CORONATION

GLOBAL EMERGING MARKETS EQUITY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 31 MARCH 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'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)	113.6%	44.8%	68.8%
Since Inception p.a.	8.2%	3.9%	4.3%
Latest 7 years p.a.	5.6%	2.7%	2.9%
Latest 5 years p.a.	5.6%	5.2%	0.4%
Latest 3 years p.a.	8.5%	8.9%	(0.4)%
Latest 1 year	24.6%	24.9%	(0.3)%
Year to date	(2.4)%	1.4%	(3.8)%
Month	(3.2)%	(1.9)%	(1.3)%

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

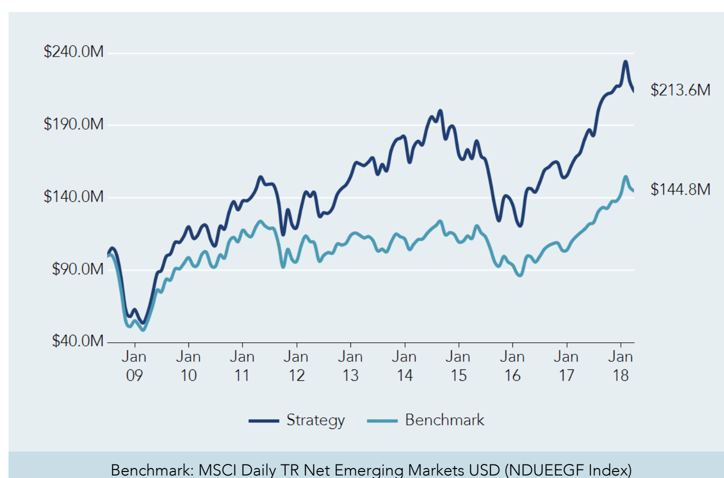
SECTOR EXPOSURE

Sector	% Strategy
Consumer Discretionary	30.9%
Financials	25.4%
Consumer Staples	22.5%
Information Technology	13.6%
Industrials	4.1%
Health Care	1.6%
Cash	1.9%

GENERAL INFORMATION

Inception Date	14 July 2008
Strategy Size	$6.06 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
BRITISH AMERICAN TOBACCO PLC (ZAF)	6.0%
KROTON EDUCACIONAL SA (BRA)	4.9%
HEINEKEN NV (NLD)	4.8%
JD.COM INC ADR (CHN)	4.1%
AIRBUS SE (FRA)	4.1%
PORSCHE AUTOMOBIL HLDG-PR (DEU)	4.1%
NASPERS LIMITED (ZAF)	4.0%
PING AN INSURANCE GROUP CO-H (CHN)	3.9%
MAGNIT OJSC-SPON (RUS)	3.7%
YES BANK LTD (IND)	3.6%

GEOGRAPHIC EXPOSURE

Country	% Strategy
China	16.6%
Brazil	12.2%
India	11.6%
South Africa	10.1%
Russian Federation	9.5%
Netherlands	8.1%
Germany	7.0%
South Korea	6.5%
France	4.1%
Hong Kong	3.3%
Mexico	2.9%
United States	2.8%
Taiwan	1.4%
Indonesia	0.7%
Philippines	0.6%
Turkey	0.4%
Chile	0.3%
United Kingdom	0.1%
Cash	1.8%

PORTFOLIO MANAGERS

Gavin Joubert - BBusSc, CA (SA), CFA

Head of Global Emerging Markets, Gavin has 18.5 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 15 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 -2.4% for the first quarter of 2018, 3.8% behind its benchmark in what has been a challenging start to the year and indeed other shorter-term periods. Over meaningful periods, the strategy remains ahead of its benchmark, delivering outperformance of 0.4% p.a. over the five-year period, 2.9% p.a. over seven years, and 4.2% p.a. since inception almost a decade ago.

The biggest positive contributors for the quarter all came from strategy positions that added positively, rather than underweight positions in stocks that performed poorly. The biggest positive contributor was Airbus, up 16% for the quarter and contributing +0.52%. We continue to believe that Airbus is very attractively valued, with 45% upside to fair value, and as such it remains a large position at 4% of strategy. The second largest positive contributor was global sportswear group Adidas (c. 55% of revenue from emerging markets), which was bought back into the strategy earlier in the year after having previously sold it in 2015. Since the date of reintroducing Adidas to the strategy up until quarter-end, the share price gained 22%, contributing +0.50% to alpha. As at end-March, it represented a 3% position in the strategy. Other notable positive contributors were the #1 Chinese online classifieds company, 58.com (+11% return, +0.35% attribution) and the leading bank in Russia, Sberbank (+10% return, +0.24% attribution).

As mentioned, the largest new buy in the quarter was Adidas. We had previously owned only Nike, Adidas's perennial industry rival. At the time of purchasing Nike in late 2016, the share was unloved by investors due to concerns over its perceived dependence on the US market and the basketball category in general. At the same time, Adidas could do no wrong as product innovations and other general operational improvements led to market share gains in the US and a substantial improvement in brand equity in most operating regions. Other sportswear groups also seemed to be making headway at Nike's expense in the US, most notably Under Armour Inc, which at one point reached an earnings multiple in excess of 40x. Despite our attraction to the industry, we believed that Nike was substantially undervalued and Adidas looked expensive. Fast forward just over a year and Nike's share price has increased by close to 35%, while Adidas lagged significantly, having declined by 5% since March 2017 until time of purchase in January 2018.

The lag in Adidas created a buying opportunity, and the stock has performed very well in this short space of time. The purchase was partially funded by a reduction in the Nike position size, which has gone from over 2% of strategy in recent months to just under 1% by end-March. Although both Adidas and Nike may appear optically expensive based on near-term multiples (c. 24-25x forward earnings), we believe they have well above average earnings growth prospects in the years ahead, driven by changing consumer habits toward greater fitness and "athleisure", whilst the companies themselves have identified several routes to raising margins. These include improvements in manufacturing (to lower wasted materials) and increased direct to consumer sales (where the retail mark-up is captured in addition to the usual wholesale margin). In addition to this, Adidas's EBIT margins at c.9-10% are still well below that of Nike at c. 13-14%. In some developed markets, and eventually in most large markets worldwide, it is expected to become fairly straightforward for consumers to order a customised shoe or piece of apparel, and have it swiftly manufactured in their country or region via a robotic process, and delivered speedily to their door. The pricing potential, improvement in cost control and lower working capital requirements are all material contributors to our belief in the earnings potential of Nike and Adidas, which are not fully reflected in their respective share prices today. We have also conducted additional research into the local Chinese sportswear names including Anta and Li Ning. The Chinese sportswear market could potentially become the biggest in the world within half a generation by virtue of the country's size and rapid increase in per capita income. The local brands are typically the first port of call for consumers when they migrate from unbranded sportswear to the branded variety. There is a large price gap between local branded products (like Anta and Li Ning) and the international brands. This presents local brands with an opportunity to improve and offer more performance products that can be sold at a higher price, albeit still cheaper than their international counterparts. The strategy does not own any of the local Chinese sportswear companies due to valuation, but we would certainly own them at the right price.

Besides Adidas, the only other new buy was a 1% position in KB Financial, the largest financial services group (banking, insurance, securities, asset management and investment banking) in South Korea. Whilst banking is a relatively poor industry in South Korea in our view (mature, heavily regulated in favour of the consumer and low ROEs) in the case of KB Financial, we were attracted to the steps that new management had taken, and continue to take, in order to improve returns, including acquisitions in areas that have more attractive prospects (e.g. securities), acceleration of digital investment on the banking side, and headcount reductions. Since the appointment of a new CEO (and full new management team) in late 2014, ROEs have increased from c. 5% to c. 10%. Today KB Financial trades on 7x earnings, 0.7 Price/Book with a 3.5% dividend yield for a company that in our view can grow earnings by c. 10% p.a. over the next 5 years.

Over the quarter we continued to reduce the strategy's Chinese internet exposure as share prices rose and as such moved closer to fair values. We reduced the position in 58.com to 3% of strategy – the share was up 11% in the quarter and would have been approaching a 4% position in the absence of any action. We also reduced other Chinese internet names – Baidu was lowered by 0.5% to 2.1% and JD.com by 1.5% to 4.1%. We also sold out of Alibaba as it reached our estimate of fair value, as well as Altaba – the former Yahoo whose main asset now is its stake in Alibaba. The combined Alibaba/Altaba position was close to 2.5% at the start of the year.

Most notably for the quarter, we reduced our Naspers position by close to 3.5% to just under 4% of strategy. This was driven predominantly by concerns over the valuation of Tencent, which is Naspers' single biggest investment. We also sold out of Aspen (given more attractive risk-adjusted opportunities elsewhere) and YUM China (due to valuation).

In terms of adding to positions, we increased the Ping An (largest private (non-State controlled) Chinese insurer) position size during the quarter by 1.5% to 3.9% and global tobacco group British American Tobacco (BAT) from 3.7% to 5.9%, both as a result of share price weakness.

In terms of detractors, 2 stocks made up the bulk of the strategy's underperformance: Magnit declined by 32% during the quarter (-1.41% attribution) and Kroton by 26% (-1.44% attribution). We have written extensively about both businesses in recent years and will thus just concentrate on incremental news as well as why the shares have been so negatively affected recently. Magnit had already been performing poorly relative to its previous high standards in recent quarters, with sales growth declining from mid-20s to single digits in recent quarters – and this was mostly driven by space rather than same store sales growth. The company's recent struggles seem to have eventually led the founder and CEO Mr Sergei Galitsky to give up and leave the business. He had been slowly reducing his position over time to fund his philanthropic work, but eventually came to the view that from a personal perspective staying around for a recovery in the business and share price was not worth it. The sale of most of his c. 30% stake to VTB Capital (who will look to increase its value substantially for a resale) has led to meaningful changes in management and strategy that we believe will be beneficial in the long term. An example is the company's historical overemphasis on maintaining margins at the expense of reinvesting in the existing store base. This worked fine when the competition was weak and fragmented but as X5 improved their operations in recent years, the product offering at X5's stores far exceeded Magnit's more basic stores and led to negative traffic at Magnit. We believe that greater reinvestment in the business would have delivered better returns as fewer customers would have been lost to competitors and the additional sales revenue would have delivered greater absolute profits to Magnit even if margins were slightly lower. It has also become clear with the exit of the founder that the business has been lacking in professional management with many senior managers being responsible for multiple portfolios. Professionalising the management structure and having distinct control of functions assigned to specialist managers will help improve processes and make the company less dependent on a single individual in future. We were buyers of Magnit over the quarter and at end-March it was a 3.7% position.

The other big detractor has been Kroton, which has fully given up the gains it made after the blocking of its merger with Estácio by competition authorities in the middle of last year. Investor perception toward the private education industry in Brazil has cooled in recent quarters due to a variety of factors. Firstly, intakes have stagnated or declined as affordability has become more of an issue for students. Although the Brazilian economy has exited its deep recession of 2015 and 2016, the recovery has been very shallow, without a substantial improvement in job prospects for the workforce. With most of the students working in the day and studying by night, the poor job market has made affordability quite difficult for new entrants and has even affected the existing student base, which has seen a spike in dropouts after holding up well until recently. Ordinarily the government student financing scheme would have helped maintain enrolment momentum, but since 2015 this scheme has been halved and made more expensive for those that qualify. The tough market has also put pressure on pricing, with many industry players offering discounts to entice students, leading to lower average fees ("tickets" as they are referred to in Brazil). This has been particularly pronounced in the distance learning segment where barriers to entry were lowered substantially by the government last year. From a high-level viewpoint, the industry is seen as one where near-term revenues will be under pressure, so the only chance of decent profit growth is through margin expansion. As the largest player in the industry and with many government student loan beneficiaries due to graduate this year and next, the market is pricing Kroton for revenues to decline. As its margins are already the highest in the industry (thanks to economies of scale and great management) there is little scope for Kroton to deliver earnings growth if you subscribe to this viewpoint. Kroton has therefore de-rated to 10x earnings.

While we acknowledge the merit in some of these issues, we believe there are strong counterarguments that make Kroton a very compelling investment, which is why we have been increasing the position in response to the decline in Kroton's share price. It is important to identify that the longer-term drivers of the industry remain intact – Brazil has a dire skills shortage and the return on investment for students who study certain courses is very high. The industry is very fragmented and profitability of the smaller players is minimal – many survive simply because they own the building out of which they operate and therefore don't have to pay rent. Kroton's high market share should therefore not serve as a barrier over long periods of time to continued student growth as the market will consolidate over time. Their scale and strong brands make their degrees more attractive, which raises long-term pricing power. With their solid balance sheet and high profitability, they are uniquely positioned within the industry to offer pioneering financing schemes that allow students to spread out their payments beyond the duration of their degree, which will make them more affordable to marginal students. This will help offset some of the negative impact of lower government student loans.

During the quarter we met with the CEO, CFO, CTO and various divisional heads of Kroton in Brazil. The strength and depth of management at the company places them amongst the best in emerging markets, in our view. They long ago identified that pricing

would be an issue and have slowly migrated their intake away from low-ticket courses such as business administration into more technical courses (like nursing, dentistry, education and law) where the average ticket is 3-4 times higher and the barriers to entry for smaller players to follow are far higher. The regulatory hurdles that limit the pace at which new courses can be added to existing universities mean this process will take several years to play out, but the end result will be higher student numbers driven by organic growth, higher average tickets as their course mix shifts toward more expensive courses and higher margins as they reap further economies of scale. They are also making a concerted push into the private school market as this industry also has great economics (a student stays with you for 12 years instead of 4) and remains very fragmented despite many strong local brands. At 10x earnings we believe you are buying the current earnings stream at a substantial discount and getting all of the above optionality for free. Kroton was a 5.0% position at end March and is the 2nd largest position in the strategy.

Members of the 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. In the quarter there were trips undertaken to Brazil, India and China. In the coming weeks the team will visit Russia, South Korea, Taiwan, Indonesia and Singapore. The weighted average upside to fair value of the strategy at the end of March was c. 45%.