CORONATION GLOBAL EMERGING MARKETS FLEXIBLE [ZAR] FUND

Fund Information as at 30 November 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

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 30 November 2020

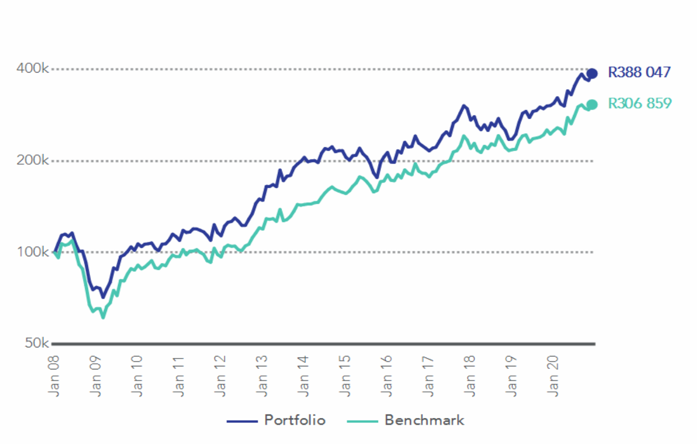
CORONATION
TRUST IS EARNED™

Fund category	Global - Multi Asset - Flexible
Launch date	28 December 2007
Fund size	R 5.41 billion
NAV	375.50 cents
Benchmark/Performance Fee Hurdle	MSCI Emerging Markets Index
Portfolio manager/s	Gavin Joubert, Suhail Suleman, Lisa Haakman, Iakovos Mekios and Paul Neethling

	1 Year	3 Year
Total Expense Ratio	1.83%	1.51%
Fee for performance in line with benchmark	1.15%	1.16%
Adjusted for out/(under)-performance	0.37%	0.05%
Fund expenses	0.09%	0.12%
VAT	0.23%	0.18%
Transaction costs (inc. VAT)	0.19%	0.18%
Total Investment Charge	2.02%	1.69%

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)	288.1%	206.9%	81.2%
Since Launch (annualised)	11.1%	9.1%	2.0%
Latest 10 years (annualised)	13.1%	12.2%	0.9%
Latest 5 years (annualised)	13.4%	12.3%	1.2%
Latest 3 years (annualised)	9.3%	9.4%	(0.1)%
Latest 1 year	27.4%	25.1%	2.4%
Year to date	25.1%	21.8%	3.3%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Return	11.1%	9.1%
Annualised Deviation	16.9%	15.4%
Sharpe Ratio	0.23	0.12
Maximum Gain	25.5%	36.4%
Maximum Drawdown	(38.6)%	(44.2)%
Positive Months	57.4%	57.4%
	Fund	**Date Range**
Highest annual return	49.7%	Mar 2009 - Feb 2010
Lowest annual return	(37.5%)	Mar 2008 - Feb 2009

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Country	30 Nov 2020
Equities	**93.27%**
China	33.42%
India	8.61%
Russian Federation	8.33%
South Africa	7.99%
Brazil	5.96%
South Korea	5.86%
Mexico	4.02%
France	3.63%
United Kingdom	3.41%
Taiwan Province Of China	2.33%
Other	9.71%
Cash	**6.46%**
USD	2.83%
Other	2.57%
ZAR	0.91%
HKD	0.14%
EUR	0.00%
Real Estate	**0.18%**
Brazil	0.18%
Commodities	**0.10%**
Ireland	0.10%

TOP 10 HOLDINGS

As at 30 Sep 2020	% of Fund
Alibaba Group Holding (China)	5.8%
Naspers Ltd (South Africa)	4.8%
Jd.com Inc Adr (China)	4.6%
Ping An Insurance Group Co (China)	3.8%
Housing Dev Finance Corp (India)	3.7%
Wuliangye Yibin Co Ltd (China)	3.1%
Netease.com Inc (China)	2.6%
Philip Morris Int Inc (United States)	2.6%
Prosus Na (China)	2.5%
Formento Economico Mexicano (Mexico)	2.4%

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)%	7.0%	5.5%	3.7%	(3.6)%	(1.3)%	5.4%		**25.1%**
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: 2020/12/09

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 Coronation Global Emerging Markets Flexible Fund returned 5.4% during the third quarter, 0.4% behind the 5.8% return of the benchmark. The Fund has provided a return of 20.2% in 2020, 1.9% ahead of the 18.3% return of the benchmark. If one looks back at how markets performed in the first quarter of 2020 (Q1-20) and the general panic that accompanied the worldwide spread of the coronavirus, it is quite pleasing to have both positive absolute returns this year and alpha. Of course, the longer-term returns remain the most important consideration. In this regard, the Fund has outperformed over almost all meaningful time periods since inception in 2007, by 2.9% p.a. over five years, 0.9% p.a. over 10 years and 1.9% p.a. since inception just over 12 years ago.

The largest contributor to outperformance in the quarter was Wuliangye Yibin. The Baijiu (local Chinese spirits) producer returned 34% in the period (share price movements indicated in US dollar terms here and throughout), providing 0.8% of alpha to the Fund. Having clamped down hard and early – we have heard interesting first-hand accounts of the restrictions placed on daily life in China during their lockdown – China's economy has stabilised and returned toward normality faster than anticipated and many Chinese shares have benefitted from this. The second-largest contributor was JD.com, up 29% to add 0.6% to alpha. JD.com can be thought of as the "Amazon" of China; a large part of what it sells is its own inventory and deliveries use its own fulfilment infrastructure. China was already the country with the highest e-commerce penetration in the world prior to 2020; a combination of highly innovative e-commerce retailers that the mediocre pre-existing physical retailers struggled to compete with. The high level of adoption of digital payment methods further enables e-commerce. In spite of being already well established in the minds of the consumer, JD.com has benefitted tremendously from the demand uplift that accompanied lockdowns. We spoke about their strong revenue growth in Q1-20 in our last commentary, but second-quarter (Q2-20) results (reported mid-August) were even better, with revenues up 34%, well above consensus of 27%. Even more impressive was the rise in operating profit, up 75% year-on-year, with margins rising to 2.8% from 2.1% in the same period last year. This led to a 50% increase in earnings per share. All this was driven by a 30% rise in active customers. Most importantly, this operating performance was accompanied by strong free cash flow generation. Unsurprisingly, the share reacted very positively after the results announcement, moving from around $64 to as high as $83. JD.com was already the largest retailer in China heading into 2019 and this position of strength will be further enhanced by its operational performance in 2020.

Figure 1

Source: Goldman Sachs, company reports

Like several other US-listed Chinese companies, JD.com did a secondary listing in Hong Kong, raising $4bn and ended the quarter with $18bn in cash, around 15% of market cap. The secondary listing was part of a wider move by prominent Chinese companies to reduce their exposure to US capital markets over fears the US may unilaterally impose onerous requirements on Chinese companies that they may not be able to meet, as the Chinese government are not fond of foreigners exercising regulatory oversight of Chinese-domiciled businesses. The list of companies that have done this now includes other Fund holdings such as Alibaba, NetEase and Yum China. This transfer of trading volume toward Hong Kong is part of the investment case for the Hong Kong Stock Exchange, which is a small position in the Fund (0.3%).

Russian holding Yandex was the next largest contributor. Up 30% in the quarter, it added 0.5% to alpha. Yandex has more than doubled from the low it reached in March (under $30) and we have trimmed the position as it has appreciated, having bought when it was under pressure in Q1-20. The 2.0% position size that remains reflects the reasonable valuation and positive long-term outlook for Yandex, which has evolved beyond search to be a meaningful player in many other sectors such as ridesharing and e-commerce. More recently, Yandex has bid to acquire TCS, Russia's largest digital bank. The next largest contributor to alpha was the underweight in Tencent, which lagged the market by being up only 3% in the quarter (0.4% alpha).

The biggest detractor was the underweight in Taiwan Semiconductor Manufacturing Company (TSMC), the third-largest stock in the index. TSMC was up 42% in the quarter and the underweight cost the Fund 0.8%. We are very positive on the company but feel that a 2.4% position is more appropriate, given its risk-adjusted expected return and IRR relative to the rest of the investment universe. TSMC reported excellent results for the first half of 2020 (net income up close to 90% vs last year). There have also been continued stumbles by one of its main competitors Intel, which announced that it is at least a year behind schedule in manufacturing the next generation of 7nm chips. This means that TSMC's competitive positioning is probably the strongest it has ever been. The Mexican holding company FEMSA (2.4% of Fund), fell 8% in the quarter and cost 0.5% of alpha. Mexico continues to struggle in dealing with the coronavirus and most of FEMSA's main assets were negatively affected. The largest contributor to FEMSA, the convenience store chain Oxxo that is about half of our sum of the parts valuation, saw its operations hampered by lockdowns and bans on the sale of alcohol (a large contributor to sales). FEMSA's 15% stake in global brewer Heineken, which makes up roughly 25% of the company's valuation, was also hurt by the 8% decline in the share price of Heineken. Heineken has been under pressure as they index disproportionately toward premium beers, which tend to be sold on premise (where margins are higher) rather than in supermarkets (lower margin). With global curbs on socialising, Heineken has seen volumes fall 12% in the first half of 2020.

Other material detractors were the underweight in Alibaba – up 36%, the +/-3% underweight position cost the Fund 0.7% - and the combined exposure to Naspers & Prosus, which were slightly down in the quarter and cost the Fund a combined 0.8%.

There were two notable new buys in the quarter – Samsung Electronics and BGF Retail. Samsung needs no introduction, as the Fund has owned it at various points in the past, but developments in the chip and memory industries, which are increasingly consolidated and with returns accruing to the top players disproportionately over time, led us to repurchase it into the Fund. Unlike TSMC, Samsung's share price remains below where it was before the Covid-induced market selloff that started in February. Despite a 40% recovery (in Won) from the lows reached in March, Samsung still trades on less than 12x forecasted earnings for the 2021 fiscal year with a 3% dividend yield and close to a third of its market cap in cash. By quarter-end, Samsung was 2.1% of the Fund.

BGF retail is a (South) Korean convenience retailer and was bought into the Fund (0.5% position) for the first time. BGF operate in the CVS (convenience value service) segment, which is attractive in a country like Korea where there is a very high degree of urbanisation, high population density and small household size. The segment has doubled market share over the last decade to 7%, but this is still below regional peers, with similar demographics and drivers like Taiwan and Japan. With challenged formats like department stores, hypermarkets and specialty stores still making up over 50% of retail sales in the country, there is still reasonable market share up for grabs. BGF trades on 14x forward earnings, has a net cash balance and consistently generates returns on equity in excess of 20%.

The Fund sold South African food retailer Spar during the quarter. This was a small position and we felt the opportunities were better elsewhere, such as the new buys above. The most notable sale was that of 58.com, a long-held Fund holding. 58.com was bought out by a private equity firm, which added the founder to the buyout consortium after their initial bid, in order to secure the support of his high voting shares. We believed the buyout price significantly undervalued the business and was very opportunistic - the share had traded 25% higher than the proposed price as recently as January this year – and we lobbied the board to prevent the founder from exercising his voting rights due to the inherent conflict this represented (as he was both buyer and seller). These actions were not successful and only a nominal increase in the offer price was requested by the board, and as a result we sold the remaining exposure as the share price converged to the new buyout price.

Portfolio managers

Gavin Joubert, Lisa Haakman, Iakovos Mekios & Paul Neethling

as at 30 September 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 2020 (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.