

## 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.	156.9%	8.8%	148.1%
Since Inception p.a.	9.4%	0.8%	8.6%
Latest 10 years p.a.	10.8%	0.7%	10.1%
Latest 5 years p.a.	1.2%	1.1%	0.1%
Latest 1 year	(6.5)%	2.6%	(9.1)%
Year to date	5.0%	0.7%	4.3%
Month	2.8%	0.2%	2.6%

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

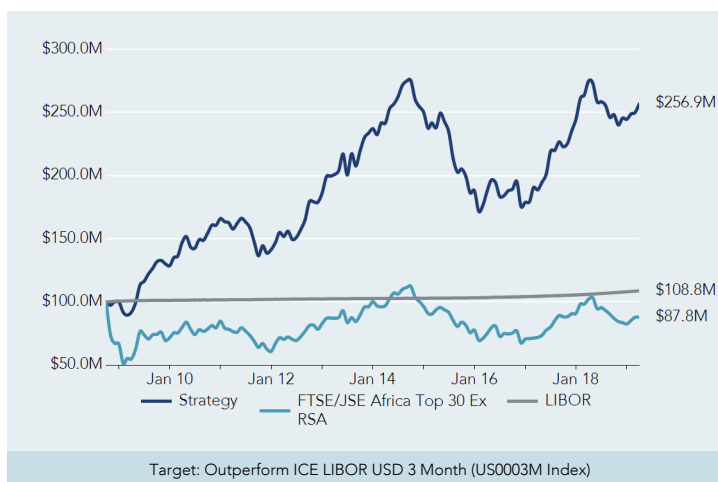
## SECTOR EXPOSURE

Sector	% Strategy
Financials	27.5%
Consumer Goods	26.5%
Telecommunications	16.0%
Basic Materials	7.9%
Industrials	5.3%
Technology	4.5%
Oil & Gas	4.3%
Health Care	3.6%
Consumer Services	1.5%
Utilities	0.5%
Interest Bearing	2.4%

## GENERAL INFORMATION

Inception Date	01 October 2008
Strategy Size	\$571.1 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	33.0%
Zimbabwe	22.3%
Kenya	16.3%
Nigeria	14.7%
South Africa	3.5%
Tanzania	2.0%
Botswana	1.8%
Ghana	1.5%
Senegal	1.2%
Zambia	0.8%
Uganda	0.5%
Interest Bearing	2.4%

## 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 21 years' experience in African financial markets as both a portfolio manager and research analyst.

## FUND MANAGERS

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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

Markets have started 2019 brightly, with the FTSE/JSE All Africa ex-South Africa 30 Index (up 6.4%) recovering nicely after a tough end to 2018. As the Strategy significantly outperformed the market in 2018, it has perhaps unsurprisingly lagged the market recovery in the first quarter of 2019 (Q1-19) with a return of 5.0%. While we are certainly never happy with relative underperformance, when viewed over a more appropriate time period, we remain satisfied with the Strategy's performance. Over the one- and three-year periods to end March 2019, the Strategy has returned -6.5% and 11.0% p.a., respectively, while the Index was down 14.1% and up 5.4% p.a. over the same periods.

The quarter saw positive returns in Egypt (+16.9%) and Kenya (+13.6%), while Nigeria (-0.6%) and Morocco (-5.3%) were negative. Egypt benefited from a surprise 100 basis points (bps) rate cut and a strengthening in the currency as the government's reform strategy continues to bear fruit. In a recent meeting, the CEO of one of Egypt's most successful banks commented that the economy has seen tourism arrivals up 41%, tourism receipts were up 77%, remittances increased to \$26 billion, and the Zohr gas field came online while Suez Canal revenues increased by 15%. Much has changed over the past year. Egypt (at 32.9% of Strategy) remains the portfolio's largest exposure and we continue to be excited about the businesses we own in the country. As always, country weights are a function of the attractiveness of the individual companies in each market rather than a macroeconomic or index view.

We added to our position in Egypt's monopoly tobacco company, Eastern Tobacco (Eastern) during the quarter. Egypt is one of the most attractive tobacco markets globally with high prevalence rates, growing volumes and good affordability. The company is in the process of moving from being regulated as a state-owned entity to a private company. In Q1-19, the government sold down a 4.5% stake in the business to facilitate this change and on 1 April 2019, shareholders officially approved the move as well. Being regulated as a private company should result in numerous benefits for the business and we expect vast improvements in production efficiency, marketing, investor engagement and capital allocation. Eastern remains the Strategy's largest position.

The Strategy also exited from its position in Citadel Capital in Q1-19. Citadel is an Egyptian investment company with interests in energy, cement, agrifoods, logistics and mining. One of the largest parts of Citadel's business is their 17% stake in Egyptian Refining Company (ERC). With commissioning of ERC expected in Q4-19, market sentiment has turned very optimistic, which has seen the share move through our estimate of fair value. We thus exited on valuation grounds.

The largest contributors for the quarter were Eastern and Zimplats, while the largest detractors were British American Tobacco (BAT) Kenya and EIPICO. Eastern has been discussed above, but Zimplats benefited from higher palladium prices, and a change in their mining licence (from a special mining licence to a normal one). This change resulted in a simplification and reduction in tax payable and gives Zimplats increased mining rights over the remaining 45-year lease. BAT Kenya ended 2018 strongly, but declined over Q1-19, despite a strong set of results which followed two tough years. EIPICO had enjoyed a period of cheap raw materials purchased before the floatation of the Egyptian pound. This saw margins expand significantly in 2017. Calendar 2018 saw a normalisation and margins came under pressure. Coupled with sales lagging the market, this resulted in a share price decline for EIPICO. We have since spoken to the new CEO, who communicated a number of positive initiatives, and saw the parent company increase their stake in EIPICO, both of which are positive in our view.

We continue to believe that the Strategy is filled with a number of very attractive opportunities across countries and sectors. While these businesses are compelling in their own right, the valuations at which we can buy them make for an even more compelling investment case. Over the long term, this should result in attractive returns for our investors. We thank you for your ongoing support.