

CORONATION GLOBAL EMERGING MARKETS FUND

Fund Information as at 30 November 2018

WHAT IS THE FUND'S OBJECTIVE?

The Global Emerging Markets Fund aims to give investors access to the best opportunities in emerging equity markets. The fund actively seeks out undervalued shares to maximise long-term growth. Our intent is to outperform the emerging equity benchmark over all periods of five years and longer.

WHAT DOES THE FUND INVEST IN?

The fund invests in the shares of companies which are either based in emerging countries, or earn a significant part of their revenue from emerging economies. It will be fully invested in shares at all times. The fund is mandated to use derivative instruments for efficient portfolio management purposes.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Global Emerging Markets will only invest in shares we view as being attractively valued and which may offer superior long-term investment growth.

The fund's share selection is the result of rigorous international research conducted by Coronation's investment team.

While we have a disciplined approach to reducing risk, shares can be volatile investments and there is a meaningful risk of capital loss over the short term. Emerging markets are generally viewed as more risky than developed markets. Global currency movements may intensify investment gains or declines.

HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The fund is managed to deliver the best possible returns over the long term; an investment horizon of ten years or more is therefore ideal. It is not suitable as a single investment for investors who need to preserve their capital over five years or less.

WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are building wealth, and who

- are comfortable with full exposure to shares in emerging markets;
- accept that the fund may underperform the market significantly in the short term in pursuit of superior long-term gains;
- hold other investments and are looking for exposure to emerging markets;
- do not require an income from their investment.

WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of a minimum of 1.00% and a maximum of 2.40%, depending on the fund's performance, is payable.

If fund performance equals that of the benchmark (after fees and costs), a fee of 1.15% will be charged. We share in 20% of performance above the benchmark, up to a total annual fee of 2.40%. Performance is measured over a rolling 24-month period.

If the fund underperforms the benchmark over any 60-month period, the fee is reduced by 0.15%.

Fund expenses that are incurred in the fund include administrative, trading, custody and audit charges. All performance information is disclosed after deducting all fees and other portfolio costs.

We do not charge any fees to access or withdraw from the fund.

More detail is available on www.coronation.com.

WHO ARE THE FUND MANAGERS?



GAVIN JOUBERT
BBusSc, CA (SA), CFA



SUHAIL SULEMAN
BBusSc, CFA

GENERAL FUND INFORMATION

Fund Launch Date	14 July 2008
Class	B
Class Type	Accumulation
Class Launch Date	5 May 2011
Fund Domicile	Ireland
Morningstar Fund Category	Global Emerging Markets – Equity
Currency	US Dollar
Benchmark	MSCI Emerging Markets Index
Investment Minimum	US\$15 000
Bloomberg	CORGEMB
ISIN	IE00B553TV27
SEDOL	B553TV2

CORONATION GLOBAL EMERGING MARKETS FUND

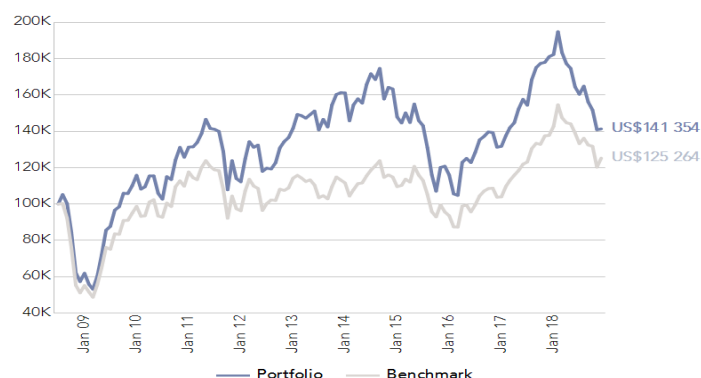
CLASS B as at 30 November 2018

Launch date	14 July 2008
Fund size	US\$ 1.40 billion
NAV	10.06
Benchmark/Performance	MSCI Emerging Markets Index
Fee Hurdle	
Portfolio manager/s	Gavin Joubert and Suhail Suleman

Total Expense Ratio	1.53%	1.51%
Fee for performance in line with benchmark	1.25%	1.22%
Adjusted for out/(under)-performance	0.18%	0.16%
Fund expenses	0.10%	0.13%
VAT	0.00%	0.00%
Transaction costs (inc. VAT)	0.20%	0.21%
Total Investment Charge	1.73%	1.72%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A US\$100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

EFFECTIVE GEOGRAPHIC EXPOSURE

Country	30 Nov 2018
Equities	99.22%
China	26.88%
India	11.06%
Brazil	9.80%
Russian Federation	9.58%
South Africa	7.71%
Germany	5.86%
Hong Kong	4.11%
United Kingdom	4.08%
Netherlands	3.96%
United States	3.77%
Other	12.41%
Cash	0.78%
USD	0.70%
ZAR	0.18%
Other	(0.10)%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	41.35%	25.26%	16.09%
Since Launch (annualised)	3.39%	2.19%	1.20%
Latest 10 years (annualised)	9.45%	9.37%	0.08%
Latest 5 years (annualised)	(2.60)%	2.04%	(4.64)%
Latest 3 years (annualised)	5.37%	9.41%	(4.04)%
Latest 1 year	(21.95)%	(9.09)%	(12.86)%
Year to date	(22.45)%	(12.24)%	(10.20)%

TOP 10 HOLDINGS

As at 30 Nov 2018	% of Fund
Naspers Ltd (South Africa)	5.08%
58 Com Inc-Adr (China)	4.69%
British American Tobacco Plc (United Kingdom)	4.08%
HOUSING DEV FINANCE CORP (India)	3.97%
Ping An Insurance Group Co (China)	3.68%
Kroton Educacional SA (Brazil)	3.57%
Magnit Ojsc-Spon (Russian Federation)	3.50%
Philip Morris Int Inc (United States)	3.26%
Adidas AG (Germany)	2.98%
AIA Group Ltd (Hong Kong)	2.96%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	23.9%	21.9%
Sharpe Ratio	0.13	0.08
Maximum Gain	99.4%	56.3%
Maximum Drawdown	(49.5)%	(51.4)%
Positive Months	56.0%	52.8%

	Fund	Date Range
Highest annual return	106.2%	Mar 2009 - Feb 2010
Lowest annual return	(33.6)%	Sep 2014 - Aug 2015

SECTORAL EXPOSURE

As at 30 Nov 2018	Fund
Consumer Discretionary	27.66%
Financials	23.57%
Consumer Staples	22.87%
Communication Services	15.06%
Information Technology	6.01%
Industrials	2.55%
Health Care	1.47%
Cash	0.81%

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2018	6.9%	(5.9)%	(3.3)%	(1.5)%	(5.9)%	(2.4)%	2.8%	(5.3)%	(2.8)%	(7.2)%	0.3%		(22.4)%
Fund 2017	4.4%	3.2%	1.9%	5.2%	3.5%	(2.0)%	9.1%	4.0%	1.3%	0.3%	1.8%	0.6%	38.3%
Fund 2016	(8.9)%	(0.8)%	17.3%	1.8%	(1.8)%	4.5%	5.4%	1.4%	1.8%	(0.2)%	(5.8)%	0.4%	13.7%

CORONATION GLOBAL EMERGING MARKETS FUND

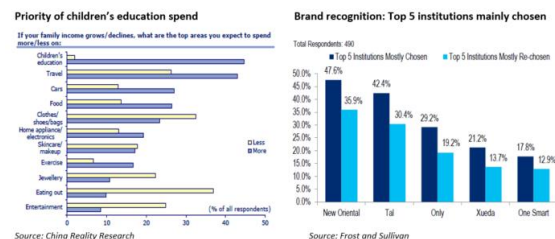
Quarterly Portfolio Manager Commentary

Please note that the commentary is for the retail class of the fund.

The fund had a poor quarter, returning -5.4% compared to the -1.1% of the MSCI EM index. The largest negative detractors over the period by some way were 2 of the Indian Financials, Yes Bank and Indiabulls Housing Finance, which together detracted 2.3%. Other notable detractors were JD.com (-1.0% impact), Magnit (-0.6% impact) and Naspers (-0.5% impact). Having no commodity exposure (either energy or basic materials) also detracted (-1.5% total impact) in what continued to be a good period for commodity prices. On the positive side, Tencent (which the fund doesn't own, and which declined by 18% over the quarter) was the largest contributor (+0.9%) followed by Kroton (+0.7% impact due to appreciating by 20% over the quarter after falling significantly in the first half of the year), Ping An (+0.4%) and Adidas (+0.4%). Over the past 3 years, the fund has marginally underperformed the market and over 5 years by 4.1% p.a. Over all longer time periods, the fund has outperformed the market: years, 0.4% p.a. over 10 years and by 1.4% p.a. since inception.

With volatility at above average levels in emerging markets, we were more active than usual, having made 5 new buys during the quarter. Four of the new buys were Chinese companies (a number of Chinese stocks have experienced sharp falls recently) with the 5th being Brazilian. As a result of new buying being focused in Chinese stocks, the fund's China exposure increased from 17.6% at the end of June to 25.4% at the end of September.

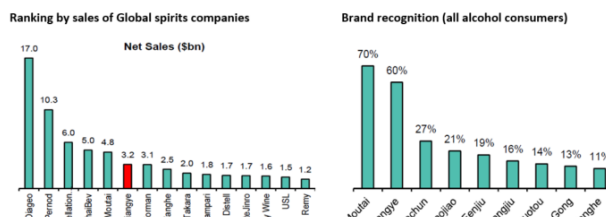
The largest new buy over the quarter was a 1.6% position in New Oriental Education, one of the leading after school tutoring businesses in China with over 1,000 learning centres, 28,000 teachers and operations in 75 cities in the country. In our view, the leading Chinese tutoring businesses are very good businesses with attractive long-term prospects. Demand is driven by the importance of getting good marks for entrance into the best high schools, local universities (the Gaokao exams) and international universities. In China, children's education is amongst the highest priorities in terms of discretionary spend. Increasing disposable incomes over time and urbanisation are additional long-term drivers, as is the recently introduced two-child policy. The businesses are reasonably defensive, very cash generative (well north of 100% free cash flow generation due to upfront payments and low capex needs) and generate high returns on capital.



Up until only a few months ago, the Chinese education companies were amongst investors' favourites, with the 2 leaders (New Oriental Education and TAL Education) experiencing meteoric share price increases, driven partly by earnings growth but also by a significant (upward) re-rating. At its peak earlier in the year, New Oriental traded on 35x one-year forward earnings (after trading on c. 17x forward earnings on average in the 5 years prior to this) and TAL on an eye-watering 60x one-year forward earnings (compared to around 25x forward earnings in the 5 years preceding this). Due to the success of New Oriental and TAL, the past year or two also saw a number of new Chinese education companies listing. From past experience, a flurry of new listings in a particular sector is a classic sign of market excess. Companies tend to list when the time is the most optimal to achieve the highest possible rating, and hence price. From their peaks in June of this year most of the Chinese education stocks have now lost half or more of their value and these declines brought New Oriental (not yet TAL Education) into buying range for us. We built a 1.6% position in New Oriental, which has been increased during October to a 2.5% position as the share continued to decline.

The recent share price declines in the Chinese education stocks were driven by a number of factors. Firstly, Chinese equities have generally performed poorly over the last few months (concerns over the economy/trade wars). Secondly, their high ratings made them vulnerable to any small disappointment or change in outlook, and thirdly this indeed came in recent months in the form of increased regulation of the sector. In summary, the Chinese government is tightening up regulation of the sector which includes all operators having to obtain business and educational licences for all learning centres, all teachers having to write qualifying exams by the end of 2018 and classrooms having to be of a certain size. In this regard, New Oriental and TAL (being the 2 largest tutoring companies) are well placed relative to the numerous smaller operators, and the increased regulation, while having a shorter-term impact in terms of new learning centre roll-out, will only increase their competitive advantage relative to the smaller operators who lack the resources to meet the new requirements. At time of writing, New Oriental trades on c. 19x forward earnings and c. 14x forward free cash flow and with over 25% of its market capitalisation in net cash. Additionally, operating margins currently (c. 11%) are almost half of where they have historically been (c. 17% three years ago and as high as 20% several years ago) due to the large number of new centres rolled out in the last few years that are yet to contribute materially to profits.

The 2nd largest new buy during the quarter was a 1.2% position in Wuliangye Yibin, the 2nd largest premium baijiu (a local Chinese white liquor) company in China. The baijiu spirits market in China is a large subset of the overall market and makes up c. 90% of all spirits (whisky, brandy, white spirits, etc.) consumption in China. As can be seen in the graphs above, the baijiu market leader (Kweichow Moutai) is the 5th largest spirits company in the world by sales (even though they only operate in China), with Wuliangye being the 6th largest. On a free cash flow basis, the gap between the 2 global spirits leaders (Diageo and Pernod Ricard) and the 2 main baijiu producers (Kweichow and Wuliangye) is far smaller than the sales gap as a result of the higher margins of the baijiu companies as well as their higher free cash flow conversion. For the most recent financial year, Kweichow Moutai almost generated as much free cash flow as Diageo (\$ 3.2b vs \$ 3.4b) and Wuliangye almost as much free cash flow as Pernod (\$ 1.4b vs \$ 1.7b).



Source: Bernstein

Within the baijiu market, the ultra-premium brand is Moutai (priced at c. \$ 150 a bottle), followed by the regular Wuliangye brand (priced at c. \$ 100 a bottle). As simple reference points to provide context, a bottle of Johnny Walker Black sells for around \$ 25 globally, Macallan 12-year old single malt for \$ 40 and Macallan 15-year old single malt for \$ 70. The ultra-premium baijiu market in particular is very attractive, with age old heritage and very high desirability. Wuliangye's baijiu offering covers the whole market (with price points as low as \$ 5 a bottle), but a shift over time to the ultra-premium and premium Wuliangye products provides both higher revenue and higher margins. Wuliangye generate a c. 20% return on capital and over the past 5 years have cumulatively converted 100% of earnings into free cash flow. After a 25% share price decline this year it now trades on c. 15x forward earnings with a strong balance sheet (c. 20% of market capitalisation in net cash). We have also done detailed work on Kweichow Moutai (which the strategy doesn't own), but prefer Wuliangye's broader mix, lower government related sales and lower starting valuation (c. 15x forward earnings vs Kweichow Moutai on c. 19x earnings).

There were smaller buys in Li Ning (0.8%), NetEase (0.8%) and Itau Unibanco/Itauba (0.6%). Li Ning is the 2nd largest domestic sportswear brand in China (after Anta Sports) and the 4th largest overall in China. Nike and Adidas are the leaders in the market with c. 20% apiece, followed by Anta with 8% market share and then Li Ning with c. 6%. The fund has owned Nike and Adidas for large parts of its history (and today still owns Adidas and only recently sold Nike) and in our view the sportswear industry is an attractive one, being the beneficiary of rising disposable incomes and the age-old wealth effect that results in the desire to own brands. More recent drivers include an increased health awareness globally (and specifically encouraged by the government in China) and of casual dressing (moving away from a more formal dress code generally). While Nike and Adidas are the clear leaders in China (and will continue to take market share over long periods of time in our view), there is also place for a 2nd tier due to affordability, and Li Ning and Anta are the 2 clear leaders in this area. Li Ning is part of the way through a hitherto successful turnaround but profitability is still well below peers (Li Ning have current EBIT margins of c. 7% compared to Anta at 23% and smaller peers all in the 13-17% range) and besides double-digit sales growth (which is already happening) we believe there is room for margins to expand from current levels, with the big drivers being more direct to consumer (DTC) sales, larger wholesaler rebates and operational gearing. Li Ning trades on c. 16x forward (below normal) earnings and has a very strong balance sheet with 22% of its market cap in cash. We have done detailed work on both Li Ning and Anta (they are after all competitors to each other) but only bought a position in Li Ning due to a number of concerns we have with Anta at this point. These concerns include a stagnant core Anta business (ex Kids) with revenue being driven by the more fashionable (and hence potentially cyclical) Fila brand, peak operating margins, a recent large international acquisition as well as concerns on the board/management structure.

NetEase is the 2nd largest online gaming company in China after Tencent (gaming is c. 70% of NetEase's revenue) and have a fast-growing e-commerce business (c. 20% of revenue). We have owned NetEase twice before in the past 10 years and the c. 40% decline in its share price this year brought it back into buying range. Unlike Tencent, who mainly licence games, NetEase develop their own in-house games with a focus on higher quality, more technical games, with the resultant intellectual property that goes with this. The founder, who remains CEO, owns a 40% stake in the business and the company has bought back shares on a number of occasions, and is doing so again. The share trades on c. 17x forward earnings and has 15% of its market capitalisation in net cash, which we believe is an attractive valuation for what is a high-quality asset.

Itau Unibanco is the largest private bank in Brazil (3rd largest bank overall behind the 2 large State banks), and the highest quality one in our view. Concerns over the Brazilian elections as well as general emerging market concerns resulted in a large share price decline to the point where we were able to buy this asset on less than 10x earnings with a 6% dividend yield. The bank is a leader in digital, is conservatively managed (Tier 1 capital of 15% and a coverage ratio of 200%) and has attractive long-term prospects in our view due to potential market share gains (State banks still make up over 50% of the banking system) and ongoing digital development (the cost/income ratio of a digital branch is 30% compared to a bricks and mortar branch of 70%).

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, as well to find potential new ideas. In this regard, over the past 20 months we have done detailed work (modelling, fair value and research report) on 43 new companies, 10 of which have made it into the portfolio, making up 24% of the strategy today. In the quarter there were 2 trips to China as well as trips to India and Russia. The coming months will see further China trips (2) as well as trips to India and Brazil. The weighted average upside to fair value of the strategy at the time of writing was approaching 70%, well above its long-term average of c. 50%.

Portfolio managers
Gavin Joubert and Suhail Suleman
as at 30 September 2018

IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION GLOBAL EMERGING MARKETS FUND

The Global Emerging Markets Fund should be considered a long-term investment. The value of units may go down as well as up, and therefore Coronation does not make any guarantees with respect to the protection of capital or returns. Past performance is not necessarily an indication of future performance. The fund is mandated to invest up to 100% of its portfolio into foreign securities and may as a result be exposed to macroeconomic, settlement, political, tax, reporting or illiquidity risk factors that may be different to similar investments in the South African markets. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Coronation reserves the right to close the fund to new investors if we deem it necessary to limit further inflows in order for it to be managed in accordance with its mandate. Unit trusts are allowed to engage in scrip lending and borrowing. Coronation Global Fund Managers (Ireland) Limited is authorised in Ireland and regulated by the Central Bank of Ireland. The fund is approved under Section 65 of the Collective Investment Schemes Control Act by the Financial Sector Conduct Authority of South Africa. Portfolio managed by Coronation Investment Management International (Pty) Ltd (FSP45646), an authorised financial services provider.

Northern Trust Fiduciary Services has been appointed as the fund's trustees (www.northerntrust.com; t: +353-1-542-2000), and its custodian is JP Morgan Administration Services (Ireland) Limited (www.jpmorgan.com; t: +353-1-612-4000). Coronation is a full member of the Association for Savings & Investment SA (ASISA).

HOW ARE UNITS PRICED AND AT WHAT PRICE WILL MY TRANSACTION BE EXECUTED?

Unit trusts are traded at ruling prices set on every business day. Fund valuations take place at approximately 17h00 each business day (Irish Time) and forward pricing is used. Instructions must reach Coronation before 12h00 (SA Time) one day prior to the dealing date. You can expect to receive withdrawal payouts three business days after the dealing day. Large investments or redemptions (exceeding 5% of fund value) may be subject to an anti-dilution levy to defray dealing costs and expenses. This levy, where applicable, is applied fully for the benefit of the fund.

HOW WAS THE PERFORMANCE INFORMATION INCLUDED IN THIS FACT SHEET CALCULATED?

Performance is calculated by Coronation as at the last day of the month for a lump sum investment using Class B NAV prices. Class A NAV prices were used for the period prior to the launch of Class B. All underlying price and distribution data are sourced from Morningstar. Performance figures are quoted after the deduction of all costs (including manager fees and trading costs) incurred within the fund. Note that individual investor performance may differ as a result of the actual investment date, the date of reinvestment of distributions and dividend withholding tax, where applicable. Annualised performance figures represent the geometric average return earned by the fund over the given time period. Unannualised performance represents the total return earned by the fund over the given time period, expressed as a percentage.

WHAT IS THE TOTAL EXPENSE RATIO (TER) AND TRANSACTION COSTS (TC)?

TER is calculated as a percentage of the average net asset value of the portfolio incurred as charges, levies and fees in the management of the portfolio. The TER charged by any underlying fund held as part of a fund's portfolio is included in the fund expenses portion of the TER, but trading and implementation costs incurred in managing the fund are excluded. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's. The 1 year TER is for the 12 months to end of September 2017 (updated annually). The 3 year TER is for a rolling 36-month period to the last quarter end (December, March, June and September).

Transaction costs are a necessary cost in managing a fund and impacts the fund's return. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER.

The Total Investment Charge is the sum of the Total Expense Ratio (TER) and transaction costs.

ADVICE AND PLATFORM COSTS

Coronation does not provide financial advice. If you appoint an adviser, advice fees are contracted directly between you and the adviser. For more information please contact the relevant platform (Linked Investment Service Provider or Life Assurance Provider).

WHERE CAN I FIND ADDITIONAL INFORMATION?

Additional information such as daily fund prices, brochures, application forms and a schedule of fund fees and charges is available on www.coronation.com. You will also find additional information on the considerations pertinent to investing in a fund denominated in a foreign currency and domiciled in an offshore jurisdiction.

IMPORTANT INFORMATION REGARDING TERMS OF USE

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