CORONATION GLOBAL EMERGING MARKETS FLEXIBLE [ZAR] FUND

Fund Information as at 31 August 2021

CORONATION
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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 31 August 2021

CORONATION

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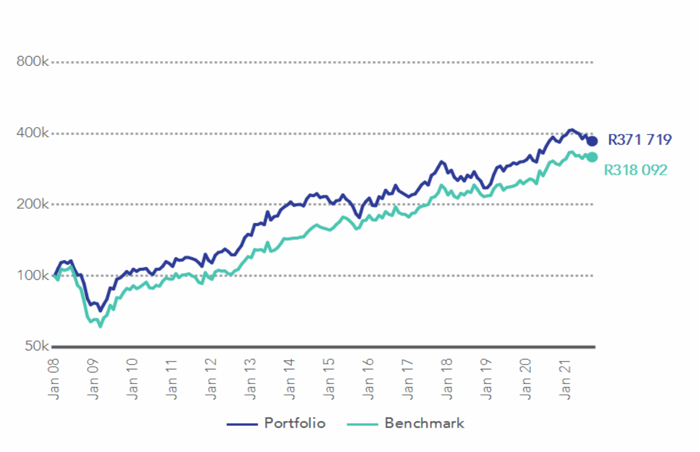
Fund category	Global - Multi Asset - Flexible
Launch date	28 December 2007
Fund size	R 6.35 billion
NAV	359.70 cents
Benchmark/Performance Fee Hurdle	MSCI Emerging Markets Index
Portfolio manager/s	Gavin Joubert, Suhail Suleman, Lisa Haakman, Iakovos Mekios and Paul Neethling

	1 Year	3 Year
Total Expense Ratio	1.83%	1.75%
Fee for performance in line with benchmark	1.15%	1.15%
Adjusted for out/(under)-performance	0.37%	0.28%
Fund expenses	0.09%	0.10%
VAT	0.23%	0.22%
Transaction costs (inc. VAT)	0.19%	0.16%
Total Investment Charge	2.02%	1.91%

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)	271.7%	218.1%	53.6%
Since Launch (annualised)	10.1%	8.8%	1.2%
Latest 10 years (annualised)	12.6%	13.0%	(0.4)%
Latest 5 years (annualised)	9.0%	10.1%	(1.2)%
Latest 3 years (annualised)	10.4%	9.5%	1.0%
Latest 1 year	(3.9)%	3.8%	(7.8)%
Year to date	(5.9)%	1.7%	(7.5)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Return	10.1%	8.8%
Annualised Deviation	16.7%	15.2%
Sharpe Ratio	0.23	0.17
Maximum Gain	25.5%	36.4%
Maximum Drawdown	(38.6)%	(44.2)%
Positive Months	57.3%	57.9%
	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	31 Aug 2021
Equities	**97.45%**
China	31.61%
Russian Federation	11.18%
South Korea	7.92%
India	7.00%
Brazil	6.62%
Germany	4.39%
Taiwan	4.17%
France	4.08%
South Africa	3.74%
United Kingdom	2.72%
Other	14.03%
Cash	**2.35%**
ZAR	1.18%
USD	1.07%
Other	0.11%
EUR	0.00%
HKD	0.00%
Real Estate	**0.12%**
Brazil	0.12%
Commodities	**0.08%**
Ireland	0.08%

TOP 10 HOLDINGS

As at 30 Jun 2021	% of Fund
Jd.com Inc Adr (China)	6.9%
Naspers Ltd (South Africa)	6.8%
Alibaba Group Holding (China)	3.9%
Samsung (South Korea)	3.2%
Housing Dev Finance Corp (India)	2.9%
Naver Corp (South Korea)	2.9%
Tencent Music Entertainment Gr (China)	2.5%
Wuliangye Yibin Co Ltd (China)	2.3%
Netease.com Inc (China)	2.3%
Philip Morris Int Inc (United States)	2.3%

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 2021	4.4%	0.6%	(2.2)%	(1.4)%	(5.0)%	3.5%	(5.6)%	0.1%					**(5.9)%**
Fund 2020	4.2%	(4.7)%	(1.5)%	12.2%	(2.9)%	7.0%	5.5%	3.7%	(3.6)%	(1.3)%	5.4%	1.8%	**27.3%**
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%**

Issue date: 2021/09/09

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

CORONATION GLOBAL EMERGING MARKETS FLEXIBLE [ZAR] FUND

Quarterly Portfolio Manager Commentary

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

The Fund returned -3.1% in the second quarter, lagging the 1.5% return of the benchmark MSCI Emerging Markets (Net) Total Return Index by 4.5%. This underperformance has reversed the positive start to the year, and the Fund now lags the benchmark over the last year by 4.7%. Although this short-term underperformance is disappointing, we believe some drivers are shorter-term in nature and driven by stock-specific moves, which are discussed below. Over more meaningful long-term periods, the Fund is still ahead of its benchmark; by 1.1% p.a. over three years, by 0.2% p.a. over 10 years and by 1.5% p.a. since inception in December 2007.

The biggest positive contributor to relative performance (alpha) in the quarter was Sendas Distribuidora SA (Sendas). We spoke about Sendas in our last quarterly commentary, when it had been freshly spun out of its previous holding company CBD, with shareholders receiving an equal number of Sendas shares to their CBD shareholding. This was done to better realise value by separating the cash and carry operation of CBD (which became Sendas) from the supermarket, hypermarket and convenience store formats, which remain part of CBD. The cash and carry business was run separately from the other formats, so there were no real gains from having everything under the same roof other than saving a few central costs, which were dwarfed by the poor rating applied to the company as a whole. This transaction has proven to be a spectacular success, with the individual shares - Sendas and CBD - now (as at 30 June) trading at a combined share price of R$124 compared to a share price for CBD of R$71 at the beginning of the year and R$79 just before the spinoff at the beginning of March. The biggest pickup was in the much-maligned CBD, which has almost doubled in value since the separation (in local currency terms). As a result, we sold out of CBD completely as it reached our assessment of fair value. The Sendas position we retained returned 28% (in ZAR, as with all other share price moves unless otherwise specified) in the quarter, contributing 45 basis points (bps) to relative performance.

There were a few other material positive contributors during the quarter. First of these was Kaspi, a payments, fintech and marketplace ecosystem/operator in Kazakhstan that went public last year. Kaspi was up 44% and contributed 39 bps to relative performance. Next was Momo.com, the leading Taiwanese e-commerce retailer, which almost doubled and contributed 36bps to alpha. Additionally, the 29% return from Brazilian education stock YDUQS contributed 0.3% to alpha and Chinese spirits producer Wuliangye Yibin contributed 23bps with its 9% return.

There were two equally big detractors in the quarter that each cost 1.5% of relative performance. First of these was the combined Naspers/Prosus position. We hold these stocks in preference to holding Chinese internet firm Tencent as they trade at a significant discount to their look-through value. The Fund holds a large position in Naspers and Prosus (8.6% combined position at the end of the quarter), which returned an aggregate -16%. This was slightly offset by not owning Tencent directly as it is the second-largest stock in the benchmark (over 5% weight at quarter-end). This was a direct reversal of the situation that occurred in the first quarter and was caused by the discount to which Naspers and Prosus trade relative to Tencent widening once more. Prosus, which was originally spun out of Naspers to narrow the discount, has announced a scheme to purchase Naspers shares by means of a tender offer. This tender offer is aimed at addressing the discount. Coronation is currently engaged in discussions with Naspers and Prosus in this regard.

The second equally big detractor was the Chinese after school tuition (AST) provider New Oriental Education (EDU). We added to the existing EDU position late in the March quarter after a 25% share price decline in a short period of time. Unfortunately, the regulatory news that led to the original downward move continued to develop negatively in the latest quarter, and the share declined substantially further during the period (-46%), costing the Fund 1.5%. Overall, we believe that EDU's share price already reflects a fairly dire outcome. The risk/reward is attractive in our view and thus we have kept the position around 2.3% of the Fund.

The next most significant negative contributor was Tencent Music Entertainment. This was also a stock that declined late in the previous quarter and returned a further -27% in the latest quarter. This position cost 77bps of relative performance. Operationally TME is doing well, despite a challenging base in the first quarter of 2020 when China was mostly locked down, which was good for their business. Revenue in Q1-21 was up 24% year on year, with operating profit up 12% and accompanied by great cash generation. The company even bought back roughly $200m of stock, a rarity among Chinese businesses. The reason for the share price decline is antitrust related, given that TME, like most dominant firms in China, has attracted attention from Chinese regulators.

The last material detractor was JD.com (JD), which returned -10% in the quarter and cost the Fund 0.5% alpha. JD is the second-largest e-commerce retailer in China, with 500m customers reported at the end of March compared to 387m in the comparable period a year ago, with management aiming to gain a further 100m in the year ahead. Customer growth has been driven by greater assortment and improvements in fulfilment. Their incredible logistics arm employs 200,000 people and has more than 1,000 warehouses, giving them almost complete geographical coverage of this massive country - all within their own control. More than 90% of orders are delivered either the same day or the next day. Customer loyalty is most evident when looking at purchase frequency and spend, which have increased four-fold and five-fold respectively since 2015.

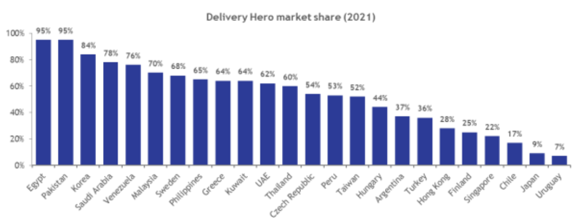
JD has been effective in incubating new business units, with the most notable being JD Logistics (described above) and JD Health (an online health platform). Both have been separately listed successfully, with the holding company retaining 64% ownership in JD Logistics and 69% ownership in JD Health. This dynamic is important to consider when thinking about the *implied* valuation for the core retail business. The entire group has a market value of $118bn but the market value of their listed stakes ($50bn), together with the most recently reported net cash ($19bn), means the market values the retail arm at only around $50bn. The core retail business should generate $135bn in revenue this year at a 4% EBIT margin. We believe this margin is well below normal, which could potentially be high single digits. If you apply a conservative 6% EBIT margin and the statutory 25% tax rate, the core retail business trades on less than 9x earnings for this year. Even at the current 4% margins, the multiple is only 12x earnings for a company growing topline at 20% p.a. This analysis ignores other balance sheet investments that they have, namely, JD Technology (fintech and cloud) and JD Property, which is increasingly housing their physical logistics assets off balance sheet by bringing in capital partners.

A final point worth considering is that the increased scrutiny of the technology sector in China could *potentially* benefit JD's retail business. They have historically been hurt by "pick one" tactics, whereby a brand that sells on multiple platforms is penalised on Alibaba's platforms. These tactics have resulted in JD having an inferior assortment for some key categories, such as fashion and beauty products. With the banning of these tactics by the regulators, merchants have been free to sell all products on all platforms, which should further improve the customer value proposition. The share is down around 25% (in US dollars) from its peak in mid-February this year and offers around 100% upside to fair value, in our view. This is extremely attractive in both absolute and relative terms, and JD is thus a 6.9% position in the Fund.

Two of the notable new buys in the Fund were Delivery Hero (1.6% of the Fund) and Anglo American (0.8% of the Fund). Anglo American (AGL) was purchased for both valuation and diversification reasons. The Fund has little commodity exposure at a time where demand is generally more than supply and prices are rising as a result of this mismatch. Unlike the 2007 period, where miners were trading at high ratings (multiples) on unsustainably high earnings, ratings today are generally quite reasonable, even if spot commodity prices are at the higher end of their normal range. In the case of AGL, the company trades at around 6.5x 12-month forward earnings and offers a 7% dividend yield. Importantly, it trades at less than 11x earnings if its key commodities were to return to our assessment of normal prices. In previous commodity booms (most notoriously in the run-up to 2007), miners blew all their profits on massive expansion projects that ultimately caused prices to tank, or they bought each other out at astronomical valuations only to see share prices fall later in tandem with commodity prices. This time around, behaviour has been more disciplined, so it is less likely this mistake will be repeated. From an environmental, social and governance perspective, AGL has no direct oil exposure and have spun out their coal assets to shareholders, leaving shareholders with platinum group metals, iron ore, diamonds and copper making up more than 90% of profits.

The other new buy mentioned above, Delivery Hero (DH), is a food delivery business. While it is listed in Germany, it derives the majority of its revenue (>80%) from emerging markets. DH has the number one market position, accounting for 95% of its Gross Merchandise Value (GMV), the best measure of the value of transactions taking place on its platform. This is important as substantial network effects between restaurants, customers and delivery drivers come with a market-leading position. On-demand delivery of food, groceries and other goods is underpenetrated in emerging markets, and substantial tailwinds are driving further growth. People place orders with DH, and these are fulfilled either by their own delivery fleet or by the restaurant's delivery personnel. With the passage of time, more and more will be moved to their own delivery fleet, which will give DH higher commission and delivery fees. The business is already profitable in its mature markets and is improving profitability in its other markets. With its recent acquisition of Woowa, South Korea is now half the business by GMV, but profitability is quite depressed there currently due to a very strong offering from competitor, Coupang Eats. DH trades at an undemanding valuation of less than 1x Enterprise Value (market capitalisation plus net debt) to GMV.

Delivery Hero has >50% market share in the majority of its markets



Source: Bernstein and Apptopia analysis

Portfolio managers
Gavin Joubert, Lisa Haakman, Iakovos Mekios, Henk Groenewald & Paul Neethling
as at 30 June 2021

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