

LONG TERM OBJECTIVE

The Coronation Global Emerging Markets Equity Strategy provides access to what we consider to be the best investment opportunities in Global Emerging Markets. It aims to deliver capital growth through a focused equity portfolio of securities of companies based in emerging markets or that derive a significant portion of their business from emerging economies. The objective is to outperform the MSCI Emerging Markets Index over 5 years and longer periods.

INVESTMENT APPROACH

Coronation's investment philosophy aims to produce outperformance by focusing exclusively on the long term. We conduct our own research to determine what a share is worth, and only invest if it trades sufficiently below this level. We focus on what a business will earn in a 'normal' environment over the long term and what investors, in our view, should be willing to pay for such an earnings stream today. This allows us to ignore short term 'noise', which is a key competitive advantage since shares often trade on near-term earnings prospects instead of long term earnings power. Given the large investable universe, we have a preference for above-average businesses – those that exhibit a combination of key factors such as sustainable competitive advantage, pricing power, decent returns on capital and high cash generation abilities – but our decision to invest will always be based on whether there is sufficient margin of safety relative to the risks of each investment case. Our portfolios are fairly concentrated (50-60 stocks) and reflect our high-conviction ideas prominently. They are constructed without any reference to the benchmark, so short term returns will differ materially - whether positive or negative - from those of the benchmark. Over a more meaningful measurement period of at least five years, our focus on owning only undervalued shares should, in our view, deliver performance in excess of the benchmark. Risk is controlled by only owning stocks that trade well below fair value to mitigate the risk of significant loss of capital from owning overvalued shares. Our portfolios are constructed with no excessive exposure to any one country, industry or other single identifiable factor that can have an unexpected and outsized impact on portfolio returns.

STRATEGY RETURNS GROSS OF FEES

Period	Strategy	Benchmark	Active Return
Since Inception (cumulative)	118.7%	42.7%	76.0%
Since Inception p.a.	8.6%	3.8%	4.8%
Latest 7 years p.a.	6.8%	2.8%	4.0%
Latest 5 years p.a.	7.1%	4.6%	2.5%
Latest 3 years p.a.	8.7%	9.2%	(0.5)%
Latest 1 year	40.7%	37.3%	3.4%
Year to date	40.7%	37.3%	3.4%
Month	0.8%	3.6%	(2.8)%

*For a side-by-side comparison of gross and net performance, please refer to <http://www.coronation.com/us/strategy-performance>

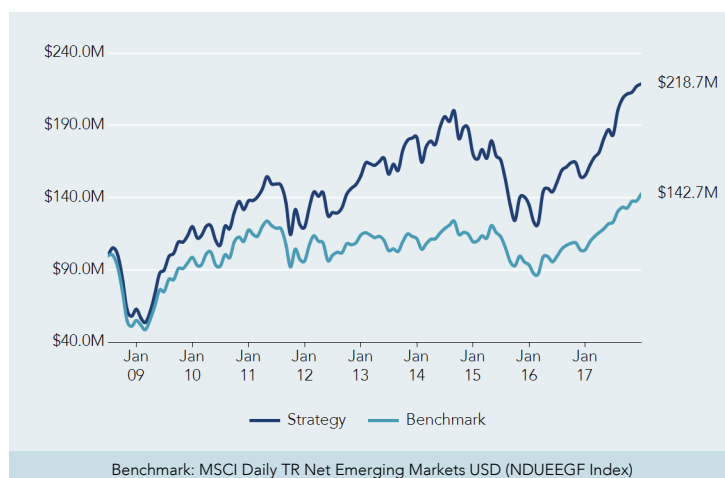
SECTOR EXPOSURE

Sector	% Strategy
Consumer Discretionary	33.8%
Financials	22.0%
Consumer Staples	18.7%
Information Technology	16.6%
Industrials	3.6%
Health Care	2.6%
Cash	2.7%

GENERAL INFORMATION

Inception Date	14 July 2008
Strategy Size	\$6.37 billion
Strategy Status	Open
Mandate Benchmark	MSCI Daily TR Net Emerging Markets USD (NDUEEGF Index)
Redemption Terms	An anti-dilution levy will be charged
Base Currency	USD

GROWTH OF US\$100M INVESTMENT



The performance shown is gross of fees.

TOP 10 HOLDINGS

Holding	% Strategy
NASPERS LIMITED (ZAF)	7.3%
JD.COM INC ADR (CHN)	5.6%
KROTON EDUCACIONAL SA (BRA)	4.9%
MAGNIT OJSC-SPON (RUS)	4.4%
HEINEKEN NV (NLD)	3.9%
PORSCHE AUTOMOBIL HLDG-PR (DEU)	3.8%
BRITISH AMERICAN TOBACCO PLC (ZAF)	3.7%
SBERBANK OF RUSSIA (RUS)	3.7%
AIRBUS SE (FRA)	3.6%
58 COM INC-ADR (CHN)	3.4%

GEOGRAPHIC EXPOSURE

Country	% Strategy
China	19.3%
South Africa	12.1%
Brazil	12.0%
India	11.5%
Russian Federation	10.3%
Netherlands	6.2%
United States	4.7%
South Korea	4.2%
Germany	3.8%
France	3.6%

Country	% Strategy
Hong Kong	3.4%
Mexico	2.1%
Taiwan	1.5%
Indonesia	0.7%
Philippines	0.6%
United Kingdom	0.5%
Turkey	0.5%
Chile	0.3%
Cash	2.7%

PORTFOLIO MANAGERS



Gavin Joubert - BBusSc, CA (SA), CFA

Head of Global Emerging Markets, Gavin has 18 years' experience as an investment analyst and portfolio manager. He joined Coronation in 1999 and manages assets within the Global Emerging Markets Equity Strategy.



Suhail Suleman - BBusSc, CFA

Suhail is a portfolio manager within the Global Emerging Markets investment unit. He joined Coronation in 2007 and has more than 14 years' investment experience.

FUND MANAGER

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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. Material facts in relation to the Benchmark are available here: <https://www.msci.com/emerging-markets>

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REVIEW FOR THE QUARTER

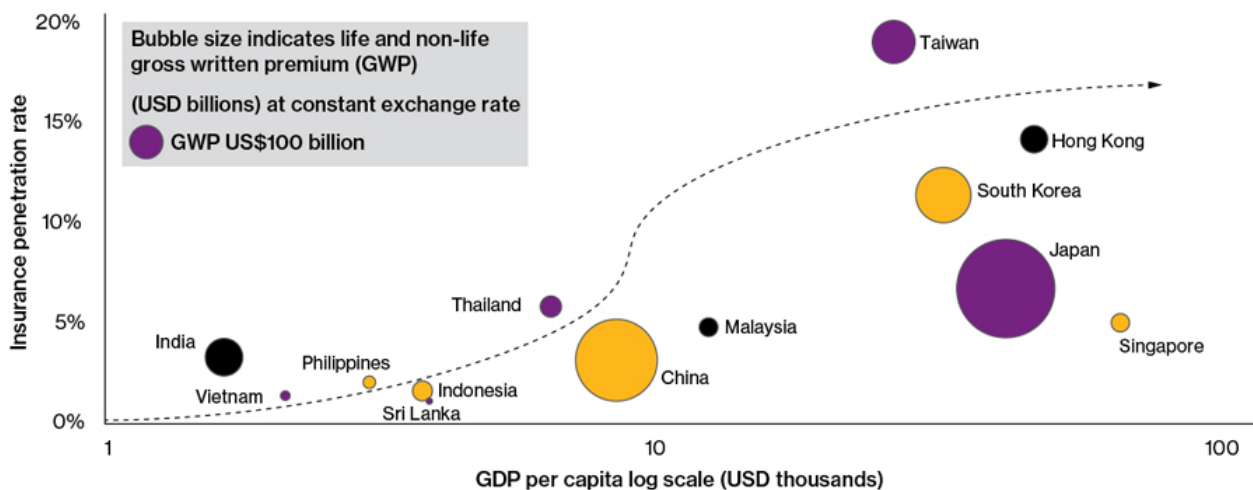
The Coronation Global Emerging Markets Strategy returned 40.7% in 2017, which was 3.4% in excess of the benchmark’s return of 37.3%. In our view, longer time periods are a far more meaningful indicator of performance, and in this regard since inception 9.5 years ago the strategy has outperformed the market by 4.8% per annum. Over 7 years and 5 years, the strategy has outperformed the market by 4.0% per annum and by 2.6% per annum respectively.

The largest positive contributors to alpha for 2017 as a whole were Naspers (+89.3%, 2.6% contribution), 58.com (+155.2%, 2.6% contribution), Estácio (+99.0%, 1.6% contribution), JD.com (+63.2%, 1.2% contribution) and Porsche (+55.8%, 0.96% contribution). Other notable (>0.5% contribution) positive contributors were Hering, Melco Resorts, Sberbank and Brilliance China. In terms of detractors, Magnit was the single largest detractor (-3.6% contribution), followed by Steinhoff (-3.4% contribution) and not owning Tencent (-2.7% contribution, although this was largely offset by the Naspers positive contribution). Smaller negative detractors included Samsung (-1.3% impact from not owning for most of the year), Tata Motors (-1.2% contribution) and Alibaba (-1.1% contribution, although this was partly offset by a 0.4% positive contribution from Alibaba). By country, the 3 largest positive contributors were China (+3.1% contribution, largely coming from the Chinese internet stocks but also Brilliance China Automotive and Melco Resorts), Brazil (+3.0% contribution, mainly the Brazilian education companies and also the clothing retailer Hering) and Taiwan (+1.4% contribution). The 3 largest negative contributors by country were Russia (-2.4% contribution, largely Magnit), Korea (-1.8% contribution) and India (-1.5% contribution).

In terms of strategy activity over the past quarter there were 4 new buys – Ping An Insurance Group (2.3% of strategy), Samsung Electronics Preference shares (2.1% of strategy) and smaller new positions in Femsa (0.6%) and Reckitt Benckiser (0.5%). We also added to existing positions in Magnit, X5 Retail, C-Trip (all 3 of these as a result of weak share prices with little change in their long-term prospects in our view, and resultant increased upside to fair value), Yes Bank and Indiabulls Housing Finance (following a financials research trip to India in November).

In terms of sells the strategy sold out of Melco Resorts & Entertainment, Norilsk Nickel, Discovery (all 3 had performed strongly and reached our estimation of their fair value) and Anheuser Busch (better value in other consumer staples like Heineken and British American Tobacco which we added to, as well as the new Reckitt Benckiser buy). We also reduced the positions in Hering, Taiwan Semiconductor, YUM Brands (all 3 getting closer to fair value due to share price appreciation) and Axis Bank (better value in other selected Indian financials).

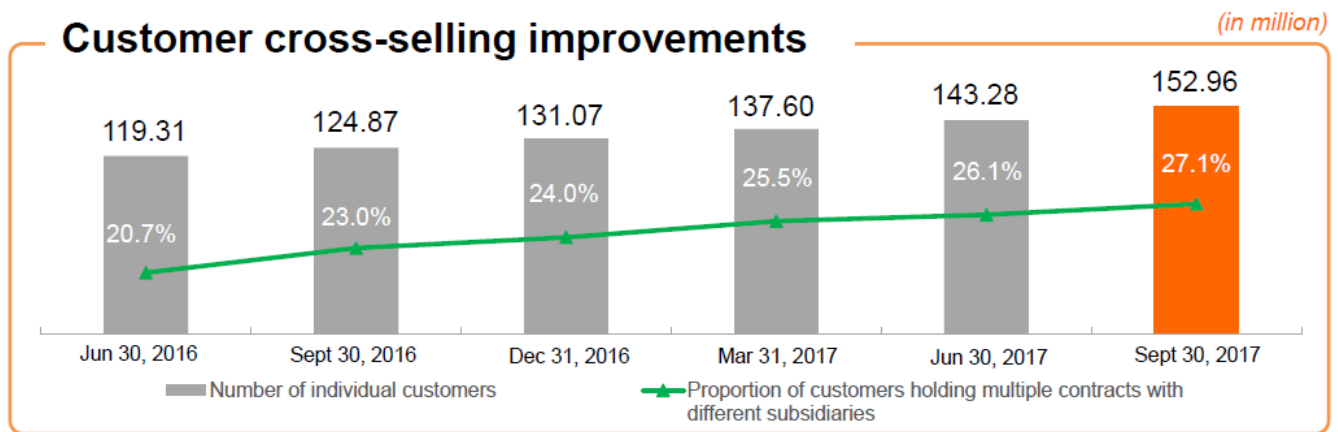
Ping An Insurance Group (Ping An) was the largest new purchase in the strategy over the quarter. Ping An is the largest private insurance company in China. The company has 153m customers in China and besides insurance products (life and non-life) also offers asset management and banking services. The company is very entrepreneurial with a founder chairman who is still very involved in the business and who owns a significant stake. Ping An’s VNB (value of new business) has grown by 33.7% per annum over the past 5 years, net profit by 32.8% per annum and dividends per share by 35.1% per annum over this same period. The insurance market in China is one of the lowest penetrated insurance markets globally and Ping An have a number of competitive advantages – a high quality brand, large and productive salesforce (1.4m agents with industry leading productivity), significant investment in technology and resultant leadership in fintech, privately run compared to most competitors who are state owned - that makes them well placed to take a high share of the growing Chinese insurance market over time.



Source: Bank of America

Whilst we have not owned Ping An before, we have followed it for many years and have owned AIA (the pan-Asian insurer and a key Ping An competitor in China) for the past few years, as well as owning Discovery (a JV partner to Ping An in China) until recently. Over time, these holdings have given us additional (positive) insight into Ping An. We have always held the view that the insurance assets of Ping An are very good assets and that the company is entrepreneurial and well run. In contrast, Ping An Bank (part of the Ping An Group) has historically been a concern of ours but over time, as the insurance business has grown at a high rate, the contribution from the bank has declined and is now only 17% of profits (from 35% of profits a few years ago) and a far smaller part of our fair value.

Besides an underpenetrated insurance market, Ping An has the opportunity to continue to drive cross-selling through their large customer base of 153m customers in our view. As per the graph below, over the past 5 years the cross-selling ratio (% of customers who have more than 1 contract with the Ping An Group) has increased from 20.7% to 27.1%. The use of technology together with a productive, well paid and incentivised agency force should lead to further gains in this regard.



Source: Ping An

Ping An generates a return on embedded value north of 20% and today trades on around 14x earnings (9x embedded value earnings) with a 2% dividend yield. Given the long-term prospects for Ping An, we believe this is a very attractive valuation.

The strategy has not owned Samsung for a few years but in the last quarter bought a new 2% position in the Samsung Electronics Preference shares, which trade at a 20% discount to the ordinary shares. Over time we have become more positive on the long-term prospects for the semiconductor industry (today c. 65% of Samsung’s profits) as the industry has continued to consolidate and as additional revenue streams (Big Data, AI, etc.) have emerged. In recent months, 2 of the analysts in the Coronation Emerging Markets and Global Developed Markets teams have been researching 2 semiconductor companies (ASML in Europe and Applied Materials in the US) and this work has further contributed to a more positive long-term view of the industry. It is however not even debateable that this industry is cyclical and will continue to be so. It is this cyclical and concern over the industry’s profitability in 2018/2019 that has resulted in Samsung’s share price declining over recent months. In our view, semiconductor profitability is indeed above normal and this is very likely to result in earnings pressure in the year or two ahead. However, the valuation of the Samsung Preference shares in particular are very attractive (c. 5.5x 2018 earnings with a 3.5% dividend yield) and given the more favourable long-term prospects for the industry we believe that this is an attractive entry point. Our 2 main concerns with Samsung over the past few years have been a) the sustainability of the high profitability of the semiconductor division and b) poor corporate governance, as indeed is the case with most South Korean companies. In this regard, besides the improvement in the long-term prospects for the semiconductor industry, there have in recent times also been corporate governance improvements at Samsung Electronics including the effective separation of the Chairman and CEO roles and a change in the capital return policy with a doubling of the dividend and a commitment to pay out 50% of free cash flow to shareholders between 2018 and 2020.

Fomento Económico Mexicano (‘Femsa’, 0.6% of strategy) is a company that the strategy has owned before but hasn’t owned for some time due to valuation. A recent decline in the share price as well as the sharp depreciation of the Mexican peso brought the share into buying range for a brief period. Femsa own 2 great assets which together make up over 70% of the value of the company: the Oxxo convenience stores and pharmacies in Mexico/rest of Latin America (c. 50% of our valuation) and a stake in Heineken (c. 22% of our valuation). Their 3rd major asset is a majority stake in Coca-Cola Femsa (c. 20% of our valuation) which is the largest Coke bottler in Latin American and 2nd largest Coke bottler in the world: in our view this is a decent asset that generates a lot of cash but which

faces some long-term challenges. Overall, given these mix of assets, Femsa is in our view a high-quality asset, that owns very cash generative assets and that has shown strong capital allocation skills over long periods of time.

Reckitt Benckiser (0.5% of strategy) was the last small buy during the quarter. Reckitt is in our view one of the best run global consumer companies and owner of some of the best consumer health brands out there (Durex, Nurofen, Strepsils, Clearasil, Gaviscon, etc.). Emerging markets contribute 41% of group earnings and are growing at a far higher rate than developed markets. In recent times Reckitt have produced disappointing sales and earnings growth which in turn resulted in a large decline in its share price. Whilst Reckitt undoubtedly faces some challenges, in our view the below average performance is more temporary in nature than permanent and the share price decline enabled us to buy a stake in this high-quality business at an attractive price.

We continue to travel widely to meet companies we own, or are interested in purchasing for the strategy, and trips to both Brazil and India are planned for the first few months of 2018. Whilst emerging markets have appreciated strongly over the past year, we continue to find good selected value and the overall upside of the portfolio – our assessment of fair value versus current share prices – today is around 40% on a weighted average basis.