

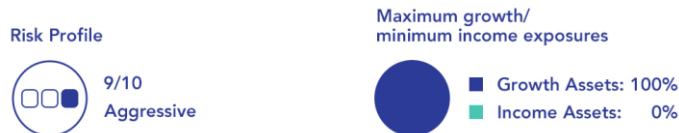
## WHAT IS THE FUND'S OBJECTIVE?

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



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](http://www.coronation.com).

## WHO ARE THE FUND MANAGERS?

<b>GAVIN JOUBERT</b> BBusSc, CA (SA), CFA	<b>SUHAIL SULEMAN</b> BBusSc, CFA	<b>IAKOVOS MEKIOS</b> Ptychion (BSc), MIA, IMC, CFA
<b>LISA HAAKMAN</b> CA (SA), CFA	<b>HENK GROENEWALD</b> BEng, CFA	<b>PAUL NEETHLING</b> CA (SA), CFA

## GENERAL FUND INFORMATION

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

# CORONATION GLOBAL EMERGING MARKETS FLEXIBLE [ZAR] FUND

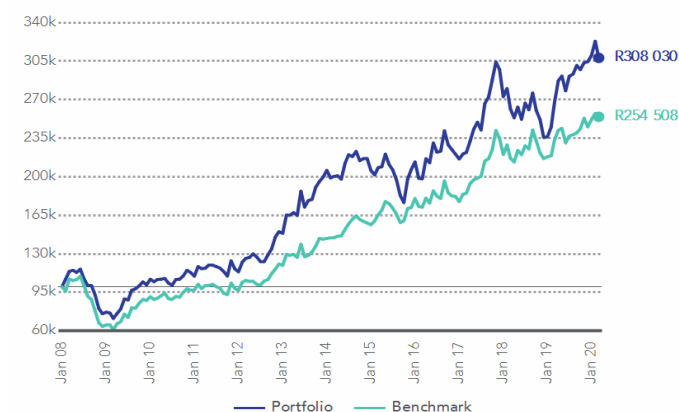
CLASS A as at 29 February 2020

<b>Fund category</b>	Global - Multi Asset - Flexible
<b>Launch date</b>	28 December 2007
<b>Fund size</b>	R 4.28 billion
<b>NAV</b>	298.07 cents
<b>Benchmark/Performance</b>	MSCI Emerging Markets Index
<b>Fee Hurdle</b>	
<b>Portfolio manager/s</b>	Gavin Joubert, Suhail Suleman, Lisa Haakman, Iakovos Mekios, Henk Groenewald and Paul Neethling

<b>Total Expense Ratio</b>	1 Year	3 Year
Fee for performance in line with benchmark	1.33%	1.46%
Adjusted for out/(under)-performance	1.15%	1.19%
Fund expenses	(0.10)%	(0.03)%
VAT	0.13%	0.14%
Transaction costs (inc. VAT)	0.16%	0.17%
<b>Total Investment Charge</b>	<b>0.15%</b>	<b>0.17%</b>
	1.48%	1.63%

## 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)	208.0%	154.5%	53.5%
Since Launch (annualised)	9.7%	8.0%	1.7%
Latest 10 years (annualised)	11.2%	11.0%	0.2%
Latest 5 years (annualised)	8.1%	9.0%	(0.9)%
Latest 3 years (annualised)	11.5%	11.2%	0.3%
Latest 1 year	15.1%	9.0%	6.1%
Year to date	(0.7)%	1.0%	(1.7)%

### RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Return	9.7%	8.0%
Annualised Deviation	16.8%	15.1%
Sharpe Ratio	0.12	0.02
Maximum Gain	25.5%	36.4%
Maximum Drawdown	(38.6)%	(44.2)%
Positive Months	57.5%	57.5%

	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 2020	4.2%	(4.7)%											(0.7)%
Fund 2019	3.8%	9.1%	7.3%	1.5%	(4.6)%	4.8%	0.6%	2.7%	(1.3)%	2.1%	0.3%	1.9%	31.3%
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)%

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Country	29 Feb 2020
<b>Equities</b>	<b>94.22%</b>
China	36.81%
India	10.86%
Russian Federation	10.13%
France	5.50%
Brazil	4.98%
Mexico	4.16%
United States	4.02%
Netherlands	3.59%
United Kingdom	3.50%
South Korea	3.23%
Other	7.44%
<b>Cash</b>	<b>5.67%</b>
Other	2.96%
ZAR	1.38%
USD	0.83%
HKD	0.49%
EUR	0.00%
<b>Commodities</b>	<b>0.11%</b>
Ireland	0.11%

### TOP 10 HOLDINGS

As at 31 Dec 2019	% of Fund
Housing Dev Finance Corp (India)	4.8%
Ping An Insurance Group Co (China)	4.7%
58 Com Inc-adr (China)	4.5%
Naspers Ltd (China)	4.1%
Alibaba Group Holding (China)	3.8%
British American Tobacco Plc (United Kingdom)	3.1%
Airbus Group Se (France)	2.9%
Wuliangye Yibin Co Ltd - A (China)	2.8%
Yandex Nv - A (Russian Federation)	2.7%
Lvmh (France)	2.7%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2019	01 Oct 2019	1.65	1.63	0.01
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 fund returned +4.3% during the fourth quarter of 2019, which was 0.9% ahead of the +3.4% return of the benchmark MSCI Emerging Markets Index (both in Rand terms). For the 2019 year as a whole, the fund returned +31.3% which was 15.8% ahead of market's return of +15.5%. This performance made it the fund's second best relative year since inception 12 years ago (the best relative year was 2013 when the fund outperformed the market by 18.1%) and its third best year from an absolute return point of view, behind 2009's +38.9% and 2013's +38.6%. The fund has now outperformed the market over 1, 3 and 10 years, and most importantly is ahead of the market over long (and hence meaningful in our view) time periods with outperformance of 0.5% p.a. over 10 years and 1.9% p.a. since inception 12 years ago.

There were several stocks in 2019 that contributed more than 1% each to this outperformance and only one that detracted by 1% or more. In terms of positive contributors, Wuliangye Yibin led the way (appreciating by 155% and contributing 3.1% to performance) followed by New Oriental Education (+116%, +2.3% contribution), Yduqs/Estacio (+91%, +1.3% contribution), JD.com (+56%, +1.1% contribution), Yandex (+53%, +1.0% contribution), Adidas (+54%, +1.0% contribution) and Li Ning (+170%, +0.9% contribution). The good performance in 2019 was partly a reversal of a poor 2018 - three of the five worst performers in 2018 (JD.com, British American Tobacco and Cogna/Kroton) were all top fifteen positive contributors in 2019, but was also aided by a number of long-held positions coming through - including Yduqs/Estacio and Adidas referred to above. In addition, the likes of Airbus (+51%) and Sberbank (+55%) also contributed meaningfully. Lastly, a number of more recent (calendar 2018) buys also played a large role including Wuliangye, New Oriental and Li Ning. Of the seven largest positive contributors in 2019, we have almost fully sold out of one (Li Ning) as it has reached our fair value, and we have materially reduced the position size of a few of them including New Oriental (2.3% position in Sep 2019 to a 1.3% position in Dec 2019) and Adidas (1.1% position in Sep 2019 to a 0.9% position in Dec 2019). In terms of negative detractors, it was only Taiwan Semiconductor (TSMC) that detracted by more than 1% (-1.03% impact). The fund did own TSMC, but the position size was smaller than that in the index and TSMC was a strong performer in 2019 (+56%).

There were some new small buys in the fund during the quarter and some notable sells. A selection of some of these new buys included positions initiated in Tencent Music Entertainment (TME, 0.6% position), LG Household & Healthcare (0.6% position), Midea (0.5% position) and CP ALL (0.4% position). In terms of noteworthy sells, the fund has almost fully sold out of Li Ning and China Resources Beer (+170% and +55% respectively during 2019 with both reaching and exceeding our estimates of their fair values), as well as selling the remaining small position in BB Seguridade after it reached fair value, almost fully selling Porsche (concerns over the long-term future of the traditional automobile industry) and selling Cognizant. In terms of geographic exposure, China remains the largest country exposure in the fund (32.5% including Hong Kong, but effectively 37.2% if the look-through Tencent exposure in Naspers/Prosus is included), followed by India (10.0%) and Russia (9.6%).

TME (0.6% new position) is 58% owned by Tencent and has two main businesses: a) it is the leader in online music in China (c.75% market share) and b) has a large online social entertainment business, which focuses on music-related live streaming and online karaoke. The online music streaming business is the better of the two businesses in our view and is essentially the Spotify of China (Spotify actually owns an 8.6% stake in TME). TME have c.650 million online music users in China (as a reference point, Spotify globally have a total of around 250 million users) but both the proportion of users who pay anything and the average revenue per user of those who do are low, and should increase over time and drive the top-line. Today the business makes a small loss at the operating level but, with continued revenue growth and resultant leverage of the cost base, in our view this business will be very profitable in years ahead. Content costs are cheaper in China than elsewhere globally (partly due to a fragmented music industry) and this should result in higher operating margins than the likes of Spotify, for example, are likely to achieve. Today the online music business contributes c.30% of TME's revenue (and no profit) by our estimates, but over time we forecast that it will contribute c.45% of TME's revenue and c.35% of its profits. The online social entertainment business (70% of TME's revenue today and 100% of profit) is a very profitable business (EBIT margins of c.25%) but operates in a far more competitive area of the market where the barriers to entry are lower. We still expect this business to do well going forward, but the jewel in the crown and the main driver going forward will be the online music business in our view. TME went public just over a year ago at \$13 a share and we didn't participate in the IPO at the time. The fund has only ever participated in one IPO

(JD.com) in its 12-year history as almost always IPOs are priced very favourably for the seller. After completing our due diligence on TME and gaining conviction, with the share price doing little since the IPO, we built the fund's position one year later in December 2019 at an average price below \$12. At time of purchase, TME was trading on around 25x forward earnings (c. 20x forward Price/Free Cash Flow as the business converts c.125% of earnings into free cash flow), which we believe is an attractive entry point for this asset.

LG Household & Healthcare (LG H&H, 0.6% position) is a South Korean branded consumer company with c.75% of profits coming from cosmetics (largely premium) and the other 25% from household personal care goods (similar to Unilever) and beverages (including the Coca-Cola rights in South Korea). The cosmetic business is the key driver and is what interests us most. The worldwide cosmetics industry has grown in excess of global GDP over the past decade (LG H&H in turn have grown at 2-3x the industry), is economically resilient and is a prime beneficiary of the wealth effect and rising disposable incomes. This is particularly the case with the Chinese consumer and in this regard LG H&H is very well placed and today over half its sales come from the Chinese consumer (c.15% in China itself and the balance from Chinese shopping largely at duty free stores in South Korea). LG H&H has been investing heavily in its main brand 'Whooh' for the past decade and this brand in particular has been successful with the Chinese consumer. This is both a continued opportunity and a threat going forward. Over the past decade LG H&H has grown revenue at 13% p.a. and EPS at 18% p.a. and today the business generates a ROE of c.20%. The fund purchased LG H & H on c.22x forward earnings which we believe is attractive for this high-quality asset.

We made two smaller purchases of 0.5% in Midea and 0.4% in CP ALL. Midea is a leading Chinese household appliances manufacturer, with 34% market share in washing machines in China, 24% market share in air conditioners and 15% in fridges. The company is vertically integrated (R&D, manufacturing, sales, warehousing & delivery) and is increasingly expanding into and developing logistics and robotics capabilities, as we increasingly move towards a smart technology world. While China (58% of sales) is its biggest market by far, it also generates revenue by selling in 200 other countries. Over the past 5 years, 110% of earnings have been converted into free cash flow and the business generates ROE's of c. 25%. In our view, the share is attractively valued today, trading on c.14x forward earnings with a 3% dividend yield.

CP ALL is the 3<sup>rd</sup> largest 7-11 (convenience store) operator in the world (behind Japan and the US) with 11,500 convenience stores in Thailand (c.80% of group profits) as well as over 100 cash and carry stores (Makro, 20% of group profits). The business continues to roll-out c.700 new 7-11 stores a year in Thailand as well as increase the contribution from higher margin categories such as coffee, ready to eat meals and banking services within its stores. As a result, in our view the business can continue to grow at a low double-digit rate in the years ahead. In addition to its core Thailand business, it has nascent cash & carry operations in Cambodia, Myanmar, India and China and is in discussions for the 7-11 master license in Cambodia and Laos. Once a market darling, the share has been flat for the past 2 years and recent concerns about a potential bid for Tesco's business in Thailand brought it into buying range.

At the end of December, the weighted average upside to fair value for the fund was around 30%. This is lower than the approximately 50% historical average, however this is not abnormal after a period of strong absolute performance and we believe the absolute upside is still quite compelling. This is especially so when one considers that the quality of the companies owned in the fund is above average when compared to history.

**Portfolio managers**  
Gavin Joubert, Suhail Suleman, Lisa Haakman, Iakovos Mekios, Henk Groenewald & Paul Neethling  
as at 31 December 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](http://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 2019 (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](http://www.coronation.com)

## IMPORTANT INFORMATION REGARDING TERMS OF USE

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