

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)	112.1%	34.8%	77.3%
Since Inception p.a.	7.1%	2.8%	4.3%
Latest 10 years p.a.	9.0%	6.0%	3.0%
Latest 7 years p.a.	7.3%	4.3%	3.0%
Latest 5 years p.a.	1.6%	2.6%	(1.0)%
Latest 3 years p.a.	12.1%	10.7%	1.4%
Latest 1 year	9.5%	1.2%	8.3%
Year to date	29.8%	10.6%	19.2%
Month	8.8%	6.2%	2.6%

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

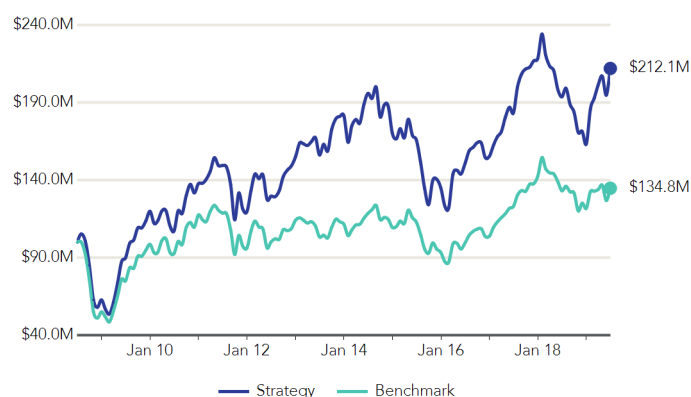
SECTOR EXPOSURE

Sector	% Strategy
Consumer Discretionary	31.3%
Consumer Staples	27.2%
Financials	22.4%
Communication Services	9.0%
Information Technology	3.6%
Industrials	3.2%
Health Care	1.6%
Cash	1.7%

GENERAL INFORMATION

Inception Date	14 July 2008
Strategy Size	\$5.46 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)	4.6%
58 COM INC-ADR (CHN)	4.4%
HOUSING DEV FINANCE CORP (IND)	4.3%
PING AN INSURANCE GROUP CO-H (CHN)	4.2%
WULIANGYE YIBIN CO LTD - A (CHN)	3.9%
AIA GROUP LTD (HKG)	3.7%
ALIBABA GROUP HOLDING-SP ADR (CHN)	3.7%
MAGNIT OJSC-SPON (RUS)	3.6%
BRITISH AMERICAN TOBACCO PLC (GBR)	3.6%
JD.COM INC ADR (CHN)	3.3%

GEOGRAPHIC EXPOSURE

Country	% Strategy	Country	% Strategy
China	32.7%	United States	2.7%
Russian Federation	9.9%	Mexico	2.5%
India	8.7%	South Korea	2.1%
Brazil	8.4%	Taiwan	1.0%
France	7.0%	Indonesia	0.9%
South Africa	6.1%	Argentina	0.7%
United Kingdom	4.7%	Egypt	0.5%
Hong Kong	3.7%	Cash	1.7%
Germany	3.6%		
Netherlands	3.1%		

PORTFOLIO MANAGERS



Gavin Joubert - BBusSc, CA (SA), CFA

Head of Global Emerging Markets, Gavin has 20 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 17 years' investment experience.

FUND MANAGERS

Please contact Coronation for further information

Gus Robertson

International Client Service Fund Manager

tel: +27 21 680 2443

email: groberson@coronation.com

Liesl Abrahams

International Client Service Fund Manager

tel: +27 21 680 2849

email: lbrahams@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, Coronation Investment Management International (Pty) Limited and Coronation Alternative Investment Managers (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 good quarter, returning +5.2% compared to the MSCI Emerging Markets Index's return of +0.6% and in doing so outperformed the market by 4.6%. Year to date the Strategy has now generated a return of +29.8%, leaving it 19.2% ahead of the market's return of +10.6%. We would note that this is an extremely short time period and, in our view, performance is better assessed over very long time periods. In this regard, since inception 11 years ago, the Strategy has outperformed the market by 4.3% p.a. and by 3.0% p.a. over both the last 10- and 7-year periods.

During the quarter to end June 2019 the 5 largest positive contributors were Wuliangye Yibin (+23.0% return, +0.8% contribution), Adidas (+28.5%, +0.7% contribution), Sberbank (+22.7%, +0.5% contribution), X5 Retail (+42.7%, +0.5% contribution) and LVMH (+17.2%, +0.4% contribution). There were only 2 negative detractors of note (greater than 0.5%): Yes Bank (-0.9% contribution) and British American Tobacco (-0.6% contribution). We sold totally out of the Yes Bank position during the quarter due to a combination of factors. Top of these were our concerns over additional bad debts after March year-end results were published. This worsened their capital situation and accelerated the need for a capital raise, which would be very dilutive to existing shareholders after the share price decline. The last straw was the forced appointment of a director to the Board by the Reserve Bank of India, which we interpreted in a negative light. In stark contrast to this, we continue to hold the view that British American Tobacco, on less than 10x earnings and a 7% dividend yield, is very attractive and at the time of writing it was a 3.8% position in the Strategy, making it a top 10 holding.

There were 4 new small buys (c. 0.5% positions each) during the quarter: 51job (China), Tata Consultancy Services (India), Hero Motor Corp (India) and Bank Central Asia (Indonesia), together totalling 2.0% of the Strategy. In terms of sells, in addition to Yes Bank we also sold out of Indiabulls Housing Finance (Indiabulls) due to concerns over the sustainability of their wholesale funding model going forward. In terms of other activity, we added to the Alibaba and AIA positions on share price declines and reduced the Brazilian education exposure (Kroton and Estacio). We continue to like both Kroton and Estacio (1.7% positions each at end June, so 3.4% total Brazil education exposure) with both trading on 10-12x earnings, but elevated competitive intensity in the industry, together with increasing student loan books and an ongoing weak economic environment, led us to conclude that smaller positions were more appropriate from a risk-adjusted expected return point of view. Both shares have also done well this year with Kroton having appreciated by 40% year to date in USD at the time of writing and Estacio by 35%. We also reduced the Cognizant position (on concerns over excessive cost cutting), with the bulk of this going into Tata Consultancy Services.

In terms of country exposure, the largest upward change was an increase in China from 29.0% at end March to 32.6% at end June, largely as a result of the new 51job purchase and the additional Alibaba buying. In contrast, exposure to India declined from 12.6% at end March to 9.6% at end June due to the sales of Yes Bank and Indiabulls, and the Brazilian exposure reduced from 9.6% to 8.5% due to the trimming of the Brazilian education stocks.

All of the 4 new buys were small positions, which simply reflect the risk-adjusted expected return of each of these new buys - in summary all 4 are reasonably attractive, as opposed to very attractive. We have, however, continued to add to 2 of the positions post quarter-end as their respective share prices declined, and at the right price will also add to the other 2 positions.

The first new buy was 51job, which the Strategy has owned in the past. 51job is China's leading online recruitment operator in the white-collar space. This provides 2/3rds of their revenue, with the balance coming from Human Resource Services; clients outsourcing (BPO) HR functions like payroll management to them. The company was founded 21 years ago and management owns 25% of the business. In the 15 years since the company listed on Nasdaq, profits have grown by 21% p.a. Today there is still a large opportunity in both areas of their business in our view: 51job has 500 000 corporate users of their online recruitment services and 10 000 corporate users of their BPO services. This is out of a market size of 85m registered businesses in China and growing. In addition to this, the company is very free cash flow generative (having converted 128% of accounting net profit into free cash flow over the past 10 years) and has a rock-solid balance sheet with net cash of over \$1b (or 25% of its market capitalisation). 51job today trades on c. 20 forward earnings (15x ex the net cash position), which is attractive for a company of this quality and with this market opportunity, in our view.

Tata Consultancy Services (TCS) was the second new buy (0.65% position) and is also one that the Strategy has owned before. TCS are arguably the gold standard of the Indian IT services/outourcing companies. These firms (TCS, Infosys, Wipro, HCL, Cognizant, etc.) all generate 80%+ of their revenue from the US and Europe, but all have c. 60% to 70% of their employee base in India: a source of abundant engineering skills. TCS is a high-quality business, in our view, with returns on equity of 35%, stable earnings growth, EBIT margins consistently in the mid 20s and a high level of conversion of accounting earnings into free cash of 90%+. We have held 4 meetings with the company over the past several months and these interactions were a clear reminder of these intrinsic qualities. At the same time, we became somewhat less enthusiastic on Cognizant as a result of clear signs that cost cutting (arguably driven by an activist investor) had gone too far. As a result, we reduced the Cognizant position (from c. 2% of the Strategy to 1%) and bought an initial position in TCS.

The third new buy was a 0.5% position in Bank Central Asia (BCA), the leading privately-owned bank in Indonesia, in a market where the big competitors are mainly State owned. The Indonesian financial services market is one of the lowest penetrated markets in emerging markets and BCA is clearly the highest quality bank in the country. Over the past 10 years BCA has grown loans by 17% p.a., earnings per share by 16% p.a. and NAV by 21% p.a. The Bank is conservatively managed and has significant excess capital with a

Common Equity Tier 1 ratio of 23%. It has the highest current and savings account ratio (c. 78%) in the market, which in turn gives it a lower cost of funding versus competitors. It also has among the highest provision ratios (c. 180%) and the best bad debts experience historically out of the major banks. Again, here a number of meetings over the past year or so led us to want to own this asset. Neither TCS nor BCA look particularly cheap on short-term valuation metrics (c. low 20s forward P/Es) but both are very high-quality assets in our view, which should be able to compound earnings in the double digits for several years ahead.

The last new purchase was that of Hero MotoCorp (Hero, 0.4% position). The company is lower down the quality spectrum than TCS or BCA for example, but has a number of qualities that we like, and after a 35% decline since its peak price in mid 2017, it trades on c. 15x forward earnings, with a 4% dividend yield and a strong balance sheet (net cash position). Hero is the largest manufacturer of two-wheeler (motorbike) vehicles in India, a market which has historically grown at a high rate and is still underpenetrated, but which is going through a tough period currently after industry volumes were hit by the tightening of requirements to purchase third-party insurance along with the bike purchase. Hero is the clear market leader in the entry-level market (75cc to 110cc, where they have c. 50% market share) and in the 'executive' market (110cc to 125cc, where they have close to 70% market share). Overall, of the 20m motorbikes sold in India annually, 7.5m are sold by Hero. Besides being dominant in the entry level market, Hero has recently put more effort into making inroads into the scooter and premium markets, and the export market also holds large potential. It is unclear yet as to the level of success they will have in these areas, and we will continue to evaluate this over time, but the entry-level and executive markets alone will provide many years of growth in the years ahead in our view.

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 the second quarter, there were trips to India, Thailand, Hong Kong and Singapore. The coming months will see trips to China and Russia. The Strategy's weighted-average upside to fair value at the end of June was c. 35%, which we feel is compelling. We would also consider the overall quality of the stocks held in the Strategy currently to be above average when compared with other points in the Strategy's history.