CORONATION GLOBAL EMERGING MARKETS FLEXIBLE [ZAR] FUND

Fund Information as at 31 May 2022

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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
ASISA 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 May 2022

CORONATION

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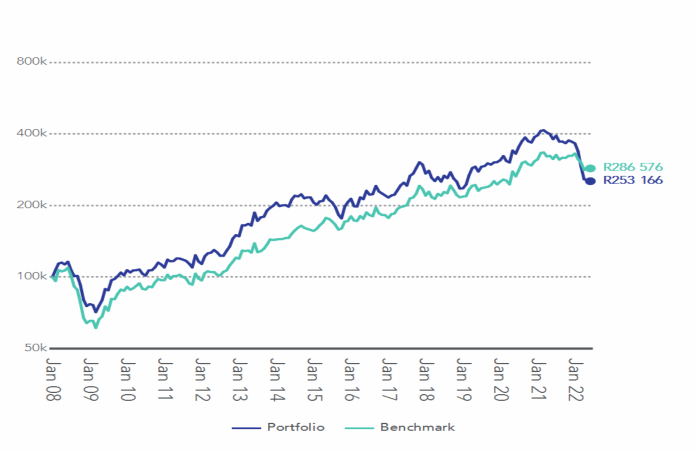
ASISA Fund Category	Global - Multi Asset - Flexible
Launch date	28 December 2007
Fund size	R 4.62 billion
NAV	244.98 cents
Benchmark/Performance Fee Hurdle	MSCI Emerging Markets Index
Portfolio manager/s	Gavin Joubert, Suhail Suleman, Lisa Haakman, Iakovos Mekios and Paul Neethling

	1 Year	3 Year
Total Expense Ratio	2.08%	1.74%
Fee for performance in line with benchmark	1.15%	1.15%
Adjusted for out/(under)-performance	0.59%	0.28%
Fund expenses	0.08%	0.09%
VAT	0.26%	0.22%
Transaction costs (inc. VAT)	0.16%	0.17%
Total Investment Charge	2.24%	1.91%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark
Since Launch (unannualised)	153.2%	186.6%
Since Launch (annualised)	6.7%	7.6%
Latest 10 years (annualised)	7.1%	10.9%
Latest 5 years (annualised)	0.3%	7.6%
Latest 3 years (annualised)	(3.1)%	7.5%
Latest 1 year	(33.4)%	(8.7)%
Year to date	(30.7)%	(13.4)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Return	6.7%	7.6%
Annualised Deviation	17.2%	15.1%
Sharpe Ratio	0.01	0.07
Maximum Gain	25.5%	36.4%
Maximum Drawdown	(39.0)%	(44.2)%
Positive Months	54.9%	56.6%
	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 May 2022
Equities	**96.30%**
China	23.07%
Brazil	12.38%
India	9.59%
South Africa	9.50%
South Korea	9.35%
Taiwan	6.36%
Germany	4.44%
France	4.23%
United Kingdom	3.83%
Argentina	2.28%
Other	11.26%
Cash	**3.61%**
USD	2.35%
Other	0.91%
ZAR	0.49%
HKD	0.00%
EUR	(0.13)%
Real Estate	**0.08%**
Brazil	0.08%

TOP 10 HOLDINGS

As at 31 Mar 2022	% of Fund
JD.com Inc Adr (China)	7.8%
Prosus Na (China)	4.9%
Taiwan Semiconductor Man (Taiwan)	4.0%
SAMSUNG (South Korea)	3.6%
Housing Dev Finance Corp (India)	3.6%
NAVER CORP (South Korea)	3.5%
Petroleo Brasileiro SA (Brazil)	3.3%
AngloGold Ashanti Limited (South Africa)	3.2%
Anglo American Plc (South Africa)	3.1%
Sendas Distribuidora Sa-w/i (Brazil)	2.7%

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 2022	(7.5)%	(13.4)%	(11.8)%	(0.5)%	(1.3)%								**(30.7)%**
Fund 2021	4.4%	0.6%	(2.2)%	(1.4)%	(5.0)%	3.5%	(5.6)%	0.1%	(1.6)%	2.7%	(1.2)%	(1.6)%	**(7.5)%**
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%**

Issue date: 2022/06/09

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

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

The Fund returned -29.4% in the first quarter of 2022 (Q1-22), -14.6% behind the benchmark MSCI GEM (ZAR) Return Index. This comes on top of a difficult period in 2021. Although such a large deviation from the benchmark over a short period is not totally inconsistent with our approach (the Fund has twice outperformed its benchmark by more than 15% in a calendar year), it is extremely disappointing, and we recognise that the Fund's recent performance is clearly well below client expectations. It is perhaps important to note that up until a year ago (March 2021), the Fund's outperformance since inception, was in excess of 1.9% p.a., and north of 1% p.a. over 3, 5 and 10 years, so the significant underperformance has been largely concentrated in the last year.

The biggest positive contributor to relative performance was Sendas, a Brazilian Cash & Carry retailer, which returned 33% for a 0.7% relative contribution to performance (alpha). AngloGold Ashanti returned 6% for 0.6% alpha. Other material contributors were Anglo American (+0.5% alpha), Petrobras (+0.4% alpha) and the zero weights in Tencent and Meituan (+0.3% alpha from each). Not owning Gazprom contributed 0.5%, however the overall Russia impact was, by some way, the biggest driver of underperformance in the quarter.

We started the year with around 11% in Russian equities; our approximate internal maximum exposure limit (at cost) since we increased the risk premium applied to Russian assets in 2014 after the annexation of Crimea, which was also the primary driver of introducing this risk limit. The exposure comprised a mix of food retailers (over 40% of the exposure), banks, the local Moscow exchange, the leading internet asset Yandex and other smaller positions. At that point in time, Russian equities reflected valuations that were lower than at any point since the Global Financial Crisis. The upside to fair value of the Russian stocks in the Fund was over 100% and Magnit (2nd largest food retailer in Russia), for example, was trading at 7 times earnings and paying a 14% dividend yield in the run-up to Russia's invasion of Ukraine on 24 February.

During January and early February, while we did not reduce Russian exposure, we also didn't add to the exposure, and rather went the route of changing the mix of the Russian exposure to reduce its risk profile. At the same time, we increased the Fund's overall commodity stock exposure as a hedge against potential conflict in Ukraine, due to Russia being a large source of supply for several commodities globally. The largest change in the Russian exposure during this period was to reduce the Sberbank position (the only State-owned Russian stock held in the Fund and likely to be far more affected by potential sanctions in our view) in favour of a new position in Lukoil (an oil price hedge in the event of conflict). We also switched Sberbank to other existing positions, in particular Magnit. As a food retailer supplying essential goods in a fragmented market, we believed Magnit would likely be less affected by the broader economy and sanctions and would continue to take market share from weaker operators in a tough economic environment. This was very much the case in 2014-15. As a result of this switching, Sberbank went from being a 3% position late last year to being a 1.0% position the day before the invasion.

Our seemingly high overall Russian exposure (10.2% of Fund the day before the invasion of Ukraine) reflected a combination of the extremely attractive valuations (over 100% upside to fair value) and a base case view that a full and violent invasion of Ukraine (as opposed to just going after the eastern Donbass region for example), while being a possibility, was low probability. With the benefit of hindsight, we were clearly wrong. In addition to this, the apparent poor performance of the Russian military (who annexed Crimea within days in 2014), combined with the courageous fightback by the Ukraine army was not anticipated. It seems clear now that Russia's president Vladimir Putin believed he would take Kyiv and the whole of Ukraine within a few days, a view that was shared by most geopolitical and military experts. It was, in turn, these unexpected developments (a conflict going on well beyond a few days) that created the time and opportunity for the West to cooperate with each other and put together an unprecedented sanctions package, including sanctioning of a large part of the Russian Central Bank's reserves. At the same time, Switzerland abandoned an almost timeless neutrality policy and Germany changed decades old policies with regards to military spend and supply of lethal weapons. In other words, it wasn't just the full invasion of Ukraine in isolation: it was the four factors taken together (a full and brutal invasion of the whole of Ukraine, the poor military performance of Russia, the courageous fight back by Ukraine, and the resultant unprecedented sanctions package put together by Western countries in cooperation despite different vested interests) that made this an extreme event. Nonetheless, the fact is that the impact on performance has been significant, and while this terrible event is by no means over (making it difficult to reach firm conclusions), we are carefully thinking through whether there were any flaws in our process (with a focus on the process as opposed to the outcome) in the months leading up to the invasion, and what lessons are to be learnt here.

The impact on the Fund has been a write-down to zero of all the Russian assets, costing the Fund 8.7% of relative performance in the quarter. Magnit had the biggest impact, costing 3.8%, followed by Yandex (-1.9%) and TCS Group Holding (-1.3%). Other Russian holdings cost a combined -2.5%. The only material positive contributor was the zero weight in Gazprom, which provided +0.5% of relative performance.

The Russian asset write-down is not necessarily reflective of economic reality but is at least partly due to technical factors. On the day of the invasion and the day or two that followed before trading was halted, Russian companies with GDR listings in London were subjected to significant selling pressure in what appeared to be a 'get out irrespective of price' approach. The result of this is that most Russian London listings traded all the way down to less than 1c, with Magnit (the entire company) for example being valued at $6m in London. Magnit, in our estimates, should generate around $500m in free cash flow this year, which, using a market cap of $6m, puts it on an 8,333% free cash flow yield. In Moscow, Magnit has now started trading again, and while the market price may be artificial (foreigners cannot yet participate in the market), there are willing local buyers and sellers in what is reasonable volume. The Moscow listing of Magnit is now almost back to its pre-invasion share price level and is being valued at $5bn and a resultant 10% free cash flow yield.

All of the Fund's Russian holdings have a Moscow listing and using Moscow current share prices and the current USD/RUB exchange rate of 85 (which is clearly inflated, in our view, due to capital controls and other factors) the Fund's 10.2% pre-invasion Russian exposure is currently worth about 9% of the Fund. Adjusting for what is in our view a more sensible USD/RUB exchange rate, this equivalent percentage is 7% of Fund. It is too early to conclude whether the London pricing of Russian equities is correct (in effect that all Russian stocks are worth zero) or whether the Moscow pricing is correct - the answer may lie somewhere between the two: one just doesn't know at this point. Given that we have written off all Russian holdings, there is now only upside optionality sitting in the Fund. In early March, we placed an indefinite firm-wide moratorium on the purchase of any new Russian equities, and this is now likely to remain in place unless there is regime change in Russia. At the same time, when Russian markets become accessible to foreigners again, we will manage existing Russian exposure in the best interests of clients, as opposed to a "sell at any price" approach.

Other than Russia, it was predominantly Chinese names that hurt performance in the quarter as China continues to pursue a 'zero Covid' strategy with continuous lockdowns, most notably in Shanghai, the country's economic capital. JD.com, Wuliangye Yibin, Tencent Music and China Literature were all small detractors as a result. Most frustratingly, Naspers/Prosus (combined 6.9% of Fund) cost 1.9% of relative performance as the discount at which they trade to the value of just their Tencent stake (valuing all other assets at zero) widened to record levels. The current market cap of Prosus is now around €95bn – well below the €122bn value of its Tencent stake alone. The substantial other investments excluding Tencent are worth around €60bn in our view, with around €50bn of this outside of China. Naspers trades at a substantial further discount to Prosus, providing even greater upside.

China internet, in total, makes up around 11.4% of the Fund, albeit in large part concentrated in two positions for specific reasons, with Prosus/Naspers (providing significant exposure to Tencent but at a material discount) and JD.com making up around 65% of the Chinese internet exposure. In both cases we believe the upside to fair value is in the order of 150%. After over a year of relentless new internet regulations (and resultant declining share prices) there have been a few recent developments on gaming approvals (these have resumed after an 11-month hiatus) that provide some light at the end of the tunnel.

There were several new buys in the quarter, the largest of which was Glencore PLC (1.5%), the global diversified miner and trading house. Given the fact that Glencore has had a listing in South Africa for several years, it is a company that we have covered in detail for some time, and it has been a sizeable holding in our South African portfolios for the past few years. Additionally, commodity stocks make up 25% of the South African equity market so this is an area where the South African team spend a lot of time, which we believe is a competitive advantage in our process. In addition to this, commodity companies are now being appreciated more for the role they are playing in helping the world transition off fossil fuels. Those that produce copper, nickel and cobalt also stand to benefit from this meaningful boost to demand growth. In Glencore's case, these 3 commodities make up half of our fair value. Glencore trades on less than 6x this year's earnings and almost a 10% dividend yield, albeit with elevated commodity prices in selected cases. Even with more normalised commodity prices Glencore is attractively valued.

The weighted average upside to fair value in the Fund is now over 90%, which is close to an all-time high. Furthermore, this 90% upside does not include any contribution from Russia, which only has upside optionality as it has been written down to zero already. The 5-year IRR (internal rate of return) is a very compelling 21% p.a.

Portfolio managers

Gavin Joubert, Suhail Suleman, Lisa Haakman, Iakovos Mekios and Paul Neethling

as at 31 March 2022

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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 the current financial year (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.