CORONATION

AFRICA FRONTIERS STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 31 MARCH 2021

CORONATION
TRUST IS EARNED™

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.	156.6%	11.4%	145.1%
Since Inception p.a.	7.8%	0.9%	7.0%
Latest 10 years p.a.	5.0%	0.9%	4.1%
Latest 5 years p.a.	6.5%	1.5%	5.0%
Latest 1 year	47.9%	0.3%	47.5%
Year to date	18.7%	0.1%	18.6%
Month	6.3%	0.0%	6.3%

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

SECTOR EXPOSURE

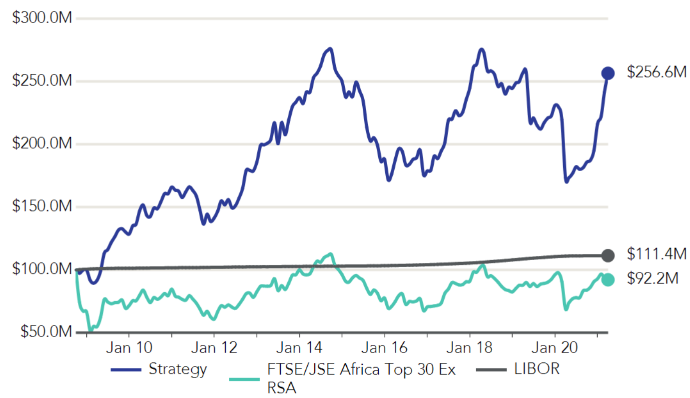
Sector	% Strategy
Consumer Goods	26.2%
Financials	23.5%
Basic Materials	16.2%
Telecommunications	10.7%
Industrials	5.2%
Health Care	4.4%
Oil & Gas	4.3%
Consumer Services	4.2%
Utilities	0.6%
Interest Bearing	4.7%

GENERAL INFORMATION

Inception Date	01 October 2008
Strategy Size *	$381.2 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	27.4%
Zimbabwe	25.0%
Nigeria	14.3%
Kenya	13.7%
South Africa	3.7%
Tanzania	3.0%
Ghana	2.4%
Botswana	1.7%
Senegal	1.7%
United Kingdom	1.4%
Uganda	0.6%
Zambia	0.2%
Namibia	0.2%
Interest Bearing	4.7%

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.

FUND MANAGERS

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DISCLAIMER

REVIEW FOR THE QUARTER

The Strategy started 2021 extremely well. Over the past three months (Q1-21), the Strategy returned 18.7%, significantly outperforming the FTSE/JSE All Africa (ex-South Africa) 30 Index (JA30), which declined by 0.8%. Both Nigeria (-4.8%) and Egypt (-2.4%) delivered negative returns, while Morocco (+0.2%) was largely flat. Kenya (+4.1%) performed well, and Ghana (+15.8%) was one of the standout performers after a disappointing performance in 2020.

It is exactly a year since the Covid-19 lows of March 2020, and over the past 12 months since then, the Strategy returned 47.8%, while the FTSE/JSE All Africa (ex-South Africa) 30 Index (JA30) returned 33.4%. Since its inception more than a decade ago, the Strategy has returned 7.8% per annum (p.a.), while the Index return over this period was negative -0.7% p.a.

After being the largest contributor to performance in 2020, Zimplats (a Zimbabwean platinum mine listed in Australia) continued to perform extremely well. The share price increased by approximately 90% during the quarter. Zimplats is the largest position in the Strategy and added 8.4% to the portfolio's performance during the quarter. Zimplats benefited from strong platinum group metals (PGM) prices during the quarter. On top of robust demand for PGMs, driven by increasing emissions regulations, the prices of these metals were further supported by the flooding at Norilsk's mines in February, which resulted in approximately 20% of the global palladium production being temporarily impacted. Despite the strong share price performance, we still believe that Zimplats offers excellent value. The company trades on a forward PE ratio of only three times, has a double-digit dividend yield, and has more than 10% of its market capitalisation in cash. What makes this even more appealing is that these multiples do not even capture the fact that the company recently announced their decision to expand capacity. These low-risk, low-cost expansion projects should increase annual production by approximately 30% within the next two years.

The other Zimbabwean companies in the Strategy also contributed meaningfully to performance over the quarter. Econet's share price increased by more than 120%, while the share price of Delta Corporation increased by around 90% during Q1-21. In the past, big positive share price moves of Zimbabwean-listed equities were often more of a negative sign, as it was usually driven by investors buying equities as a store of value when there were serious currency concerns. However, this time around, we believe it is driven more by fundamentals. We had many engagements with Zimbabwean businesses, as well as with the Reserve Bank and the Ministry of Finance over the past three months, and management teams are more upbeat than they have been in years. After the initial currency adjustment when the foreign exchange auctions were introduced, the currency has stabilised. Management teams feel that they are in a position to plan, their access to US dollars is the best it has been in a long time, and for the first time in many years, we hear that management teams are even looking to increase capacity. Forex liquidity is the best we have seen in years, but, given that liquidity is still low, we continue to value the Zimbabwean in-country assets by applying a liquidity discount to the official exchange rate. If we valued these Zimbabwean assets at the quoted prices, we estimate that the NAV of the Strategy would have been 6.7% higher.

The largest detractor to the Strategy's performance over the quarter was Eastern Company (Eastern), Egypt's monopoly cigarette manufacturer. Its share price sold off 25% following the announcement that another manufacturing license will be auctioned. While this is negative for the business, going through the details reveals that the announcement is far less negative than initially feared.

While Eastern has a monopoly over production, all the major multinational companies are already present in the market. The market share of Eastern's own brands is 75%, and the impact on these brands should be small (if any) as the agreement sees a 50% price premium applied to any non-Eastern products. The sales from their own brands account for circa 75% of revenues and circa 65% of profits. Own brands sales account for circa 75% of revenues and circa 65% of profits.

The biggest impact will likely be on the toll manufacturing side of the business, where Eastern manufactures cigarettes for the international players, of which Phillip Morris (PMI) is the largest. We have always valued this earnings stream on a low multiple, given the regulatory risk involved. If PMI wins the auction, it is likely that they will move from using Eastern for toll manufacturing to their own production facility. The move is at least two years away, as the production facility will need to be constructed. This will give Eastern sufficient time to plan for the change.

The licence conditions also include that Eastern will share in 24% of the profits of this new entity and allows next-generation products like IQOS to enter the market. This will provide a new, previously untapped revenue stream. So while 35% of Eastern's profits face disruption in the medium term, this will be offset by a 24% ownership stake in the new entity, the potential benefits of being a partner of a global multinational tobacco company and the entry of next-generation products into the market. Eastern trades on 4.0x PE(f) ex-cash and comes with a 13.3% dividend yield. Even in the most punitive of outcomes for the toll manufacturing business, the valuation looks attractive.

During the quarter, we used the share price weakness as an opportunity to increase our exposure to Eastern. We also added Commercial International Bank (CIB). The CIB share price was almost back to the lows of a year ago, and we believe current valuations are compelling for a quality bank.

Over the past three months, we reduced our investment in Zimplats. This was not because of our view on the company, but rather to ensure the appropriate position size in the Strategy after the strong share price appreciation, which increased its size within the portfolio considerably.

We have seen a strong recovery since financial markets bottomed in March 2020. The businesses we own in the Strategy generally navigated Covid-19 much better than we originally feared and are well-positioned to benefit as the world slowly returns to some form of normality. The valuations of the companies we hold in the Strategy are compelling, with the average forward PE of the portfolio as a whole below 8x and an average dividend yield of 9%. The Strategy is filled with quality companies, and by owning good businesses at these attractive valuations, we believe that investors will be rewarded.