

CORONATION GLOBAL EMERGING MARKETS FLEXIBLE [ZAR] FUND

Fund Information as at 30 June 2019

WHAT IS THE FUND'S OBJECTIVE?

The Global Emerging Markets Flexible [ZAR] Fund aims to give investors access to the best opportunities in emerging equity markets. The fund actively seeks out attractively valued 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 can also invest in cash and bonds, but will remain biased towards shares at all times. The fund is mandated to use derivative instruments for efficient portfolio management purposes.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Risk Profile



Maximum growth/ minimum income exposures



The fund 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 10 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%.

All fees exclude VAT. 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

**LISA
HAAKMAN**
CA (SA), CFA

**IAKOVOS
MEKIOS**

Ptychion (BSc), MIA, IMC, CFA

GENERAL FUND INFORMATION

Launch Date	28 December 2007
Fund Class	A
Benchmark	MSCI Emerging Markets Index
Fund Category	Global – Multi-asset – Flexible
Regulation 28	Does not comply
Investment Minimum	R5 000 or R500/m debit order
Bloomberg Code	CORGLOB
ISIN Code	ZAE000109211
JSE Code	CGEM

CORONATION GLOBAL EMERGING MARKETS FLEXIBLE [ZAR] FUND

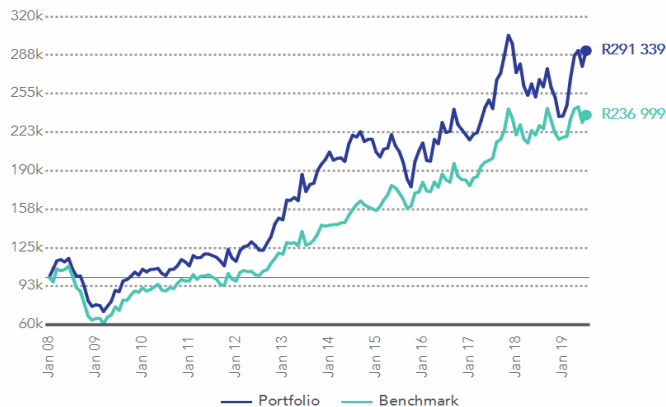
CLASS A as at 30 June 2019

Fund category	Global - Multi Asset - Flexible
Launch date	28 December 2007
Fund size	R 4.01 billion
NAV	283.53 cents
Benchmark/Performance	MSCI Emerging Markets Index
Fee Hurdle	
Portfolio manager/s	Gavin Joubert, Suhail Suleman, Lisa Haakman and Iakovos Mekios

Total Expense Ratio	1 Year	3 Year
Fee for performance in line with benchmark	1.37%	1.55%
Adjusted for out/(under)-performance	1.18%	1.21%
Fund expenses	(0.10)%	0.00%
VAT	0.14%	0.18%
Transaction costs (inc. VAT)	0.15%	0.17%
Total Investment Charge	0.20%	0.20%
	1.57%	1.75%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	191.3%	137.0%	54.3%
Since Launch (annualised)	9.7%	7.8%	2.0%
Latest 10 years (annualised)	12.7%	12.6%	0.1%
Latest 5 years (annualised)	5.8%	8.5%	(2.8)%
Latest 3 years (annualised)	9.4%	9.1%	0.3%
Latest 1 year	9.1%	3.9%	5.2%
Year to date	23.3%	8.6%	14.7%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Return	9.7%	7.8%
Annualised Deviation	17.1%	15.4%
Sharpe Ratio	0.15	0.04
Maximum Gain	25.5%	36.4%
Maximum Drawdown	(38.6)%	(44.2)%
Positive Months	56.5%	56.5%

	Fund	Date Range
Highest annual return	49.7%	Mar 2009 - Feb 2010
Lowest annual return	(37.5)%	Mar 2008 - Feb 2009

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2019	3.8%	9.1%	7.3%	1.5%	(4.6)%	4.8%							23.3%
Fund 2018	2.7%	(6.6)%	(3.1)%	3.8%	(4.2)%	5.8%	(2.3)%	5.9%	(5.8)%	(3.1)%	(6.4)%	0.1%	(13.4)%
Fund 2017	2.1%	0.6%	4.6%	4.7%	2.7%	(2.9)%	10.0%	2.2%	5.6%	5.8%	(2.3)%	(8.3)%	26.2%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Country	30 Jun 2019
Equities	95.55%
China	31.93%
Russian Federation	9.79%
India	9.14%
Brazil	8.37%
France	6.69%
South Africa	6.66%
United Kingdom	5.29%
Germany	3.37%
United States	3.30%
Netherlands	2.58%
Other	8.44%
Cash	4.40%
Other	2.62%
USD	1.10%
ZAR	0.41%
HKD	0.27%
Commodities	0.05%
Jersey	0.05%

TOP 10 HOLDINGS

As at 30 Jun 2019	% of Fund
Naspers Ltd (South Africa)	4.6%
58 Com Inc-adr (China)	4.4%
Ping An Insurance Group Co (China)	4.2%
Housing Dev Finance Corp (India)	4.2%
Wuliangye Yibin Co Ltd (China)	3.6%
Magnit Ojsc-spon (Russian Federation)	3.6%
British American Tobacco Plc (United Kingdom)	3.5%
Aia Group Ltd (Hong Kong)	3.5%
Alibaba Group Holding (China)	3.4%
Jd.com Inc Adr (China)	3.3%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Mar 2019	01 Apr 2019	0.64	0.63	0.01

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

The Coronation Global Emerging Markets Fund had a good quarter, returning +1.5% compared to the MSCI Emerging Markets Index's return of -2.1% and in doing so outperformed the market by 3.6%. Year to date, the fund has now generated a return of +23.3%, leaving it 14.7% ahead of the market's return of +8.6%. 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 and a half years ago, the fund has outperformed the market by 2.0% p.a. after all fees.

During the quarter to end June 2019 the 5 largest positive contributors to relative outperformance were Wuliangye Yibin (+20% return, +0.7% contribution), Adidas (+25% return, +0.6% contribution), Sberbank (+21% return, +0.5% contribution), X5 Retail (+38% return, +0.4% contribution) and the Housing Development Finance Corporation (+9% return, 0.37% contribution). There were only 2 negative detractors of note (greater than 0.5%): Yes Bank (-1% 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 3.4% position in the fund, making it a top 10 holding.

In addition to Yes Bank, we mostly sold out of Indiabulls Housing Finance (Indiabulls) due to concerns over the sustainability of their wholesale funding model going forward (the position was fully exited post quarter end). The small MultiChoice position inherited from the spinout from Naspers was also sold, along with the small remaining exposure to international payments business VISA. We added to the Alibaba and AIA positions on share price declines and reduced the Brazilian education exposure (Kroton and Estacio). Although we continue to like both Kroton and Estacio (1.8% positions each at end June, so 3.6% total Brazil education exposure) and both trade at reasonable levels of 10-12x earnings, the elevated competitive intensity in the industry, their increasing student loan books and an ongoing weak economic environment all led us to conclude that smaller positions were more appropriate from a risk perspective. 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 that excessive cost cutting are diminishing the long-term prospects of the business, with the bulk of this going into Tata Consultancy Services (TCS, 0.8% of fund).

In terms of country exposure, the largest upward change was an increase in China to 32% at end June, largely as a result of increasing the 51job position and the additional Alibaba buying. In contrast, exposure to India reduced to 9.1% at end June due to the sales of Yes Bank and Indiabulls mentioned above. The Brazilian education exposure reduced to 8.4% due to the trimming of the Brazilian education stocks.

We added to the opening small position in 51job to reach 0.9% at quarter end. 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 (and growing) in China. 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.

One new purchase worth noting was that of Hero MotoCorp (Hero, 0.5% position). The company is lower down the quality spectrum than an Alibaba or TCS, but has a number of qualities that we like, and after a 35% decline (in Rupees) 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. There were a few other new buys in the quarter, but none of these exceeded 0.2% of fund.

Members of the Global Emerging Markets team continue to travel extensively to enhance our understanding of the businesses we own in the fund, 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 fund'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 fund currently to be above average when compared with other points in the fund's history.

Portfolio managers
Gavin Joubert and Suhail Suleman
as at 30 June 2019

IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION GLOBAL EMERGING MARKETS FLEXIBLE [ZAR] FUND

The Global Emerging Markets Flexible [ZAR] 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. Asset allocation and top 10 holdings are reflected on a look-through basis. Coronation Management Company (RF) (Pty) Ltd is a Collective Investment Schemes Manager approved by the Financial Sector Conduct Authority in terms of the Collective Investment Schemes Control Act. Portfolio managed by Coronation Asset Management (Pty) (FSP 548) Ltd, an authorised financial services provider. The Management Company 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. Standard Chartered has been appointed as trustees for the fund (www.sc.com/za; 011-2176600). Coronation is a full member of the Association for Savings & Investment SA (ASISA).

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

Unit trusts are traded at ruling prices set on every trading day. Fund valuations take place at approximately 15h00 each business day, except at month end when the valuation is performed at approximately 17h00 (JSE market close) and forward pricing is used. Instructions must reach the Management Company before 14h00 (12h00 for the Money Market Fund) to ensure same day value. The payment of withdrawals may be delayed in extraordinary circumstances, when the manager with the consent of the fund trustees deem this to be in the interest of all fund investors. These circumstances may include periods when significant underlying markets suspend trading which will prevent accurate valuation of the instruments held in the fund. When the suspension of trading relates to only certain assets held by the fund, these assets may be side-pocketed. This process allows normal liquidity on the assets that can be valued, but will delay liquidity on the affected portion of the fund. If the fund is faced with excessive withdrawals, the affected withdrawals may be ring-fenced, which is the separation and delayed sale of the assets reflecting the interest of the liquidity seeking investors. It ensures that the sale of a large number of units will not force Coronation to sell the underlying investments in a manner that may have a negative impact on remaining investors 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 A NAV prices with income distributions reinvested. All underlying price and distribution data is 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 2018 (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 our website, www.coronation.com

IMPORTANT INFORMATION REGARDING TERMS OF USE

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