CORONATION GLOBAL EMERGING MARKETS FLEXIBLE [ZAR] FUND

Fund Information as at 31 May 2020

CORONATION
TRUST IS EARNED™

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

9/10
Aggressive

Maximum growth/ minimum income exposures

- Growth Assets: 100%
- Income Assets: 0%

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

IAKOVOS MEKIOS
Ptychion (BSc), MIA, IMC, CFA

LISA HAAKMAN
CA (SA), CFA

HENK GROENEWALD
BEng, CFA

PAUL NEETHLING
CA (SA), 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 31 May 2020

CORONATION

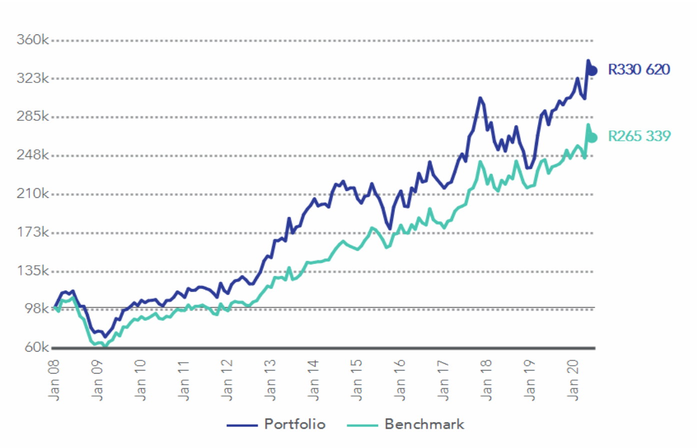
TRUST IS EARNED™

Fund category	Global - Multi Asset - Flexible
Launch date	28 December 2007
Fund size	R 4.25 billion
NAV	319.93 cents
Benchmark/Performance Fee Hurdle	MSCI Emerging Markets Index
Portfolio manager/s	Gavin Joubert, Suhail Suleman, Lisa Haakman, Iakovos Mekios, Henk Groenewald and Paul Neethling

	1 Year	3 Year
Total Expense Ratio	1.33%	1.47%
Fee for performance in line with benchmark	1.15%	1.18%
Adjusted for out/(under)-performance	(0.10)%	(0.01)%
Fund expenses	0.13%	0.13%
VAT	0.16%	0.17%
Transaction costs (inc. VAT)	0.15%	0.20%
Total Investment Charge	1.48%	1.67%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Country	31 May 2020
Equities	**94.74%**
China	33.74%
India	10.18%
Russian Federation	9.84%
South Africa	5.46%
Brazil	4.93%
France	4.41%
Mexico	4.24%
Netherlands	4.03%
United Kingdom	3.66%
United States	3.39%
Other	10.88%
Cash	**4.94%**
Other	3.30%
USD	1.61%
HKD	0.04%
EUR	0.00%
ZAR	(0.01)%
Real Estate	**0.17%**
Brazil	0.17%
Commodities	**0.15%**
Ireland	0.12%
South Africa	0.03%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	230.6%	165.3%	65.3%
Since Launch (annualised)	10.1%	8.2%	1.9%
Latest 10 years (annualised)	12.3%	11.5%	0.8%
Latest 5 years (annualised)	9.4%	8.6%	0.8%
Latest 3 years (annualised)	9.8%	10.1%	(0.3)%
Latest 1 year	18.9%	15.0%	3.9%
Year to date	6.6%	5.3%	1.3%

TOP 10 HOLDINGS

As at 31 Mar 2020	% of Fund
Naspers Ltd (South Africa)	5.1%
58 Com Inc-adr (China)	5.0%
Ping An Insurance Group Co (China)	4.8%
Housing Dev Finance Corp (India)	4.3%
Alibaba Group Holding (China)	4.2%
Philip Morris Int Inc (United States)	4.0%
Wuliangye Yibin Co Ltd - A (China)	3.1%
Jd.com Inc Adr (China)	3.0%
Formento Economico Mexicano (Mexico)	2.8%
Yandex Nv - A (Russian Federation)	2.6%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Return	10.1%	8.2%
Annualised Deviation	17.0%	15.5%
Sharpe Ratio	0.09	(0.03)
Maximum Gain	25.5%	36.4%
Maximum Drawdown	(38.6)%	(44.2)%
Positive Months	57.0%	57.0%
	Fund	**Date Range**
Highest annual return	49.7%	Mar 2009 - Feb 2010
Lowest annual return	(37.5%)	Mar 2008 - Feb 2009

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

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2020	4.2%	(4.7)%	(1.5)%	12.2%	(2.9)%								**6.6%**
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)%**

Issue date: 2020/06/09

Please refer to page 4 of the Comprehensive Fact Sheet for important additional infomation, including change in cost disclosures.

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

The Fund returned -2.2% (in rands) during the first quarter of 2020 (Q1-20), slightly ahead of the -2.6% return (in rands) of the benchmark. The one-year return of the Fund is 5.7% (in rands), which is 4.3% ahead of the benchmark. Over more meaningful longer-term periods, the Fund has also outperformed; by 1.1% p.a. over three years and by 1.9% p.a. since inception over 12 years ago (in rands). We are pleased with this longer-term outperformance generated by the Fund, noting that the Fund has returned 9.5% p.a. since inception (in rands).

The world has changed very quickly since our last commentary in early January. In the intervening three months, a previously unheard-of virus that originated in China has shut down the second-largest economy in the world and spread at a furious rate throughout the globe, prompting sweeping shutdowns. The world seems to be on track for the biggest quarterly decline in GDP since the Great Depression and many countries will face tough months, if not years, ahead.

Emerging markets are at different stages of preparedness for the impact of the virus. At the one end of the spectrum, we have China, which brought its economy to a virtual standstill by keeping the country on enforced lockdown from the time of Chinese New Year in January until the end of the quarter. Having taken this pain upfront, China looks to be rebounding fairly quickly. Other Asian countries, such as Korea and Taiwan, having learnt from episodes historically (SARS/MERS/Swine flu) have also managed to limit the spread of the virus by taking early, concrete action, and so far look like they may come through this less affected than China.

At the other end of the spectrum (within emerging markets) are Brazil and Mexico, which have started taking measures very late (at a national level) and are likely to experience more negative outcomes on their healthcare systems as a result. Russia and Turkey would probably fall into this category too, although, in the case of Russia, the ability of the state to enforce a full lockdown is significant. Turkey has tried the middle-of-the-road approach of keeping workers active but forcing elders and children into isolation. India and South Africa, with their lockdowns of 3-5 weeks (at the time of writing) are likely to fall somewhere in between in terms of economic and social impact.

While all the above information is useful as a backdrop, it is of relevance in this discussion only in the context of how it impacts the Fund, its holdings and potential investments. As a general principle, we have not added to all positions in the Fund that have fallen disproportionately, but have generally been selective in adding only to those that we believe will recover quickly operationally; have the balance sheet to withstand a prolonged severe disruption; and where there hasn't been a material change to our long-term fair value as a result of this crisis.

The standout performer in the Fund in the period was JD.com, the Chinese ecommerce retailer. JD was up 15% (in dollars, as with all stock specific returns cited hereafter) in the period and contributed 0.8% of alpha. It did well due to great results for 2019 and a better-than-average outlook in China during the height of the country's lockdown. In 2019, revenues grew 25% and the company earned a profit after sustained losses since listing. Their outlook for Q1-20 (to end March) guided to 10% revenue growth, even though the country probably saw double-digit declines in GDP during this period - the peak of the Covid-19 crisis in China. One would expect the appeal of ecommerce to be enhanced in a world of social distancing, but, over and above this, several innovative steps taken by management during the worst of the crisis have underpinned this strong performance. A good example is continued deliveries using their self-owned logistics network, even in the most affected province in China (Hubei), using drones for delivery where possible.

Other notable contributors were Philip Morris International, down 13% for 43bps contribution to alpha, as well as Wuliangye Yibin (Chinese baijiu spirits) which declined 15% but contributed 36 basis points (bps) of alpha. Ping An Insurance Group and Yum China collectively contributed another 53bps of alpha, the latter recovering quite quickly operationally and recently announcing that up to 85% of its stores in China are now open. The Fund does not own Petrobras and the big share-price decline (both the Brazilian market and oil price decline contributed to this) added 50bps to relative performance.

The biggest detractor for the Fund was the underweight in Tencent, which it does not own directly. This cost 1.4% of relative performance and, even though the Fund does own Naspers and Prosus, whose valuations are ultimately derived from Tencent, this was insufficient to offset not owning Tencent directly. Naspers and Prosus collectively contributed 86bps to relative performance and comprise 7.2% of the Fund. We own them in preference to a direct shareholding in Tencent due to the substantial discount at which they trade to Tencent as this provides additional margin of safety.

Among stocks owned, Airbus ended up detracting the most from performance, taking 117bps off relative performance. Airbus was a top-10 position (2.9%) at the beginning of the year, and, after holding up well (above €120) early in the year, we started to reduce the holding significantly as the environment for world travel deteriorated. This aggressive reduction in the position size preceded a 60% collapse in the share price to below €50 at one state.

Airbus is a good example of the extreme market reactions that have taken place. In the short-term, the airline industry – Airbus's customer base - is facing financial ruin, as airline travel has collapsed to a fraction of normal levels for this time of year. The short-term financial impact will be manageable - airlines make regular payments during the build stage of a plane and pay penalties for cancelled or massively delayed orders. A lot of production is outsourced, so the pain is shared with suppliers, while the large proportion of variable costs means that curtailing production can preserve cash. Airbus has a large net cash position (€12.5bn or 28% of market cap) and access to additional funding of at least this amount. This means they have ample liquidity to see them through the next two years. The duopoly nature of the industry means that customers only really have two choices of supplier, and however tough things may be for Airbus, they pale in comparison to its only competitor, Boeing, which is highly leveraged and still dealing with the aftermath of the grounding of the 737 Max last year. Although not without risk, we are very positive on Airbus long-term and continue to hold it.

The Indian financial companies HDFC (mortgages) and HDFC Bank (full-service banking) declined by 36% and 39% respectively, costing 1.1% of combined relative performance. In our view, these declines are excessive; the short-term impact of India's shutdown does not reduce the fair value of these businesses by anywhere near this quantum. It is reasonable to expect bad debts to spike in India; however, we believe the risk is more pronounced in the corporate sector than the consumer sector, as consumers are likely to receive significant support from the government to help them through this crisis. Because of our concerns about corporate exposure, we significantly reduced the already small position held in Axis Bank in order to concentrate our Indian financial exposure in the higher-quality names. In the case of HDFC (4.3% of Fund), the mortgage book is fully secured by residential property (mostly primary residences), with very conservative loan-to-value ratios at loan inception. HDFC Bank (1.6% of Fund) has more consumer exposure than any of its peers, with almost half in semi-urban and rural India, where the disruption from the lockdown is likely to be less severe than in urban areas, in our view. The main competitors are either poorly-run state-owned banks or private sector banks with company-specific issues to deal with. Most recent data on loan growth from the Reserve Bank suggests HDFC Bank are growing their loan book at 2.5x the rate of the market as a whole.

There has been a high level of activity in terms of new buys in the Fund during the quarter. Notable new buys included the South African trio of Shoprite, Spar (both food retail) and Pepkor (entry-level clothing retail). Collectively, these are only 1.3% of the Fund. The trio are among the best businesses in the country, being predominantly cash retailers catering to the mass market. In a tough economic environment, they will benefit from downtrading by consumers and will weather storm better than peers, in our view. All three have declined significantly by 30-50% over the last year. Relative to peers in emerging markets, they are now quite attractive, with valuations ranging from 12-14x forward earnings and with 4-5% dividend yields.

Another notable new buy is Indian tobacco business ITC, an affiliate of British American Tobacco (BAT). The share price of ITC has halved since 2017. This highly cash-generative business has declined from 30x earnings a few years ago to 13x today. One can separately value ITC's non-tobacco businesses, which they started years ago in an attempt to diversify away from tobacco and which are marginally profitable, and strip this out of the overall valuation. On this basis it is even more attractive at 8x core (tobacco) earnings. ITC has an almost 85% share of the formal tobacco market share in India (there is a large illicit market), making it a quasi-monopoly. The government has hiked excise taxes consistently, a major reason why the share price has declined. Despite this, ITC continues to grow earnings at low double-digits and are likely to do better than this over time as the non-tobacco businesses improve profitability or are sold to realise value for shareholders. With almost 20% of their market cap in cash and a 5% forward dividend yield, ITC is very attractive.

We sold a few remaining small tail positions down to zero during the quarter. The proceeds were used as funding sources for the more attractive new buys mentioned above.

Members of the team travelled to India, Brazil and Mexico during the quarter to meet current and potential portfolio holdings, before all travel was naturally curtailed in light of global developments. We wish all our clients safety and good health in the weeks and months ahead.

Portfolio managers
Gavin Joubert, Lisa Haakman, Iakovos Mekios, Henk Groenewald & Paul Neethling
as at 31 March 2020

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 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

IMPORTANT INFORMATION REGARDING TERMS OF USE

This document is for information purposes 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 any particular investment. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance upon the information.