

LONG TERM OBJECTIVE

The Coronation Africa Frontiers Strategy aims to maximise the long-term risk-adjusted returns available from investments on the continent through capital growth of the underlying stocks selected. It is a flexible portfolio primarily invested in listed African equities or stocks listed on developed and emerging market exchanges where a substantial part of their earnings are derived from the African continent. The Strategy may hold cash and interest bearing assets where appropriate.

INVESTMENT APPROACH

Coronation is a long-term, valuation-driven investment house, focused on bottom-up stock picking. Our aim is to identify mispriced assets trading at discounts to their long-term business value (fair value) through extensive proprietary research. In calculating fair values, through our fundamental research, we focus on through-the-cycle normalised earnings and/or free cash flows using a long-term time horizon. The Portfolio is constructed on a clean-slate basis based on the relative risk-adjusted upside to fair value of each underlying security. The Portfolio is constructed with no reference to a benchmark. We do not equate risk with tracking error, or divergence from a benchmark, but rather with a permanent loss of capital.

STRATEGY RETURNS GROSS OF FEES

Period	Strategy	LIBOR	Active Return
Since inception cum.	159.2%	11.5%	147.8%
Since Inception p.a.	7.8%	0.9%	6.9%
Latest 10 years p.a.	4.7%	0.9%	3.8%
Latest 5 years p.a.	7.1%	1.4%	5.7%
Latest 1 year	42.3%	0.2%	42.1%
Year to date	19.9%	0.1%	19.8%
Month	(2.1)%	0.0%	(2.1)%

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

SECTOR EXPOSURE

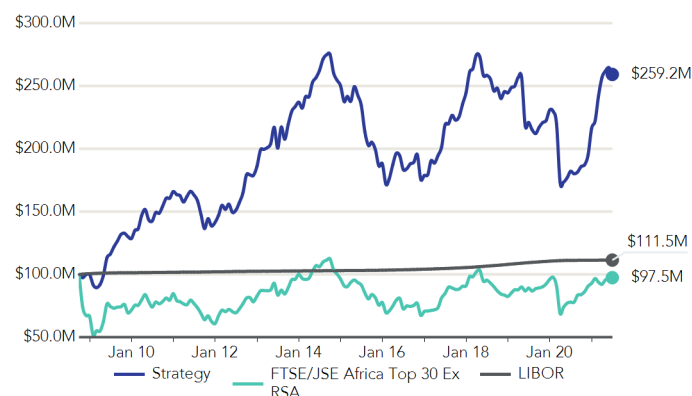
Sector	% Strategy
Consumer Goods	26.0%
Financials	25.7%
Basic Materials	12.3%
Telecommunications	12.0%
Industrials	6.4%
Health Care	5.4%
Oil & Gas	5.2%
Consumer Services	3.9%
Utilities	0.9%
Interest Bearing	2.2%

GENERAL INFORMATION

Inception Date	01 October 2008
Strategy Size *	\$371.5 million
Strategy Status	Open
Target	Outperform ICE LIBOR USD 3 Month (US0003M Index)
Redemption Terms	An anti-dilution levy will be charged
Base Currency	USD

*Strategy assets under management as at the most recent quarter end.

GROWTH OF US\$100M INVESTMENT



Target: Outperform ICE LIBOR USD 3 Month (US0003M Index)

The performance shown is gross of fees.

GEOGRAPHIC EXPOSURE

Country	% Strategy
Egypt	30.9%
Zimbabwe	24.0%
Kenya	14.4%
Nigeria	13.9%
South Africa	3.5%
Ghana	3.4%
Senegal	1.8%
Botswana	1.6%
Tanzania	1.5%
United Kingdom	1.5%
Uganda	0.9%
Zambia	0.2%
Namibia	0.2%
Interest Bearing	2.2%

PORTFOLIO MANAGER



Peter Leger - BScEng, BCom (Hons), CFA

Peter is head of Global Frontier Markets and manager across all strategies within the investment unit. He joined Coronation in 2005 and has 23 years' experience in African financial markets as both a portfolio manager and research analyst.

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The volatility of the Benchmark represented in the growth chart above may be materially different from that of the Strategy. In addition, the holdings in the accounts comprising the Strategy may differ significantly from the securities that comprise the Benchmark. The Benchmark has not been selected to represent an appropriate benchmark to compare the Strategy's performance, but rather is disclosed to allow for comparison of the Strategy's performance to that of a well-known and widely recognized Benchmark. Material facts in relation to the Benchmark are available here: <https://www.theice.com/iba/libor>. In addition, for further information, we have also included the FTSE/JSE Africa Top 30 Ex RSA Index above. Material facts in relation to this benchmark are available here: <https://www.jse.co.za/services/marketdata/indices/ftse-jse-africa-index-series/all-africa>.

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REVIEW FOR THE QUARTER

After a very strong first quarter of 2021, the Strategy performance slowed in the second quarter of this year (2Q-21) to +1.0% in US dollars. Year-to-date returns now stand at 19.9%. Over the same period, the FTSE/JSE All Africa (ex-South Africa) 30 Index (JA30) was up +4.9%. Since its inception more than a decade ago, the Strategy has returned +7.8% p.a., while the index return over this period was a negative -0.2% p.a.

The market performance in Africa over the quarter was bifurcated. Of the larger and more liquid markets, Kenya (+10.8%) and Morocco (+9.5%) performed strongly, while Egypt (-2.7%) and Nigeria (-3.6%) struggled. We continue to value our Nigerian exposure well below spot exchange rates due to the inability to transact at these quoted rates. The index returns and quoted country returns above make no such adjustment and should be viewed with caution. Asset prices in Zimbabwe continued to rise, with the official exchange rate largely stable. Liquidity remains low, but we continue to receive small amounts of US dollars from the country. We continue to discount our holdings in Zimbabwe to reflect the liquidity constraints present in the market.

We remain amazed at the divergence between underlying operating performance and share prices in many of our markets. Egypt and its blue-chip bank, Commercial International Bank (CIB), is a strong example of this. The Egyptian banking sector is an attractive one. The 100m-person country has very low banking penetration and many years of growth ahead of it. CIB has seen deposits grow close to 20% pa for the past two decades, the last decade and the past five years. Retail loans have grown at 25% pa for the past decade, with 2020 seeing 33% growth. These growth rates show no signs of letting up. CIB is 13.5% of the Africa index and was a market darling, widely owned by many of the larger emerging market funds, in addition to Egyptian and Africa focused investors. The bank traded on 3x-4x price to book multiples as recently as 2019. Despite USD earnings more than 60% larger in 2020 than three years ago, its market capitalisation is lower. The bank now trades on a P/B of almost 1.0x. While the market may be looking ahead and forecasting trouble for the bank, it's hard to know where this is likely to come from. The bank has a capital adequacy ratio of more than 30%. This is almost 3x the regulatory minimum and a result of the central bank requiring all Egyptian banks to skip their dividends in 2020. Non-performing loans are 4.3%, and coverage is almost 2.9x this. The bank is incredibly well provided. While 2021 will likely be a Covid-19 impacted year, the medium- and long-term growth outlook remains excellent. The management team is best in class, and the normalisation of capital and provisioning levels should result in very strong earnings growth and large dividend payments in the short term. The bank's share price can easily double and still be attractive. The risk-return profile on offer in CIB at present is very compelling, and we have recently increased our exposure as a result.

Over the period, the largest contributors to performance were Delta Corp, the dominant brewer in Zimbabwe whose share price was +56.2% over the quarter; Sancomb, the listed vehicle for MTN Ghana, whose share was +44.2% and Seplat Petroleum, the London listed, onshore Nigerian oil and gas company whose share rose +23.6%. Their combined contribution to the Strategy was +3.6%.

Zimplats (a Zimbabwean platinum mine listed in Australia) has seen its share increase 47.3% YTD; however, it was our largest detractor in 2Q-21. Platinum group metal prices fell over the quarter, which saw the share decline 22.7% over the three months. Tanzania Breweries and our holdings in two Nigerian banks rounded out the detractors.

The most notable trades for the quarter were the addition of an Egyptian healthcare player, a rotation amongst our Egyptian bank holdings and the exit of a gold miner.

Despite the strong performance over the past year, the Strategy continues to look incredibly attractive, with internal estimates of upside to fair value still in the top quintile of the Strategy's history. We remain focused on bottom-up stock picking and are confident that the current risk-reward potential on offer will see the patient investor rewarded in the fullness of time. Thank you for your continued support.