that clients may require;
- ▶ Many of our global funds have **multi-decade track records**; and
- ▶ More than \$12bn of our total AUM* is managed by our global efforts, supported by a team of more than **20 professionals who solely focus on global markets** (with no South African responsibilities), including 17 experts with >10 years of investment experience.

When investing offshore with us, you invest into a single, valuation-driven investment philosophy that has been tested through many market crises and applied by a global team of skilled investment professionals (see below) who consistently collaborate to identify the most attractive opportunities (regardless of asset class or geography) for inclusion in each of our global funds.

A highly experienced, stable and integrated global investment team

52 investment professionals, 42 CFA charterholders and 3 former CIOs



A single long-term valuation-driven investment philosophy

We focus beyond five years. This allows us to invest in assets that we believe are trading at substantial discounts to our assessment of their underlying long-term value.



Deep proprietary research

An extraordinary amount of deep research informs every position owned on our investors' behalf across all of our portfolios.



Constant interaction and information sharing

Our entire global investment team constantly interacts and exchanges investment information.

*as at end-December 2024



Creating significant value in global markets

Our proven capabilities to allocate across markets and asset classes have generated significant value for investors over the long term, as demonstrated by the 26-year track record of one of South Africa's longest-running global multi-asset class strategies, **Coronation Global Optimum Growth**. The Fund is an unconstrained global portfolio that allocates to our best ideas across asset classes in developed and emerging markets.

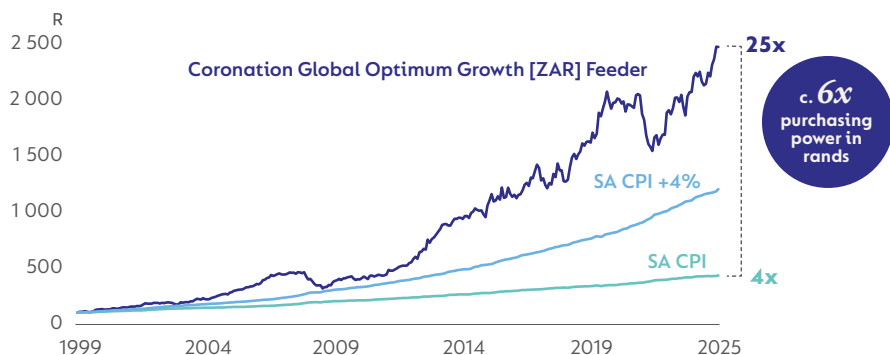
Key highlights for the rand-denominated feeder fund as of end February 2025 include:

- + outperformed SA inflation by 7.2% p.a. since inception in March 1999; and
- + ranked first in its ASISA category since launch.

As demonstrated in the graph below, for every R1 invested in Coronation Global Optimum Growth at inception in March 1999, you would have R25 today compared to R4 needed to keep up with inflation – resulting in a 5.8 times increase in purchasing power over that period (or a 4.2 times increase in purchasing power in USD terms over that same period).

26 years of significant value creation in real terms

Accumulated value of R100 invested since inception



Rand returns	Fund	CPI	Benchmark ¹
Since inception (ann.)	13.0%	5.8%	11.2%
10-years (ann.)	9.3%	5.1%	9.5%

¹ Composite: 35% MSCI World, 35% MSCI EM, 30% BGBA
 Highest annual return 51.1% (Jan 2013 – Dec 2013); Lowest annual return -31.5% (Mar 2008 – Feb 2009)
 See pages 12-13 for full fund details

Source: Coronation and IRESS as at end February 2025

How much international exposure is appropriate?

The amount of international exposure that you should have as part of your long-term investment portfolio depends on how much you have to invest.

I only have the budget to save for retirement

If you only have the budget to save for retirement via compulsory/traditional retirement vehicles such as an RA or employer-sponsored retirement fund, the following guidelines apply:

Pre-retirement

35% - 45%

For retirement savers, who want to fund a retirement income in South Africa, quantitative research shows that the optimal level of offshore exposure is around 35% – 45% through the cycle.

Post-retirement

25% - 35%

For investors already in retirement, who need to carefully match their annual income to their rand expenses, studies recommend average offshore exposure between 25% – 35%.

Typically, these investors would consider investing in a Regulation 28-compliant (Reg 28) multi-asset fund in which the international allocation decision is made on their behalf.

🔗 Read more about our Reg 28-compliant multi-asset funds aimed at pre- and post-retirement savers in our respective **Investing for long-term capital growth** and **Investing for income and growth** *Corolabs*.

I have non-retirement savings that I want to invest offshore



Investors who can justify a larger international allocation include those who:

- spend regularly in foreign currency;
- are considered high net worth in a global context;
- need to consider offshore bequests because multiple generations live on different continents; and/or
- do not need to draw a significant domestic income from their savings.



Investing offshore with Coronation

Investors who require more international exposure than achievable by way of their retirement savings (as discussed earlier) can consider using their discretionary (or non-retirement savings) to invest offshore with Coronation. We offer three access points to the same underlying portfolios as detailed in the table below.

 Investing offshore in rands		 Investing offshore in a foreign currency
Rand-denominated international feeder funds <ul style="list-style-type: none"> + Easy to use and access (established in South Africa) + Full economic but not jurisdictional diversification + No tax clearance or currency conversion required + Paid back in rands when you withdraw + No limit on the maximum you can invest per year 	Actively-managed exchange-traded funds* <ul style="list-style-type: none"> + Easy to use and access (established in South Africa) + Full economic but not jurisdictional diversification + Ability to trade intraday + No tax clearance or currency conversion required + Paid back in rands when you divest + Feed into the Coronation offshore UCITS funds + No limit on the maximum you can invest per year 	Foreign currency denominated offshore funds <ul style="list-style-type: none"> + Full economic and jurisdictional diversification (the funds are incorporated in Ireland and thus governed by laws of that country) + Requires converting your rands into foreign currency + Invest up to R1m annually without prior approvals + Invest a further R10m annually with tax clearance + Requires a foreign-domiciled bank account



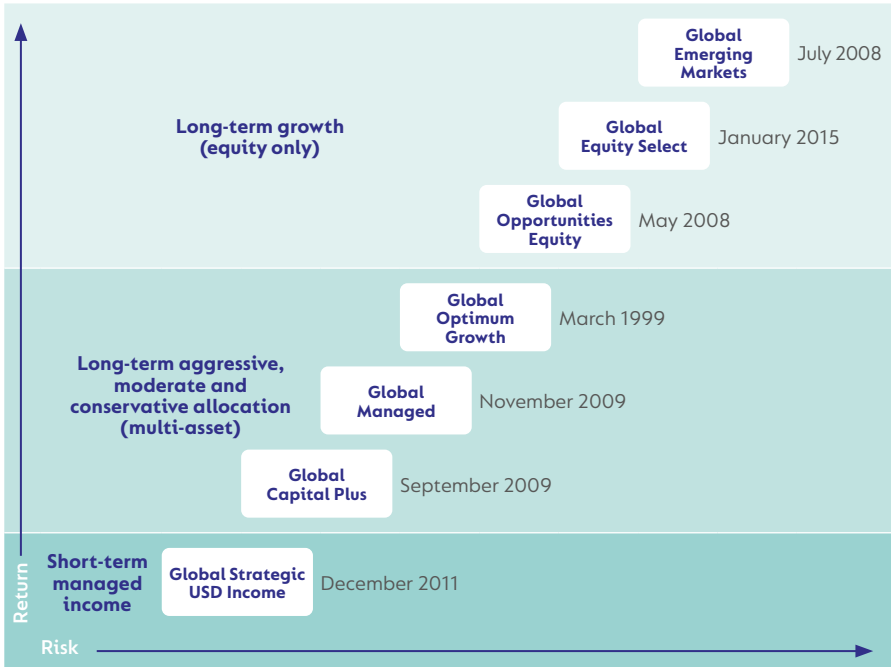
*What is an Actively-Managed Exchange-Traded Fund (AMETF)?

A listed investment product, managed by a fund manager who uses an active investment strategy aimed at outperforming a benchmark as opposed to passively tracking an index. Coronation's suite of AMETFs is listed on the JSE and can be accessed directly through stockbrokers and online share trading platforms.

An established international fund range

To give you access to the best global opportunities, we offer a range of multi-asset class and building block solutions (as per the table below), designed to meet specific investor needs.

A deeply established global offering





Conclusion

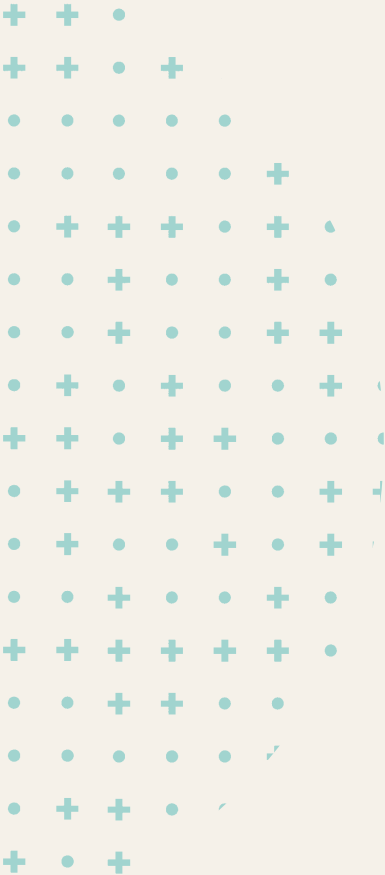
As we have shown in this edition of *Corolab*, it makes sense to diversify your asset base as a South African investor. By living, working and owning a house in our local market, you already have significant country-specific risk, arguing for additional international exposure.

At Coronation, we have spent more than a quarter of a decade building a global fund range that meets the needs of South African investors. All of our global funds are available in rands and US dollars and are managed by a global team of skilled investment professionals who are collaborating and applying our single, valuation-driven investment philosophy to identify the most attractive opportunities, regardless of asset class or geography.



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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. Where foreign securities are included in a fund it may 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 Coronation Money Market and Coronation Corporate Money Market Funds ("Money Market Funds") are not bank deposit accounts. The fund has a constant price, and the total return is made up of interest received and any gain or loss made on any particular instrument. In most cases the return will merely have the effect of increasing or decreasing the daily yield, but in the case of abnormal losses it can have the effect of reducing the capital value of the portfolio. Excessive withdrawals could place the Money Market Funds under liquidity pressures. In such circumstances a process of ring-fencing of redemption instructions and managed pay-outs over time may be followed. A fund of funds invests in collective investment schemes that levy their own fees and charges, which could result in a higher fee structure for this type of fund. 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 (the "Management Company") approved by the Financial Sector Conduct Authority in terms of the Collective Investment Schemes Control Act. Unit trusts are traded at ruling prices set on everyday trading. Forward pricing is used. For Domestic Unit Trust Funds and Tax-Free Investments, including rand-denominated Offshore Unit Trust Funds, 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). For these Funds, instructions must reach the Management Company before 14h00 (12h00 for the Money Market Funds) to ensure same day value. Withdrawal instructions from the Coronation Corporate Money Market Fund will be paid by 14h00 on the day of instruction if they are received before the 12h00 (noon) cut-off time. Withdrawal instructions from the Coronation Corporate Money Market Fund received after 12h00 but before 17h00 will be paid by 09h00 on the following business day. For Offshore Unit Trust Funds that are denominated in a foreign currency, fund valuations take place at approximately 17h00 each business day (Irish Time) and instructions must reach the Management Company before 12h00 (SA Time) to ensure the value of the next business day. For Retirement Products, fund valuations take place at approximately 15h00 each business day, except at month end when valuation is performed at approximately 17h00 (JSE market close). For these Products, instructions must reach the Management Company before 14h00 to ensure the value of the next business day. For full fund details, please refer to their minimum disclosure documents available on www.coronation.com. Additional information such as fund prices, brochures, application forms and a schedule of fund fees and charges is available on our website, www.coronation.com. This publication is for informational purposes and should not be taken as a recommendation to purchase any individual securities. 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For **enquiries** you can call us on **0800 22 11 77**
or email us at **clientservice@coronation.com**.

For **new applications or transactions** you can email your forms directly to
transact@coronation.com or fax us on **+27 21 680 2100**.

For **more information or to invest online**, visit us on **www.coronation.com**.