CORONATION

AFRICA FRONTIERS STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 30 JUNE 2022

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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	Benchmark	Active Return
Since inception cum.	110.8%	11.8%	99.0%
Since Inception p.a.	5.6%	0.8%	4.8%
Latest 10 years p.a.	3.4%	0.9%	2.5%
Latest 5 years p.a.	(0.8)%	1.3%	(2.1)%
Latest 1 year	(18.7)%	0.3%	(19.0)%
Year to date	(25.4)%	0.2%	(25.6)%
Month	(13.4)%	0.1%	(13.5)%

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

SECTOR EXPOSURE

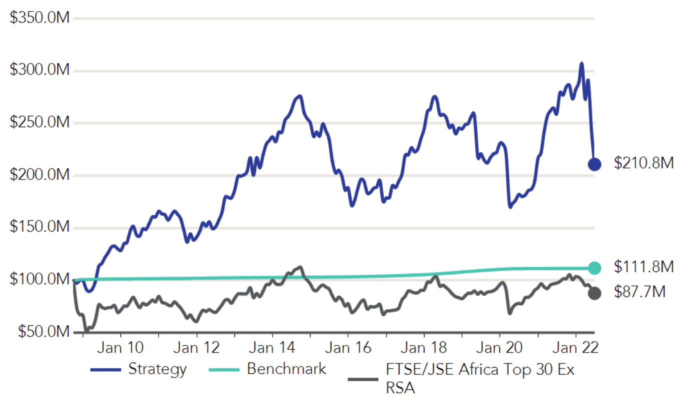
Sector	% Strategy
Consumer Goods	24.5%
Financials	20.8%
Basic Materials	17.6%
Telecommunications	12.0%
Health Care	6.4%
Industrials	4.3%
Oil & Gas	4.0%
Utilities	3.0%
Consumer Services	2.7%
Consumer Staples	0.5%
Metals	0.1%
Interest Bearing	4.1%

GENERAL INFORMATION

Inception Date	01 October 2008
Strategy Size *	$290.6 million
Strategy Status	Open
Target	Secured Overnight Financing Rate (SOFRINDX Index) + 3% per annum
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



Benchmark: Secured Overnight Financing Rate (SOFRINDX Index) from 01 December 2021. Previously ICE LIBOR USD 3 Month (US0003M Index).

The performance shown is gross of fees.

GEOGRAPHIC EXPOSURE

Country	% Strategy
Egypt	29.9%
Zimbabwe	22.4%
Kenya	12.5%
Nigeria	12.0%
Uganda	3.0%
Tanzania	2.7%
Ghana	2.4%
South Africa	2.3%
Canada	2.2%
Senegal	2.2%
Botswana	1.9%
Morocco	1.2%
United Kingdom	0.3%
Zambia	0.2%
Namibia	0.1%
Other	0.6%
Interest Bearing	4.1%

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PORTFOLIO MANAGERS

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 more than 23 years' experience in African financial markets as both a portfolio manager and research analyst.

Gregory Longe - BBusSc, CA (SA), CFA

Greg co-manages the Africa Frontiers Strategy and has over 9 years' investment experience across Frontier markets. He joined the Global Frontiers investment unit in 2013 as an investment analyst.

FUND MANAGERS

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REGULATORY DISCLOSURE AND DISCLAIMER

The Prospectus and a Summary of Investor Rights can be sourced on the following link: https://www.coronation.com/en/institutional/strategy-information/literature/.

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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.

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REVIEW FOR THE QUARTER

Strategy Performance

After a challenging first quarter, the second quarter of 2022 (Q2-22) was an even tougher one for global markets and the Strategy. The FTSE/JSE All Africa (ex-South Africa) 30 Index (JA30) fell by 8.0% (-15.4% over the first six months of the year). The MSCI Frontier Markets Index (FM) was down 13.8% over the quarter (-20.6% over the first six months of the year) and the MSCI Frontier Emerging Markets Index (FEM) was down 18.3% (-17.9% for the six months). The Strategy return for the quarter was -22.9% and -25.4% year to date.

The Strategy has now returned -18.7% over the past 12 months. Periods of negative absolute performance are always hard to bear. The JA30 Index is down 10.1% although the exchange rate used to calculate the Nigerian performance is not transactable for foreign portfolio investors. Over the past 12 months, the FM index returned -17.3% and FEM index, -15.0%. Looking at the wider universe, both the MSCI Emerging Markets Index (EM) and MSCI All Country World Index (World) were down 25.3% and 15.8% respectively.

Country performance

During the quarter, US dollar country returns were negative across the board for all major markets in the investment universe. Kenya (-22.0%), Egypt (-20.2%), Ghana (-13.2%) and Morocco (-10.0%) were all hard hit. Only Nigeria showed a positive return, +9.1%, over the past three months, although this is flattered by an artificially high official exchange rate which is not realisable for foreign investors. The parallel rate of N610/$, or implied rate of N1,121/$ of dual-listed shares, is far more appropriate than the N421/$ used by the indices. MSCI is considering making Nigeria a stand-alone market in response to the continued currency challenges in that market. While understandable that MSCI wants to do something, removing Nigeria from the indices at this point would have several perverse second-order impacts that are very undesirable.

Contributors and detractors

Over the quarter, the only contributor contributing more than 50 basis points (bps) was Umeme, the Ugandan power distributor. The main detractors were the in-country Zimbabwe stocks (-10.4%), Zimplats (-2.4%) and Eastern Company (-1.3%). During the quarter, we added Africa Oil to the portfolio, bought EABL and added to Guaranty Trust Bank. We funded this by reducing our positions in Stanbic Holdings in Kenya and Seplat.

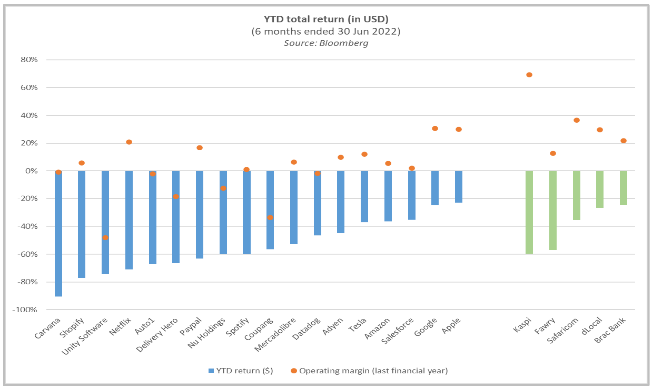
Global backdrop

Globally, Q1-22 was dominated by the Russia/Ukraine conflict. This impacted energy security (and the prices of commodities such as oil), food security (and soft commodity prices), and exacerbated global supply chain issues (fuelling general inflation as demand continued to outweigh supply).

In Q2-22, higher global inflation saw central banks responding by aggressively raising rates. Frontier markets typically started their hiking cycles earlier and off a higher starting point. None of the markets in our universe had aggressively pursued modern monetary theory quite like the developed world. We did, however, see rate hikes in Egypt (+200bps), and Kenya (+50bps). Even Nigeria, which historically has been unwilling to raise rates, had a surprise 150bps hike. Kazakhstan hiked rates a further 50bps and have now raised rates 425bps so far this year.

Against this backdrop of higher inflation and higher interest rates, the share prices of long duration, high growth businesses, particularly in the technology sector, have come under pressure around the world. These businesses, their business models and their paths to profitability have come under intense scrutiny, with investors increasingly reluctant to fund loss-making businesses. During the first six months of the year, the tech heavy Nasdaq index fell by 29% with large drawdowns seen in specific technology stocks. The chart below shows the extent of the drawdowns that we've seen in specific technology stocks so far in 2022. The dots on the chart show profit margins. For many of these businesses, these are very low or even negative.

Chart 1: Technology stock returns across global markets



Source: Bloomberg

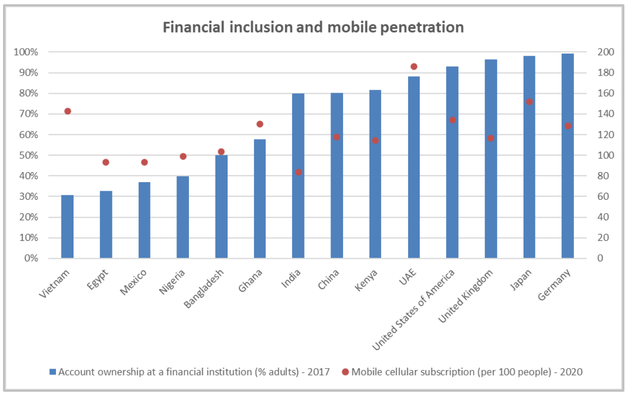
Stock specific discussion

In Frontier markets, there are some very exciting fintech businesses. There are massive opportunity sets, incredible superapps and examples of lazy incumbents being leapfrogged by more innovative new entrants. The runways for growth are even bigger than what we see in developed and emerging markets. Amazingly, despite the growth, most of the fintech businesses we look at in frontier markets are already profitable. Despite this, like their developed market counterparts, the share prices for these companies have been under immense pressure this year (see green bars in the chart above). This gave us the opportunity to increase our stakes or initiate positions in these world-class operations as valuations reduced to more reasonable levels.

Massive opportunity sets

Banking penetration across frontier markets is extremely low. Yet the populations are generally young and tech savvy, resulting in high mobile penetration levels (see chart below). This provides fertile ground to provide financial services digitally and to leapfrog traditional banks that operate with higher cost structures.

Chart 2: Country financial and mobile penetration levels



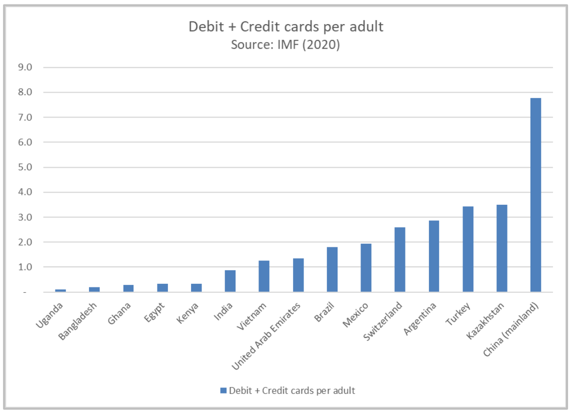
Source: Bloomberg

Fawry, an Egyptian payments company, is a business that illustrates the size of the opportunity we see in our markets. It is estimated that about three quarters of transactions in Egypt still happen with physical cash. Fawry identified this opportunity and enabled Egyptians to buy airtime and pay for utilities digitally. This was particularly attractive for customers in remote areas that are too costly for traditional banks to serve. Over the years, more services were added and Fawry has grown into a business with a network of almost 300,000 point of sale terminals, serving more than 40m customers. While this growth has been impressive, Fawry is still barely scratching the surface of the market.

The opportunity in merchant acquiring is enormous – the chart below shows how low debit and credit card penetration in Egypt is extremely low. Fawry is actively expanding their merchant network and in our view has the potential to be the Square of Egypt. If we look at businesses like Bukalapak in Indonesia that has over 13m merchants and PagSeguro in Brazil that has over 7m merchants, it is clear that Fawry, with less than 300,000 merchants, has the potential to be multiple times bigger than what it is today.

Our experience has been that in countries where financial inclusion and card penetration levels are low, mobile money flourishes. We have seen this in Kenya, Bangladesh, Ghana, and Uganda. The environment in Egypt is ripe for mobile financial services. Fawry is well positioned to be a major player in this space. A valuation of less than $1bn for this business is a steal.

Chart 3: Country debit and credit card penetration



Source: IMF, 2020

Ecosystems with great network effects

"Super app" is a buzzword that is often incorrectly used by companies to describe their smartphone applications. One of the best examples of what truly constitutes a super app, is Kaspi – the largest payments company, largest marketplace, and leading consumer finance company in Kazakhstan. Their app is at the centre of their value proposition. Kaspi has over 11m active users. This means 60% of the Kazakhstan population actively use the Kaspi app. Of Kaspi app users, more than 60% use the app daily. The metrics for Kaspi are up there with some of the best super apps in the world. Alipay (the Chinese super app) has around 50% of the Chinese population as monthly active users and about half of these users use the app daily. On average, Kaspi's active users do over 50 transactions a month. Alipay disclosed just under 30 transactions a month around the time when they planned their IPO.

The growth runway for Kaspi is large:

- Single-digit ecommerce penetration levels in Kazakhstan are still well below other global peers.
- Marketplace take rates of 8% are towards the lower end of ecommerce peers.
- Areas such as advertising and logistics are not yet being monetised to its full potential.
- In payments, Kaspi can easily double the number of merchants on their acquiring network. This not only increases the B2C transactions but also opens numerous other B2B opportunities.
- The additional payments transactions can be financed using Kaspi's consumer and merchant finance offerings, which should underpin strong growth on the lending side of the business.

Kaspi continues to demonstrate the network effects inherent in this business. With such a large user base, merchants simply cannot afford not to be on Kaspi's marketplace. This in turn drives even more users and more transactions through the Kaspi ecosystem. As more transactions stay within the ecosystem, the transactions become more profitable. The fees paid to third parties reduce. In fact, Kaspi now charges a merchant only 95bps for a transaction compared to peers who charge 170bps. Amazingly, despite lower prices, for Kaspi these transactions are more profitable than peers. Data is another area where Kaspi has a large advantage, especially when it comes to credit scoring. This is reflected in the credit loss ratio reducing from approximately 5% in 2018 to below 2% in 2021.

Kaspi travel is a prime example of Kaspi's ability to quickly add new services to their ecosystem. The travel business was started less than two years ago and is already approaching 40% market share of flight bookings in the country. There is a wide range of other services that can still be added to the ecosystem. The next area is online food retail. Considering Kaspi's user base we would not bet against Kaspi becoming a meaningful player in this $12bn addressable market.

Currently investors can buy Kaspi on a forward PE ratio of just 7x. This is incredibly attractive for a business of its quality. While remaining mindful of the risks, we believe that the risk reward profile of Kaspi is very appealing.

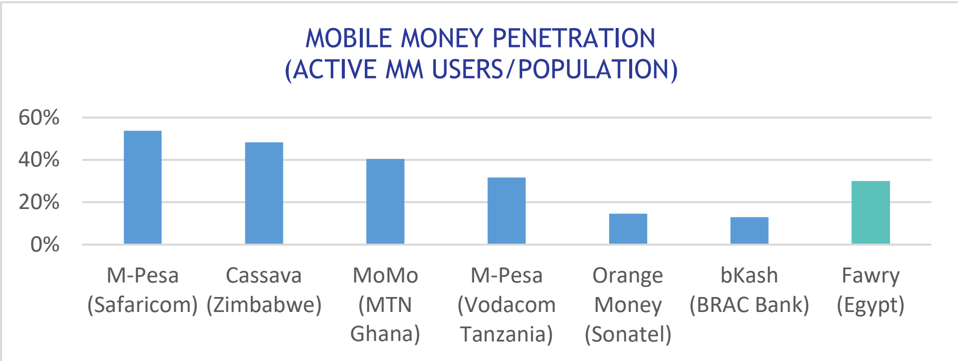
Mobile money leapfrogging traditional banks

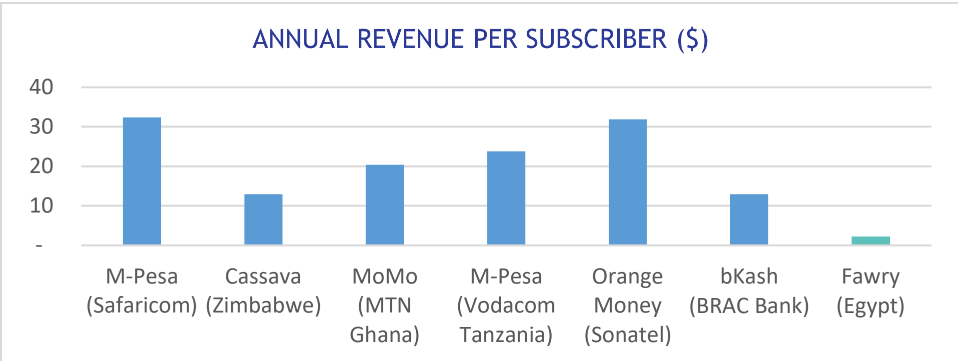
In many frontier markets, banks have failed to bring financial services to the majority of people. Banks largely focus on corporate clients and the easily reached higher income individuals in urban areas. This has left millions of individuals and small merchants without access to financial services. Mobile operators have stepped in to provide the solution.

M-Pesa is the dominant mobile money business in Kenya and the posterchild for mobile money globally. M-Pesa is a subsidiary of Safaricom, the largest mobile operator in the country. More than half of the Kenyan population are active M-Pesa users and M-Pesa is on track to cross $1bn in revenue in 2023. M-Pesa has transformed the country by increasing financial inclusion over the last 15 years from less than 30% to more than 80% currently. There are younger mobile money businesses in many frontier markets and M-Pesa provides us with a great case study of the natural evolution of a mobile money business. This allows us to assess mobile money businesses in other markets to identify those with the best chance of replicating what M-Pesa has done, and to determine the likely profitability of these businesses longer term.

The charts below show how mobile money penetration and revenue per user of different countries compare to M-Pesa. This reveals the opportunity, not only to increase the number of users, but also to increase the revenue generated from each user in many markets. Considering mobile money penetration and revenue per user across different countries compared to M-Pesa, the opportunity in Bangladesh is particularly large. bKash is the dominant player in Bangladesh with 27m active users. Softbank and Ant Financial are large shareholders. With their operational and financial backing, we believe this business will continue to go from strength to strength.

Chart 4: Mobile money penetration and annual revenue per active user across markets





Source: Coronation research, using company annual reports

As discussed above, Fawry clearly has the potential to massively increase revenue per user. As Fawry evolves into a full ecosystem, this will be realised. They already have a strong brand; the customer base; and the distribution network. The next step is to add peer-to-peer payments, lending products and savings products to build out the full ecosystem. The company is investing heavily behind these products, and while this puts pressure on near-term earnings, it places Fawry in a great position to be successful longer term.

MTN Nigeria only received a Payment Service Bank license in 2022 and have just started their mobile money operations. MTN Nigeria is extremely well positioned to be the winner in this market. They have a very strong brand as the leading mobile operator in the country and years of mobile money experience in countries such as Ghana and Uganda. Importantly, MTN has a fantastic distribution network in Nigeria with more than 600,000 mobile money agents. Competition from incumbents is low given just how under-penetrated financial services are in Nigeria. The market is wide open.

What also excites us is the attractive valuations that these mobile money businesses trade on. While Safaricom is attractive, the mobile money businesses in markets such as Ghana, Nigeria and Bangladesh offer more growth, yet they trade on lower multiples than Safaricom. In frontier markets these fintech businesses are often subsidiaries of mobile operators or banks, and for investors the only way to own these businesses is by owning the listed parent companies. In many instances the share prices of the listed parents do not reflect the value of the fintech businesses. Here are two examples to illustrate this point:

- bKash: bKash is the largest mobile money business in Bangladesh. The parent company of bKash is Brac Bank, a listed company which is the leading SME-focused bank in the country. In November 2021, Softbank acquired a 20% stake in bKash at a price that valued bKash at $2bn. This implies that Brac Bank's stake in bKash alone is worth around $0.7bn. This is slightly more than the current market cap of the whole Brac Bank group.
- Mobile money: In April 2021, Mastercard bought a stake in Airtel Africa's mobile money business. If we apply the same multiples to MTN's mobile money business in Ghana, it will value the mobile money business around $1.4bn. This is almost exactly the same as MTN Ghana's market cap, implying that investors are not paying anything for the telco business of the largest mobile operator in the country. An even more extreme example is Vodacom Tanzania, where the mobile money business alone would be worth almost 50% more than the market cap of Vodacom Tanzania if we used the multiples of the Airtel Africa deal to value Vodacom's Tanzanian mobile money business.

By taking a long view, we are able to look through the short-term market noise surrounding the wider technology sector and acquire select businesses with attractive growth prospects at reasonable valuations. In the fullness of time, as these businesses mature into fully-fledged super apps and fintech ecosystems, growth and profitability will be very strong. Shareholders stand to be richly rewarded as this plays out. We expect this to be a strong tailwind to Strategy performance over the coming years. Thank you for your continued support.