

CORONATION GLOBAL EMERGING MARKETS FLEXIBLE [ZAR] FUND

Fund Information as at 31 October 2022

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



Maximum growth/ minimum income exposures



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

LISA HAAKMAN

CA (SA), CFA

IAKOVOS MEKIOS

Ptychion (BSc), MIA, IMC, 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

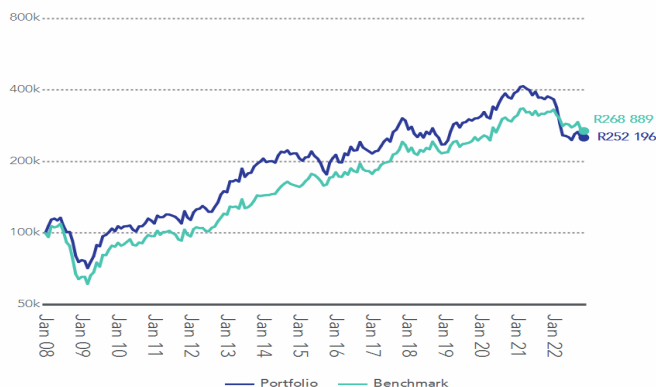
CLASS A as at 31 October 2022

ASISA Fund Category	Global - Multi Asset - Flexible
Launch date	28 December 2007
Fund size	R 4.79 billion
NAV	240.74 cents
Benchmark/Performance Fee	MSCI Emerging Markets Index
Hurdle	
Portfolio manager/s	Gavin Joubert, Suhail Suleman, Lisa Haakman and Iakovos Mekios

Total Expense Ratio	1 Year*	3 Year
Fee for performance in line with benchmark	1.28%	1.73%
Adjusted for out/(under)-performance	1.15%	1.15%
Fund expenses	(0.15)%	0.27%
VAT	0.13%	0.10%
Transaction costs (inc. VAT)	0.15%	0.21%
Total Investment Charge	0.21%	0.18%
	1.49%	1.92%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark
Since Launch (unannualised)	152.2%	168.9%
Since Launch (annualised)	6.4%	6.9%
Latest 10 years (annualised)	5.7%	8.8%
Latest 5 years (annualised)	(3.7)%	2.1%
Latest 3 years (annualised)	(6.0)%	2.0%
Latest 2 years (annualised)	(17.2)%	(4.5)%
Latest 1 year	(32.9)%	(17.0)%
Year to date	(31.0)%	(18.7)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Return	6.4%	6.9%
Annualised Deviation	17.1%	15.1%
Sharpe Ratio	(0.07)	(0.04)
Maximum Gain	25.5%	36.4%
Maximum Drawdown	(40.6)%	(44.2)%
Positive Months	54.5%	56.2%

	Fund	Date Range
Highest annual return	49.7%	Mar 2009 - Feb 2010
Lowest annual return	(37.5)%	Mar 2008 - Feb 2009

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)%	(2.7)%	6.0%	2.1%	(5.0)%	(0.4)%			(31.0)%
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%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Country	31 Oct 2022
Equities	97.86%
China	17.88%
Brazil	13.47%
India	12.95%
South Africa	8.27%
South Korea	7.42%
France	7.21%
Uruguay	5.73%
Taiwan	5.03%
United Kingdom	4.42%
Mexico	3.21%
Other	12.27%
Cash	1.99%
USD	1.90%
Other	0.36%
HKD	0.00%
EUR	(0.09)%
ZAR	(0.18)%
Real Estate	0.15%
Brazil	0.15%

TOP 10 HOLDINGS

As at 30 Sep 2022	% of Fund
Jd.com Inc (China)	5.7%
Prosus Na (China)	4.6%
Mercado Libre Inc (Uruguay)	3.9%
Housing Dev Finance Corp (India)	3.5%
Taiwan Semiconductor Man (Taiwan)	3.1%
Naver Corp (South Korea)	2.8%
Delivery Hero Se (Germany)	2.5%
Glencore Xstrata Plc (United Kingdom)	2.4%
Anglogold Ashanti Limited (South Africa)	2.4%
Airbus Group Se (France)	2.3%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2022	03 Oct 2022	3.31	3.20	0.11
30 Sep 2019	01 Oct 2019	1.65	1.63	0.01
29 Mar 2019	01 Apr 2019	0.64	0.63	0.01

* This column shows the most recently available figures for the 12 months ending September 2022.

The audited 12-month TER ending Sept 2021 was 2.08% which included a 0.59% adjustment for out/(under) performance and a total investment charge of 2.24%.

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

The Fund outperformed the benchmark MSCI Global Emerging Markets (Net) Return Index by 4.6% in the quarter to end September 2022, returning 2.8% compared to the index's return of -1.8%. Over six months, the Fund is +1.2% ahead of the benchmark. Although this is a very short-term time period, we are pleased that after a tough 15 months (end-March 2021 to end-June 2022), the Fund's performance has improved considerably. The impact of the difficult 15-month period remains visible across all longer-term periods where the Fund has fallen behind the benchmark by varying margins. It is worth noting that up until March 2021, the Fund had outperformed the benchmark by 1.9% p.a. and was ahead over three, five and 10 years at the time, highlighting again that the significant underperformance since then has been concentrated within a relatively short time period, in large part (but not solely) driven by Russia (60% of the underperformance over the past year).

As a reminder, we have written down the Fund's Russian exposure to zero, so there is now only upside optionality in this regard. Foreigners are not yet able to trade on the Moscow Exchange, but one can observe what Russian stocks are being valued at by local participants on the Moscow Exchange. Using current Moscow Exchange spot prices for the Fund's Russian holdings and for the exchange rate, these stocks would be a material 12% of the total value of the Fund today. One can argue that until foreigners can participate, these are not real prices – as a counter, however, the trading volumes are reasonably high in most stocks, so one has reference market prices that are being set by willing buyers and sellers, with good volumes behind the transactions. This 12% of value is of course theoretical until we can actually trade in Russian stocks and repatriate the proceeds, and we still have no indication as to when this might happen. Three of the Fund's Russian holdings that are not domiciled in Russia and have listings in the US and UK (Yandex, X5 and TCS) are exploring listings on alternative exchanges (typically on the Hong Kong Exchange) and this eventuality over the medium term could result in value being realised. For the rest of the Fund's holdings (with Magnit being the biggest position by far) that are Russian domiciled and listed, one would likely need a resolution to the war before value could potentially be realised. From an operational point of view, the sanctions have had little impact on Magnit's business – it grew its revenue organically by 19.7% in the three months from 1 April to 30 June 2022, with like-for-like (LFL) sales growing 13.1% during this period (compared to the 12.0% LFL sales in the January to March 2022 period). The LFL performance in the April to June period was in fact the company's best performance in this regard over the past five years. July and August have then seen a further acceleration on the April to June LFL sales performance.

The biggest contributor to relative return in the quarter under review was pan-Latam ecommerce and fintech group Mercado Libre (MELI). After selling off heavily in the second quarter as part of the rout in global technology stocks, MELI returned close to 75% (in USD) over the subsequent two months from the bottom in mid-June to the peak in mid-August. We added significantly to MELI during the sell-off (as we did to a few other high-conviction technology-related/loss-making stocks that sold off heavily) and therefore benefited from this rebound. The realised stock return for the Fund from MELI was +47.7% in the quarter and it contributed 1.5% to relative return (in USD). The primary driver of MELI's quick share price recovery was the exceptional operational and financial results release for the second quarter. Many ecommerce-related operations across the world have struggled to deliver strong growth as their comparison periods (the base) from 2020 and 2021 included abnormal pandemic "super volumes". This was not the case with MELI, which saw gross merchandise volume (GMV) grow 26% year on year (yoy), including 19% growth for the largest market Brazil. This is after they also had an exceptional pandemic period as the charts below show.

Figure 1
GROSS MERCHANDISE VOLUME (FX-NEUTRAL YOY GROWTH)

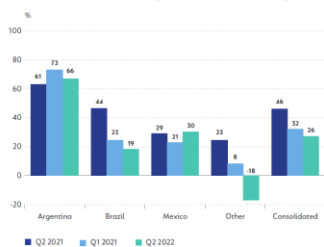
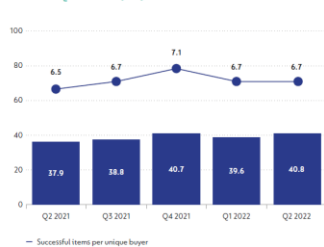


Figure 2
TOTAL UNIQUE BUYERS (MM)



Importantly, the operational results were not driven by heavy promotions to sustain volumes. Operating profit rose 51% yoy, mostly driven by GP margin improvement and MELI's fintech platform, which saw net revenues more than double (+113%). At the start of the year, MELI was only a 1.4% position in the Fund given its far less attractive valuation than is the case today. Over the past several months, we have been adding to the position as the stock declines (now down 40% YTD even after the recent rebound), resulting in the 3.9% position in the Fund today.

The next largest contributor was Coupang, a Korean ecommerce retailer. This is a smaller position (2.1% of Fund) than MELI but returned a similar amount (+46.8%) and contributed +0.8% of relative return. A large part of this positive return is the effective reversal of the share price decline seen in the previous quarter; however, the positive contribution in the third quarter far exceeded the negative impact in the second quarter (i.e., the two-quarter impact was strongly net positive) as we had bought a large part of the position at the share price lows in May/June. Coupang went public in early 2021, with the share price peaking shortly thereafter at around \$50. We did work on Coupang pre the IPO and concluded that as much as we liked the business, it was far too expensive. It was the 70% decline in the share price since then (from \$50 to \$17 today) that brought it into buying range for us. Coupang (the #1 ecommerce operator in South Korea) is one of many such stocks (that we would simplistically describe as loss-making long duration stocks) that were very expensive a year ago in our view, but that have now become attractively valued given the share price declines of 60% to 80% in these stocks. In aggregate, these stocks (which would include MELI, Coupang, Delivery Hero (food delivery in 80 countries, mainly EM), SEA (SE Asia gaming and ecommerce), Nu Holdings (Brazilian digital bank), Make my Trip (India online travel) and Zomato (India food delivery) have gone from being 3% of Fund in aggregate a year ago to 14% of Fund today. In fact, we did not own many of these (Coupang, SEA, Nu Holdings, Make My Trip, Zomato) at all 1 year ago. In contrast today, given the collapse in their share prices, we believe these stocks present some of the most attractive opportunities in emerging markets.

The third largest contributor for the quarter was Petrobras, the partly state-owned Brazilian oil company. Petrobras returned 37.5% in the quarter and contributed +0.7% to relative return. Most of this return was due to dividends – Petrobras paid around \$3.20 in gross dividends per ADR during the quarter on an opening ADR price of \$11.60. This equates to an astonishing dividend yield of 27% in one quarter alone as oil prices were very high in the first half of the year and Petrobras was able to pay out these super profits as dividends. The realised return from dividends in the Fund would have been a bit lower due to various withholding taxes, but the overarching point – that the share is incredibly cheap at current oil prices – remains relevant. Petrobras trades on three times earnings and, due to limited large scale required capital expenditure, converts all of this into free cash flow, which equates to a 33% forward dividend yield. Investors place such a low valuation on this asset due to a combination of expected declines in the oil price and the prospect of left winger Lula da Silva returning to the presidency after the second round of elections due on the last Sunday of this month (October). While both of these do pose a risk to Petrobras, we believe they are more than compensated for in the current share price. Due to the limited capital investment programme at Petrobras – the company spent the last decade developing one of the biggest oil finds in recent history – Petrobras is still highly cash generative, even at \$70 a barrel, which we believe is below a 'normal'/sustainable oil price due to significant underinvestment in developing new oil fields around the world since the Global Financial Crisis. Oil fields have reducing yields over time, and with many developing nations having seen their output fall (Venezuela, Nigeria, Iran), a glut of oil that suppresses prices is unlikely to occur on a sustained basis. With respect to the potential return of Mr. da Silva, it is worth noting that his first stint in the presidency (2003-2010) was fairly centrist in nature and the congressional elections returned a slight majority for allies of the incumbent (pro-business) president, who will limit the potential for damaging intervention at Petrobras. The above all said, political risk does exist, and this reality results in the position size being limited (2.3% of Fund currently) in spite of the very cheap valuation. Other Brazilian assets also featured within the top 10 contributors. Cash and carry operator Sendas returned 34.6% for a +0.6% relative return contribution, while there was also a +0.4% contribution from Nu Holdings (a digital bank).

Of the large emerging market constituents, China performed the worst during the quarter, with the China portion of the benchmark returning -22.5% (in dollars). There are a multitude of reasons for this, such as the continued "zero-Covid" strategy being pursued by the government at all costs, the turmoil in the property market (and knock-on impact on the banking system) and the increased restrictions being placed on technology transfers to China by the US. Having been the standout emerging market for much of the last decade, the country has seen its equity market derate significantly relative to other countries. The Fund's exposure to China is primarily within the technology sector – either directly through large fund holdings like JD.com or indirectly via Naspers & Prosus, which continue to trade at a discount to the look-through value of the Tencent stake owned by Prosus. We wrote extensively in the prior quarter about the narrowing of this discount, which continues to apply as Prosus buys back shares using cash resources and the sale of Tencent shares. We believe that Prosus should be trading at a premium to the value of the Tencent stake since the other assets it owns (Delivery Hero, OLX, PayPal and iFood, to name just a few) have real and identifiable market value – on aggregate, these assets make up roughly 30% of our own fair value for Prosus. For so long as Prosus is buying back shares, the value accretion to shareholders is significant, especially since Tencent is also buying back shares and therefore Prosus' stake in Tencent is not declining at the current rate of share repurchases by both parties. The Fund did well on a relative basis from being less exposed to China than the benchmark (the "country allocation") and, importantly, did even better from stock selection, with the stocks held in the Fund outperforming on a relative basis. This is what one would expect from an investment style focused on bottom-up stock selection. As an example, not owning Tencent directly added 0.7% to relative returns and owning a large (average 8% weight) exposure to Naspers/Prosus cost only -0.5% relative return. The only significant detractor (>0.3% impact) from China was JD.com, which returned -13.9% in the quarter and cost -0.7% of relative performance. This was fully offset by not owning Meituan Dianping and having only a small position in Alibaba, both of which are material index weights and did very poorly in the period under review.

There were several new buys in the quarter, including Pet Center Comercio "Petz" (a specialist retailer focused on the pet care industry in Brazil) and Bosideng International (a manufacturer and retailer of down jackets in China). None of the new buys were individually greater than a 1% position at quarter-end.

In terms of sales, we sold the small remaining positions in Oil & Natural Gas Corporation (India), Longi Green Energy and Nvidia. In all three cases the reason for selling was due to a re-evaluation of the risk-reward tradeoff in the names, rather than due to having reached our fair value and no longer offering sufficient margin of safety.

With the world having now opened up post Covid (China being the notable exception), we have started to travel extensively on research trips. During the past quarter, three of our team members spent two weeks in Brazil and another two analysts spent a week in India, making it the second trip to India this year. One of the team is currently in Poland, spending time on one of the Fund's holdings (Pepco, a discount general merchandise retailer with 3,500 stores, the majority of which are in Eastern Europe) and another two of the team will be travelling to Saudi Arabia and broader Middle East later this month.

Conclusion

After peaking in mid-February 2021, the emerging markets asset class has returned -37% (in USD) to end-September. This has been an exceptionally difficult time to be invested in emerging markets as the impact of rising interest rates, high inflation, the strong US dollar and heightened geopolitical tension have resulted in emerging markets underperforming the broader MSCI All Country World Index significantly. The big sell-off in emerging markets has created very attractive investment opportunities, in our view. Using our internal metric of upside to fair value, the Fund has amongst the most compelling upside it has had during its 14-year history, with 110% aggregate/weighted-average upside in the portfolio, compared to a level of typically around 45%.

Portfolio managers

Gavin Joubert, Suhail Suleman, Lisa Haakman, and Iakovos Mekios
as at 30 September 2022

*All the stock returns realised within the Fund and attributions are quoted in USD.

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 over the period referenced. 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 underlying 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 a rolling 12-month period to the last available month end (updated monthly). The audited 12-month, displayed at the bottom of page 2, is the latest available audited 12-month TER to the end of the previous financial year ending 30 September (updated annually). The 3 Year TER is for a rolling 36-month period to the last available 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

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