

NEWS RELEASE

Coronation: Active management delivers in emerging markets and Africa

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Following the events of 2008, emerging markets sustained their excellent performance in the past quarter, with most African markets following suit. Through smart stock selection and asset allocation the Coronation Emerging Markets and Africa funds trumped their benchmarks to deliver superior returns for the year to end September 2009.

The Coronation Global Emerging Markets Fund has returned an annualised 4,7% since inception in July 2008, outperforming the MSCI Emerging Markets Index by 12.1%. Similarly, the award-winning Coronation Africa Fund* (also launched in July last year) has delivered 12.5% since inception, against the -20% of its comparable benchmark, the Dow Jones Africa Titans Index.

Both funds are managed out of Cape Town and form part of the broader range of global funds offered by Coronation.

Coronation Global Emerging Markets

“The strength of the Coronation Global Emerging Markets Fund’s performance has been driven by a number of factors. For example, our exposure to the most popular countries in emerging markets (BRIC countries - Brazil, Russia, India and China) was low going into the market collapse of September/October 2008 as asset prices were inflated in our opinion,” explains portfolio manager Gavin Joubert.

“The significant declines in late 2008 provided us with the perfect buying opportunity to increase the fund’s exposure to China and Russia in particular; and we have benefited from the subsequent large upward moves in these markets.

As markets rally we are however disciplined about selling stocks with little upside, reducing exposure in many holdings. For example, exposure to commodities has shifted away from metals and materials, which we believe are expensive, toward oil and gas. Accordingly, we have increased our holdings in Gazprom, Petrobras and the Italian-listed energy giant ENI who has the bulk of its reserves in Africa and Central-Asia.”

Joubert believes the logic for investing in emerging markets is two-fold. “Firstly, the long-term prospects for these markets over the next 5 to 10 years are very attractive and secondly, the closet index tracking approach of many global emerging market managers provides a great opportunity to extend Coronation’s proven bottom-up, stock picking abilities to the world’s growing economies.”

Coronation Africa

Being true to a valuation-centred investment philosophy is what grounds our approach, and this is no different when investing in Africa, comments portfolio manager Peter Leger. “By consistently anchoring off a fair-value approach, we have avoided investing in overvalued equities and protected the fund from significant downside.”

“Nigerian banks comprise a significant portion of the investable universe in Africa and we have been underweight this sector since inception of the Africa fund. In recent months Nigeria’s banking sector fell out of bed, vindicating our stance.” Ten of Nigeria’s 24 banks have now been placed under the management of the Central Bank of Nigeria after failing an audit of liquidity, corporate governance and capital adequacy.

Leger believes there is still a long way to go in reorganising and restructuring the sector, but feels that some of the most important steps have now been taken. "The potential profit pool in Nigeria is large and it will now be divided amongst a smaller number of stronger banks. We have therefore been increasing our investment into the high quality banking names that we have held through the crisis."

This situation has also played itself out in Egypt, where valuations hit extremes and then corrected sharply. During the course of the second quarter of 2009, the Coronation Africa Fund went from a very underweight position to overweight, following the correction – reinforcing the fund's returns, says Leger.

"We are invested in a number of consumer-facing businesses which trade on attractive valuations and offer multi-year earnings growth as a result of our bottom-up analysis. Looking five years out (and more), few geographies offer the compelling consumer opportunity that Africa does, and this has been reflected in our valuations and portfolio positioning."

Fact sheets available on request

**Coronation was recently announced as runner-up in the category Best African Fund Manager at the Africa investor Index Series Awards ceremony held in New York. The awards are based on performance for the period April 2008 to April 2009.*

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Notes to the editor:

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