

LONG TERM OBJECTIVE

The Coronation Africa Frontiers Strategy aims to maximise the long-term risk-adjusted returns available from investments on the continent through capital growth of the underlying stocks selected. It is a flexible portfolio primarily invested in listed African equities or stocks listed on developed and emerging market exchanges where a substantial part of their earnings are derived from the African continent. The Strategy may hold cash and interest bearing assets where appropriate.

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 | LIBOR | Active Return |
|----------------------|----------|-------|---------------|
| Since inception cum. | 158.5% | 6.7% | 151.8% |
| Since Inception p.a. | 10.2% | 0.7% | 9.5% |
| Latest 5 years p.a. | 5.2% | 0.8% | 4.4% |
| Latest 1 year | 18.1% | 1.8% | 16.3% |
| Year to date | 5.6% | 1.1% | 4.5% |
| Month | 0.0% | 0.2% | (0.2)% |

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

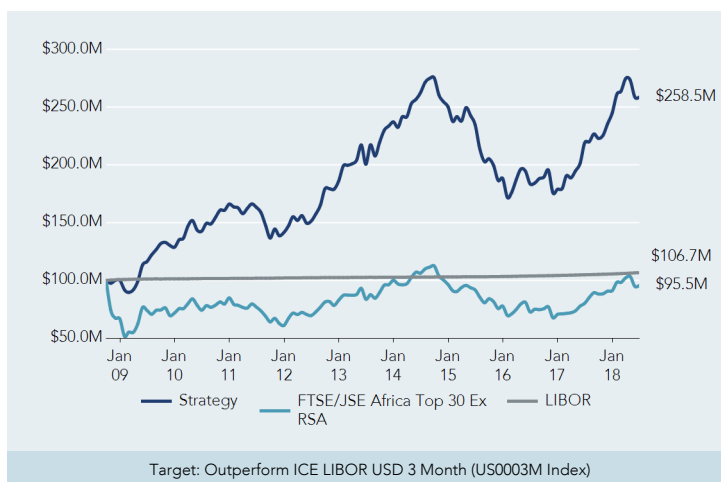
SECTOR EXPOSURE

| Sector | % Strategy |
|--------------------|------------|
| Consumer Goods | 28.9% |
| Financials | 27.6% |
| Telecommunications | 16.1% |
| Basic Materials | 9.8% |
| Health Care | 5.0% |
| Oil & Gas | 4.4% |
| Industrials | 3.8% |
| Consumer Services | 1.4% |
| Utilities | 0.5% |
| Interest Bearing | 2.5% |

GENERAL INFORMATION

| | |
|------------------|--|
| Inception Date | 01 October 2008 |
| Strategy Size | \$586.1 million |
| Strategy Status | Open |
| Target | Outperform ICE LIBOR USD 3 Month (US0003M 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.

GEOGRAPHIC EXPOSURE

| Country | % Strategy |
|------------------|------------|
| Egypt | 36.0% |
| Nigeria | 20.0% |
| Zimbabwe | 15.3% |
| Kenya | 14.7% |
| South Africa | 3.7% |
| Tanzania | 3.2% |
| Botswana | 1.7% |
| Senegal | 1.1% |
| Zambia | 0.9% |
| Uganda | 0.5% |
| Ghana | 0.3% |
| United Kingdom | 0.1% |
| Interest Bearing | 2.5% |

PORTFOLIO MANAGER



Peter Leger - BScEng, BCom (Hons), CFA

Peter is head of Global Frontier Markets and manager across all strategies within the investment unit. He joined Coronation in 2005 and has 20 years' experience in African financial markets as both a portfolio manager and research analyst.

FUND MANAGER

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The volatility of the ICE LIBOR USD 3 Month Index ("Benchmark") represented 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 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.theice.com/iba/libor>. In addition, for further information, we have also included the FTSE/JSE Africa Top 30 Ex RSA Index above. Material facts in relation to this benchmark are available here: <https://www.jse.co.za/services/market-data/indices/ftse-jse-africa-index-series/all-africa>.

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REVIEW FOR THE QUARTER

After a strong start to the year, the markets across Africa were weak over the past three months. Morocco (-12.3%), Nigeria, (-9.7%), Egypt (-9.3%) and Kenya (-9.0%) all recorded large declines during the quarter. Against this backdrop, the strategy's gross return was -5.9% during the quarter, while the JSE Africa ex SA Top 30 Index was -6.6%.

On the African continent, many great businesses have globally recognised companies as majority shareholders. Multinational companies such as Nestle, Heineken, AB Inbev, Vodafone and British American Tobacco all have subsidiaries listed across Africa. We hold a number of these subsidiaries in the strategy. We believe the relationship with the multinational parent offers a number of real benefits, both to the subsidiary company and to minority shareholders:

- These companies have access to the world class brands of the parent, as well as access to the latest technology and operational best practices;
- Multinationals often have strong balance sheets, deep pockets and access to favourable lending terms. We have recently seen an example of this in Nigeria where the lack of forex availability resulted in serious problems for local businesses. During this time, many international parent companies provided hard currency financing to their subsidiaries which allowed them to continue with their operations; and
- The parent company offers an additional level of governance and oversight. Governance standards are typically good as these subsidiaries must follow the (usually stricter) standards required by the parent's listing in more developed markets.

There are also several South African companies who control businesses across Africa. Our experience with these companies in South Africa, together with our interactions with local management teams, helps us to form a better view of the individual businesses and their strategies.

What really excites us, are the valuations of many of these businesses. While the subsidiaries in Africa typically offer higher growth than the parent companies, they often trade on lower multiples. A case in point is Standard Bank, where two of its subsidiaries, Stanbic Holdings in Kenya and Stanbic IBTC in Nigeria, are positioned in the top five holdings of the strategy.

Standard Bank clearly views these two banks as attractive investments. In March 2018, it announced it would increase its stake in the Kenyan subsidiary from 60% to 75% and in June 2018 it increased its stake in the Nigerian subsidiary from 53% to 64%.

Over the past 12 months, Stanbic Holdings' (Kenya) was up 33% while Stanbic IBTC (Nigeria) rose 37% in US dollars. As two of the largest positions in the strategy, these two companies made meaningful contributions to performance. Despite the strong share price moves, we still view these banks as attractive. Both trade on single digit PE multiples and current valuations do not reflect the earnings growth we expect to see over the next few years. Both these banks have excellent corporate banking divisions, but the profitability levels of their personal and business banking divisions are still low. As the personal and business banking divisions gain scale, they should start to contribute meaningfully to earnings and will help to lower funding costs for the corporate and investment banking divisions. As a result, we believe that the earnings are still below average for these banks.

While we like to own the subsidiaries of large multinational businesses, it does not mean that we will own these businesses at any price. There are many examples of companies we would love to own, but where valuations are simply too high. In addition, a business that is majority owned by a multinational can at times be a double-edged sword. We have seen instances in the past where parent companies have taken actions that are in the best interests of the group rather than the subsidiary. We are very cognisant of this risk and often engage with management teams on the topic, but up to now our experience has been that the benefits of investing alongside a strong multinational usually outweigh these risks.

Over the life of the strategy, these businesses have been large contributors to performance and we still hold a number of them in the portfolio. These are just some of the businesses in the African universe that are currently very attractively valued. By owning these businesses that trade well below our assessment of intrinsic value, we believe investors will be rewarded over the long term.