CORONATION
GLOBAL EMERGING MARKETS EQUITY
INSTITUTIONAL STRATEGY FACT SHEET AS AT 31 DECEMBER 2018

CORONATION
TRUST IS EARNED™

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 is a long-term, valuation-driven investment house, focused on bottom-up stock picking. Our aim is to identify mispriced assets trading at discounts to their long-term business value (fair value) through extensive proprietary research. In calculating fair values, through our fundamental research, we focus on through-the-cycle normalised earnings and/or free cash flows using a long-term time horizon. The Portfolio is constructed on a clean slate basis based on the relative risk-adjusted upside to fair value of each underlying security. The Portfolio is constructed with no reference to a benchmark. We do not equate risk with tracking error, or divergence from a benchmark, but rather with a permanent loss of capital.

STRATEGY RETURNS GROSS OF FEES

Period	Strategy	Benchmark	Active Return
Since Inception (cumulative)	63.4%	21.9%	41.5%
Since Inception p.a.	4.8%	1.9%	2.9%
Latest 10 years p.a.	10.0%	8.3%	1.8%
Latest 7 years p.a.	4.5%	3.4%	1.1%
Latest 5 years p.a.	(2.1)%	1.8%	(3.9)%
Latest 3 years p.a.	6.5%	9.2%	(2.7)%
Latest 1 year	(25.3)%	(14.6)%	(10.7)%
Year to date	(25.3)%	(14.6)%	(10.7)%
Month	(4.8)%	(2.7)%	(2.1)%

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

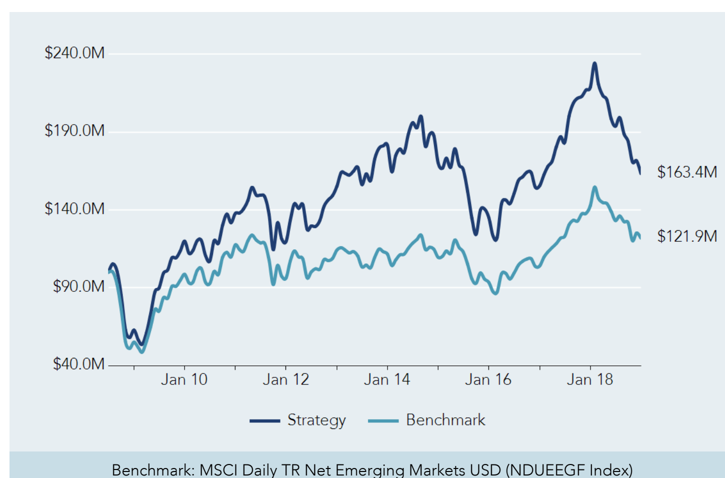
SECTOR EXPOSURE

Sector	% Strategy
Consumer Discretionary	26.8%
Financials	24.9%
Consumer Staples	24.8%
Communication Services	15.2%
Information Technology	4.4%
Industrials	2.2%
Health Care	1.6%
Cash	0.1%

GENERAL INFORMATION

Inception Date	14 July 2008
Strategy Size	$4.67 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



Benchmark: MSCI Daily TR Net Emerging Markets USD (NDUEEGF Index)

The performance shown is gross of fees.

TOP 10 HOLDINGS

Holding	% Strategy
NASPERS LIMITED (ZAF)	5.2%
58 COM INC-ADR (CHN)	4.6%
HOUSING DEV FINANCE CORP (IND)	4.4%
BRITISH AMERICAN TOBACCO PLC (GBR)	4.1%
MAGNIT OJSC-SPON (RUS)	3.8%
INDIABULLS HOUSING FINANCE L (IND)	3.5%
PING AN INSURANCE GROUP CO-H (CHN)	3.5%
NEW ORIENTAL EDUCATIO ADR (CHN)	3.4%
ADIDAS AG (DEU)	3.2%
KROTON EDUCACIONAL SA (BRA)	3.2%

GEOGRAPHIC EXPOSURE

Country	% Strategy
China	27.2%
India	13.6%
Russian Federation	10.1%
Brazil	9.5%
South Africa	7.6%
Germany	5.1%
United Kingdom	4.8%
Netherlands	4.0%
France	3.8%
Hong Kong	3.1%

Country	% Strategy
South Korea	2.9%
United States	2.8%
Mexico	2.3%
Argentina	1.4%
Taiwan	1.3%
Indonesia	0.4%
Cash	0.1%

PORTFOLIO MANAGERS

Gavin Joubert - BBusSc, CA (SA), CFA

Head of Global Emerging Markets, Gavin has 19 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 16 years' investment experience.

FUND MANAGERS

Please contact Coronation for further information

Gus Robertson

International Client Service Fund Manager
tel: +27 21 680 2443
email: grobertson@coronation.com

Liesl Abrahams

International Client Service Fund Manager
tel: +27 21 680 2849
email: labrahams@coronation.com

DISCLAIMER

Coronation Asset Management (Pty) Limited and Coronation Investment Management International (Pty) Limited are investment advisers registered with the United States Securities and Exchange Commission ("SEC"). An investment adviser's registration with the SEC does not imply a certain level of skill or training. Additional information about Coronation Asset Management and Coronation Investment Management International (Pty) Limited is also available on the SEC's website at www.adviserinfo.sec.gov. The information in this document has not been approved or verified by the SEC or by any state securities authority. Coronation Asset Management (Pty) Limited and Coronation Investment Management International (Pty) Limited are also regulated by the Financial Sector Conduct Authority of South Africa.

This material is for information 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 an investment in the Strategy, nor shall it or the fact of its distribution form the basis of, or be relied upon in connection with, any contract for investment in the Strategy. Any such offer shall only be made pursuant to the provision of further information/prospectus in relation to the Strategy. The Strategy is subject to management, administration and performance fees. Past performance is not necessarily a guide to future performance. Investors may not receive back the full amount invested and may suffer capital loss. Investments in the Strategy may not be readily realisable. Opinions expressed in this document may be changed without notice at any time after publication. Nothing in this document shall constitute advice on the merits of buying and selling an investment. All income, capital gains and other tax liabilities that may arise as a result of investing in the Strategy, remain that of the investor.

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.

The information contained herein is not approved for use by the public and must be read together with our Disclaimer that contains important information. If you are in possession of a physical copy of this document and you are unable to access our Disclaimer online, kindly contact us at cib@coronation.com and a copy will be sent to you via email.

REVIEW FOR THE QUARTER

The Coronation Global Emerging Markets Strategy had a poor quarter, returning -11.1% compared to the MSCI Emerging Markets Index's return of -7.5%. The largest detractor over the period was British American Tobacco (-1.0% attribution), followed by 58.com (-0.8%). On the positive side, Housing Development and Finance (HDFC) was the biggest contributor (+0.6%). Very disappointingly to us and undoubtedly to investors, 2018 was the worst year by some way in the strategy's 11-year history, underperforming the market by 10.7% and we apologise for this very poor performance. The strategy's previous worst year was in 2015 when we underperformed the market by 5.9%. Since inception in 2008, the strategy has outperformed the market in 7 of the calendar years and underperformed in 4 (including 2018). In 4 of the 7 years in which we outperformed the market, it was by a double-digit percentage. Because the strategy looks so different to the Index (and many peers), with an average active share of 90% over the past 10 years, this type of outperformance (and unfortunately underperformance) does happen, as disappointing and uncomfortable as the latter is for us and for our investors. After a period of poor performance, we tend not to change the portfolio too much (as typically much of what we own has become more, not less, attractive) and strong performance periods usually follow. With the strategy currently showing c. 80% weighted average upside to fair value at the end of December (compared with the long-term average of c. 50%), we are positive on the return prospects for the strategy.

In trying to analyse the reasons for the strategy's severe underperformance in 2018, there is no one clear factor. This is in contrast, for example, to 2015 when the underperformance was almost entirely due to Brazil, which was going through an unprecedented recession at that time. In the three years leading up to and including 2016, GDP per capita in Brazil contracted by 30% in USD. This is as severe as The Great Depression in the late 1920s/early 1930s, when US GDP per capita contracted by 28%.

To summarise the underperformance in 2018, the strategy somewhat unusually saw 5 disparate businesses among its top 15 positions decline by c. 50% in USD, for different reasons. At the same time, there were simply not enough winners to offset the impact. The 5 largest negative detractors for the year were Kroton (2.6% negative contribution), British American Tobacco (-1.7%), Magnit (-1.5%), Tata Motors (-1.3%) and JD.com (-0.9%). In total, these 5 stocks account for over 70% of the strategy's underperformance. On the positive side, Adidas (0.6% positive attribution), Airbus (+0.6%), HDFC (+0.4%) and Banorte (0.4%) contributed, but as mentioned this was not sufficient to offset the impact of the negative contributors.

We have covered most of these 5 stocks in detail in various commentaries during the course of the past year but given the extent to which they detracted from performance in 2018, it is worth providing a summary of what went wrong as well as our current view on each share.

- *Kroton (the top private education operator in Brazil, 3.1% of strategy).* In our view, the sharp decline in the share price was due to a combination of disappointing earnings, concerns relating to its student base (with government-funded students graduating and being replaced by students funded by Kroton), and an expensive (at face value) acquisition to enter the K12 market. We would agree that Kroton is experiencing challenges in the short-term and faces a tough 2019 after experiencing a difficult 2018. However, we believe the long-term prospects remain very attractive (underpenetration of the tertiary education sector in Brazil, in what is a scale business in which Kroton is the #1 player, with an exceptional management team). Kroton trades on less than 10x 2019 earnings, with a 3.5% dividend yield and c. 80% upside to fair value.

- *British American Tobacco (2nd largest global tobacco company, 4.0% of strategy).* The sharp share price decline was arguably due to number of factors, the most important of which was a proposal by the US Food and Drug Administration to ban menthol cigarettes in the US (menthol US is c. 23% of BAT's earnings) as well as general concerns over the transition to alternative nicotine products, including e-cigarettes. In our view, and clearly very different to the consensus market view, the prospects for the global tobacco companies are better than they have been for many years - for the first time these companies have credible alternative (much lower risk) products which make these businesses more sustainable over the long term. On the proposed menthol ban in the US, there are still many hurdles to overcome before anything materialises, and this may take a long time. Additionally, in the event of an eventual menthol ban in the US, in our view BAT will retain a large percentage of their menthol smokers by switching them to alternative products. The share price is now at a 7-year low (and rating near a 20-year low) and trades on less than 9x 2019 earnings, with a dividend yield of 8% and c. 70% upside to our estimate of fair value.

- *Magnit (2nd largest food retailer in Russia, 3.7% of strategy).* Magnit was beset by poor operational performance (in large part due to underinvestment in its stores) as well as the resignation of its founder and CEO, Sergey Galitsky, who sold his 30% stake in the business at the time of his resignation in February 2018. Under the new CEO, Olga Naumova, (who was largely responsible for the turnaround of Magnit's main competitor, X5 Retail, during her 5 years there) and a new board, a number of positive changes have taken place (including the accelerated refurbishing of stores, change in product mix and the introduction of a management incentive scheme). This has already started to reflect positively in the company's results, with an improvement in like-for-like sales. The 2 leaders in the Russian food retail market (Magnit and X5 Retail, both strategy holdings) only have c. 9% market share apiece (with #3 having only 3% market share), and we believe that they can roll-out stores and grow market share for many years to come. Magnit trades on c. 13x 2019 earnings, with a 3% dividend yield and over 100% upside to our estimate of fair value.

- *JD.com (#2 e-commerce company in China after Alibaba, 3.0% of strategy).* In our view, the share price decline was driven by 3 factors: an approximately 20% to 30% decline in all Chinese internet stocks, slightly poorer-than-expected operational performance

from JD.com, and an allegation of rape against the CEO in the US (authorities in the US have subsequently decided not to prosecute due to a lack of evidence). In our view, JD.com has created a very strong e-commerce business over the past decade by building their own fulfilment infrastructure (replicating the Amazon model) and that is sufficiently differentiated from Alibaba to enable both companies to win in the fast-growing Chinese e-commerce market (Alibaba is also a strategy holding, albeit a smaller position at 1.5%).

Over the past 5 years, JD.com has increased its revenue from $11bn to $65bn and in the process has taken its GMV market share from c. 6% to 17%. The market cap of JD.com currently is c. $33bn, meaning it trades on 0.5x revenue. From a profitability point of view, the business swings in and out of profitability depending on the level of investment; however, on any normal operating profit (EBIT) margin, we believe that the business is cheap. As a few reference points: Amazon's (more mature) US retail business delivers EBIT margins of close to 10%, and high street physical retailers achieve margins anywhere between 3% and 20% (depending on the product being sold, with food at the low end and clothing at the high end). JD.com management target a high single-digit EBIT margin. Given its current revenue (assuming no further revenue growth even though JD.com should be able to grow its topline at c. 15% to 20% for many years) and assuming a 3% EBIT margin, JD.com trades on 20x historic (2018) earnings. Its core marketplace margins are *already 2%, so a 3% margin is very conservative and JD.com is very cheap in our view. Its upside to fair value is c. 150%.*

- *Tata Motors (owner of JLR, 0% in strategy).* This was a poor investment and a mistake in our view, and we sold out of the position during the year. A combination of internal factors (including poor cost control measures and mediocre new product launches) and external factors (such as Brexit, EU emissions legislation and US-China trade wars) led to a sharp decline in profits. Given the very thin current margins, combined with high debt levels and an uncertain future in terms of alternative vehicles as well as Brexit risks (the UK represents 20% of sales, with a large part of the manufacturing base being in the UK) and challenges in other countries, we felt that the risk/reward became unattractive and sold the position.

Of these 5 stocks, if one compares our earnings estimates at the beginning of 2018 to what the companies are likely to actually report for 2018, we overestimated earnings in 2 cases: Kroton and Tata Motors, with the latter having been sold. In Kroton's case, earnings are likely to be down c. 10% in 2018; yet the share price declined by c. 50%. In 2 of the cases (British American Tobacco and Magnit), our revenue and profit forecasts were largely in line. In the case of JD.com our revenue forecasts were within 5% of what they are likely to report for 2018, as is the profitability of the core marketplace business, but investment in the logistics business was larger than expected depressing group profitability. In summary, the share price declines have therefore largely come, not from getting the earnings very wrong, but from a significant de-rating in 4 of the 5 stocks. Of course one can argue that markets are forward looking and that these de-ratings were for valid reasons, but in our view they have gone way too far given the current operational performance and, more importantly, the attractive long-term prospects for these companies.

As can be seen from the table below, 2018 was a year in which valuation severely underperformed in all major equity markets and price (momentum) was notably the best-performing factor.

Factor performance in equity markets 2018

Universe	Valuation	Earnings	Price	Quality
Asia Ex Japan	-10.10%	-5.20%	-4.30%	-4.20%
Japan	-13.60%	2.90%	-0.80%	-10.50%
Europe	-10.00%	2.10%	-2.70%	-0.80%
US	-19.80%	3.20%	5.50%	2.40%
GEM	**-8.30%**	-5.60%	**5.60%**	-4.60%
EM x Asia	5.30%	-2.70%	27.90%	-0.60%
GDM	-12.60%	2.50%	0.00%	-1.30%
World	**-11.70%**	0.00%	**2.10%**	-3.40%

Source: JP Morgan

Coronation's investment philosophy (long-term valuation-driven investing) is clearly in the 'valuation' camp as opposed to the 'price' camp. While this is not an excuse, the reality is that the significant flow of assets into passive, as well as the rise of quant funds and the increased use of algorithms generally have changed the structure of the market. Arguably, this has created dislocations and additional risks. By some estimates, only 10% of volume today in US markets, for example, is in the hands of long-term fundamental investors. The implication of this (which can arguably be seen in many stock examples) is that price discovery does not happen as it used to. 'It's in the price' doesn't seem to exist anymore and what is going up, keeps on going up; and what is going down, keeps on going down (the table above supports this point). This arguably makes investing more challenging, particularly for investors who are not momentum orientated. Of a group of 135 emerging market funds that we would consider to be our peers, 106 underperformed the market (to varying degrees) in 2018. Similarly, and to illustrate

the effect of passives and momentum, an equal-weighted custom index of the 20 largest stocks in the emerging markets index would have outperformed the index by a considerable 5% in 2018.

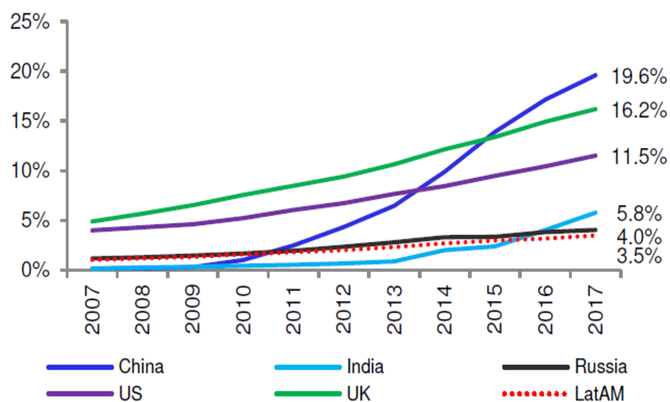
With volatility at above-average levels in emerging markets, we were more active than usual, having made 6 new buys of greater than 1% during the quarter under review, totalling 8% of the strategy. Four of these new buys (Yandex, Melco Resorts, Pao de Acucar and Kering) are companies that we have covered for years and that the strategy has owned in the past, while two of the buys are companies that we have not owned before (MercadoLibre and HDFC Bank). The new buys were not concentrated in any particular region (one stock in each of Brazil, China, India, Russia, and Latin America, and one global company). By industry, 2 of these companies fall within the technology (internet) sector, 3 are in the consumer sector and 1 is in the financial sector. In terms of other buying activity, we continued to add to the strategy's position in New Oriental Education (taking it from a 2.3% position at 30 September 2018 to a 3.4% position at 31 December 2018), as the share price continued to decline. We also increased the position size of HDFC (from 3.0% to 4.3% of strategy), as Indian financials declined due to concerns about stress in the system. We also increased the position in Wuliangye, the 2nd largest Chinese baijiu producer (from 1.2% to 2.0%).

In terms of sells during the quarter, we sold out of 3 stocks: NetEase, Visa (both largely on valuation) and Altaba (adding to existing positions in more attractive opportunities within the sector, namely 58.com and JD.com - and not wanting to further increase overall China internet exposure). The position in Baidu was also reduced for this same reason. In terms of geographic exposure, there were no material changes, with the only changes of more than 1% being an increase in China (from 25.3% to 27.3%, largely due to the activity mentioned above), an increase in India (from 11.2% to 13.5%, largely due to the additional buying of HDFC and the new HDFC Bank buy) and a decrease in developed markets exposure (from 23.2% to 20.3%, largely due to the poor performance of the global tobacco stocks and a reduction in the Porsche position).

Yandex was the largest new buy (2.0% of strategy) during the quarter. We have covered Yandex for several years and have owned it before. The share price declined from a peak of $44 in February 2018 to its current levels in the mid-high $20s (partly due to Russia and partly due to the technology sell-off globally), bringing it into buying range. Yandex is the number 1 search engine in what is an effective duopoly in Russian search, with Yandex having a market share of c. 57% and Google owning the balance. We believe the prospects for search in general and for Yandex in particular are favourable (e.g. low online ad penetration and Yandex taking mobile market share from Google) and that the search business alone is worth well north of the current share price. In addition, Yandex has net cash and a number of other smaller businesses that are currently growing revenue at a rapid rate (but that are still loss-making). While some of these businesses may never make money, there are a few that we believe have the potential to do so, including the taxi ride business (which is dominant after merging with Uber Russia and in which Yandex owns a 59% stake) and the e-commerce joint venture with Sberbank. Yandex trades on c. 20x 2019 earnings (with profits depressed due to its investment in the various smaller businesses) and is attractive at current levels in our view.

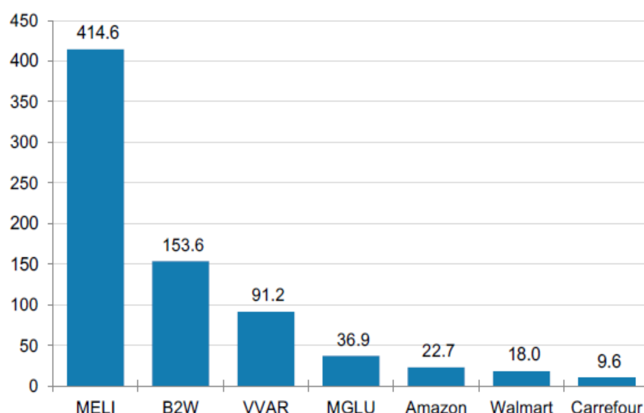
The other new technology (internet) buy was a 1.3% new position in MercadoLibre, the largest e-commerce platform (third-party marketplace) in Latin America. MercadoLibre has operations in 18 countries, of which it holds a number 1 position in 10 of them, including Brazil and Argentina - the 2 biggest contributors today. The company was founded 20 years ago and the CEO and founder, Marcos Galperin, still owns a meaningful stake (9%) in the business and is still very involved. MercadoLibre's revenue has grown by 31% p.a. in USD over the past 7 years and continues to grow at a high rate. E-commerce penetration in Latin American is very low (see below graph) and MercadoLibre is the leader in Brazil (see below), which today contributes 70% of group earnings. Besides the e-commerce business, the long-term opportunity for the payments business (Pago) is also potentially significant, having only a 1% market share of card payments today. Profitability is well below normal in our view (EBIT margins of 9% currently vs a peak of 30%) and we believe MercadoLibre can grow both its topline and profits at a high rate for many years to come.

E-Tail as a % of sales by country



Source: Euromonitor

Top e-commerce sites in Brazil by visits (millions)



Source: Similarweb

CORONATION
TRUST IS EARNED™

Melco Resorts and Entertainment (Melco) is one of the casino operators in Macau that we have owned before but sold out of as it reached our estimate of fair value. The 45% decline in its share price in 2018, due to economic concerns over China and the Macau region, presented us with the opportunity to reintroduce Melco (1.4% position of strategy). Macau undoubtedly holds its own set of risks (as does any company in China and, indeed, emerging markets in general), which include economic sensitivity and the regulatory environment, of which the upcoming gaming licence renewal is one. At the same time, the long-term prospects for Macau, not only as a gambling destination but also increasingly as a mass market holiday destination, remain attractive, with only a small percentage of the Chinese population having visited Macau. Our attraction to Melco in particular (above the other 5 casino & hotel operators in Macau) is three-fold. Firstly is its exposure to the mass market (which, along with Sands China, is the highest in the industry). In our view, a mass business is better than a VIP-focused business as it is less cyclical and has a much larger potential market. Secondly, we are attracted to Melco's capital allocation. In this regard, the graphic below (over and above the company's c. 35% ROIC) shows the capital allocation of Melco over the past 5 years: 60% of Melco's market cap has been returned to shareholders in the past 5 years through dividends and share buy-backs. Importantly, the share buybacks have typically been done at attractive price levels. Lastly, Melco has the most attractive valuation of all the operators: a 2019 free cashflow yield of c. 11% vs 6-7% for the other 5 operators.

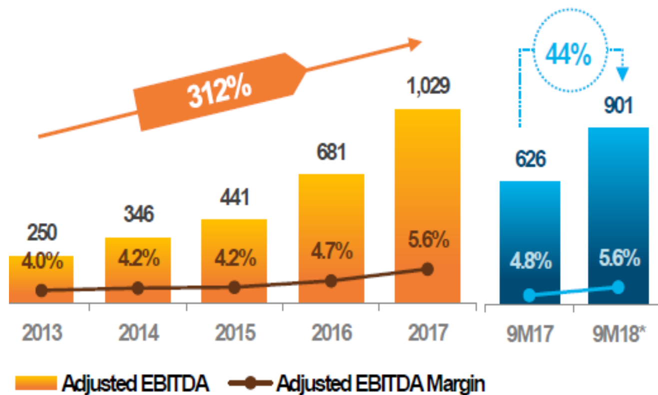
US$m	2014	2015	2016	2017	9M18	Total
Dividend	**178**	**385**	**734**	**198**	**209**	**1,704**
-Regular	178	35	84	198	209	704
- Special	-	350	650	-	-	1,000
Share buyback	**300**	**-**	**801**	**1,200**	**490**	**2,791**
- Public	300				490	790
- Crown Resort			801	1,200		2,001
Total	**478**	**385**	**1,535**	**1,398**	**699**	**4,495**
Market Cap					7,648	
Capital return %	**6%**	**5%**	**20%**	**18%**	**9%**	**59%**

Source: Melco Resorts

The Chinese consumer (both at home and while travelling abroad) is significantly the largest buyer of luxury goods (c. 45% of all global luxury sales). The strategy has owned a number of global luxury goods companies over the past 10 years, including Kering, LVMH, Richemont (all successfully) and Prada (unsuccessfully). The past few months saw a sharp sell-off in some of these companies, given concerns over trade wars and China generally, which enabled us to buy Kering (1.3% position) once again at what we think is an attractive price. While owning a number of luxury brands, including Saint Laurent, Bottega Venetta and Balenciaga, the lion's share of profits (c. 80%) come from Gucci. Gucci has been reinvigorated over the past 3 years, driven by the creative head, Alessandro Michele, and the new CEO, Marco Bizzarri. Traditionally, the profitability of Gucci was well below that of Louis Vuitton and Hermes, but over the past 3 years this gap has partly been closed with a resultant uplift in return on capital. In our view, the true soft global luxury global brands (of which there are arguably only 3: Hermes, Louis Vuitton and Gucci) are great businesses (heritage, pricing power, beneficiaries of the long-term ongoing wealth effect, high return on capital and superior free cash flow generation) and we believe buying Kering at c. 15x 2019 is an attractive entry point.

Pao De Acucar (1.0% new position) is the largest food retailer in Brazil, with around 1 000 stores across a range of formats. The cash & carry business (Assai) contributes around half of its food earnings, with the other half coming from mainstream and premium stores. Assai is the jewel in its crown, with a very high return on capital. Over the past 5 years, revenue has grown by 30% p.a. compounded (and Assai's market share of the cash & carry market has increased from 13% to 29%) and EBITDA is up 4x (see graph below). The other part of the business (mainstream and premium supermarkets, convenience stores and hypermarkets) have performed less well over the past few years. However, in March 2018 the business appointed a new CEO, Peter Estermann, who as the previous CEO of Via Varejo (the leading furniture and electronics business in Brazil) successfully turned the business around. He also previously worked in Pao de Acucar's food business and as such is no stranger to its workings. His actions have already started to make a difference, with a significant improvement in like-for-like sales as well as improved profitability. The increasing contribution of Assai, combined with the more recent improvement in Pau de Acucar's other businesses, has started to have a positive impact on return on capital (see below).

Cash & Carry (Assai) EBITDA progression



ROCE (Pao De Acucar group) history

Source: Pao de Acucar

The combination of an existing countrywide footprint of 1 000 stores, covering all parts of the market, a slightly improving economy and business and consumer confidence, as well as a new CEO, who is creating positive change that is already evident, bode well for the future of Pao De Acucar. Besides the food business, Pao de Acucar has a 43% stake in the leading furniture and electronics retailer in Brazil (Via Varejo) and a 34% stake in a French e-commerce business, CNova. Both of these are non-core holdings and over time will be disposed of in our view. When stripping out these stakes, the core food business trades on c. 16x 2019 earnings, which we believe is very attractive given the business's prospects.

We have owned the Housing Development and Finance Corporation (HDFC) in the strategy for the past 3 years and today it is a 4.3% position. By owning HDFC, the strategy had indirectly owned HDFC Bank (as HDFC owns a 22% stake in HDFC Bank, which represents c. 35% of HDFC's value) but had never directly owned it, even though we have covered it for several years. The long-term fundamentals of the Indian financial services market are very attractive: in particular, the low financial services penetration and the fact that the State banks (which are poorly managed and balance sheet constrained) still have 70% market share. This backdrop has formed a key part of our investment case for other Indian financials, which the strategy has and continues to own, including HDFC, Yes Bank and Indiabulls. HDFC Bank obviously also benefits from these tailwinds and, in addition to this, is arguably the highest-quality large bank in India, being the leader in digital, having the 2nd highest ROA, the highest provision coverage ratio, the lowest cost to income ratio and high retail exposure. This means that it is currently well placed to continue and even accelerate its market share gains given the current troubles faced by a number of Indian banks. While the share has done very well over long periods of time, it has been flat over the past year, which combined with improved prospects due to the current turmoil, made it attractive enough to warrant a new 1% direct position in the bank.

Members of the Global Emerging Markets team continue to travel extensively to enhance our understanding of the businesses we own in the strategy, their competitors and the countries in which they operate, as well as to find potential new ideas. In this regard, over the past 2 years we have done detailed work (modelling, fair value and research report) on 57 new companies, 17 of which have made it into the portfolio over this period, representing 33% of the strategy today. In the fourth quarter, there were 3 trips to China, 1 to India and 1 to Brazil. The coming months will see a further 2 China trips (including 1 trip specifically focusing on the baijiu industry) and 2 trips to India.

In December a new analyst joined the Coronation Global Emerging Market team, taking the team to 10 members. The analyst is a Mandarin-speaking Chartered Accountant and will mainly cover Chinese stocks (including a number of the A shares of which the annual reports, in most cases, are only available in Mandarin) and will also do ad-hoc investigative and corporate governance-related research as and when required. Over and above this, the Coronation Global Developed Markets' team of 8 individuals cover a number of emerging market stocks as well as developed market stocks that are eligible for the strategy. The Coronation South African equity team of 15 analysts also covers a number of stocks in which the strategy is invested.

The strategy's weighted average upside to fair value at the end of December was approaching 80%, well above its long-term average of c. 50% and close to the highest it has ever been. As such, and after a very disappointing year, today we are very positive on the prospects of the strategy going forward.