CORONATION

AFRICA FRONTIERS STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 31 DECEMBER 2023

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

Period	Gross Return	Net Return*	Benchmark	Active Return†
Since Inception cum.	110.6%	55.6%	19.3%	91.3%
Since Inception p.a.	5.0%	2.9%	1.2%	3.8%
Latest 15 years p.a.	5.1%	3.0%	1.1%	4.0%
Latest 10 years p.a.	(1.2)%	(2.7)%	1.5%	(2.7)%
Latest 5 years p.a.	(2.9)%	(4.4)%	2.0%	(4.9)%
Latest 1 year	(2.7)%	(4.1)%	5.2%	(7.9)%
Year to date	(2.7)%	(4.1)%	5.2%	(7.9)%
Month	4.0%	3.9%	0.4%	3.6%

Active return is calculated as the Gross return less the Benchmark return. Figures may differ due to rounding.

* The "net" return series consists of a composite weighted average of actual net returns for USD denominated portfolios (both pooled and segregated). The highest fee paying class is used where the performance of pooled vehicles are included in the composite.

† The active return shown is gross of fees.

SECTOR EXPOSURE

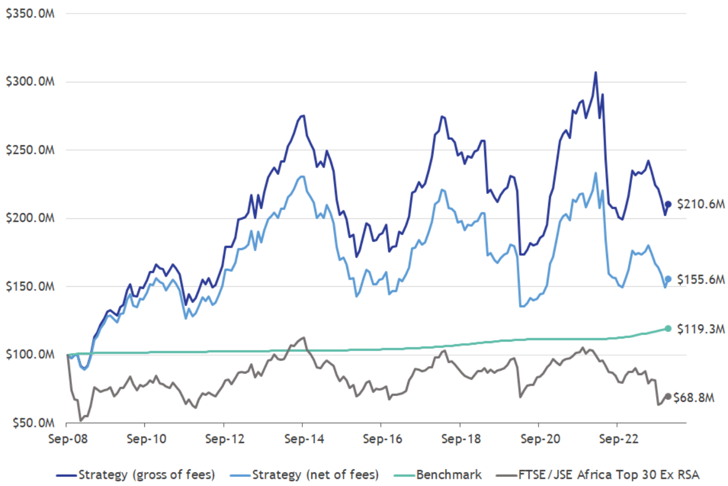
Sector	% Strategy
Consumer Goods	24.0%
Financials	18.2%
Basic Materials	16.2%
Telecommunications	11.6%
Industrials	9.4%
Oil & Gas	7.2%
Utilities	4.4%
Consumer Services	2.8%
Health Care	1.5%
Interest Bearing	4.7%

GENERAL INFORMATION

Inception Date	01 October 2008
Strategy Size *	$227.4 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).

GEOGRAPHIC EXPOSURE

Country	% Strategy
Egypt	23.2%
Zimbabwe	22.8%
Nigeria	14.0%
Kenya	10.3%
Canada	6.2%
Uganda	4.4%
Ghana	3.1%
Botswana	3.0%
Tanzania	3.0%
Morocco	2.6%
Senegal	1.5%
South Africa	1.2%
Interest Bearing	4.7%

CORONATION
TRUST IS EARNED™

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 25 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 ten years' investment experience across Frontier markets. He joined the Global Frontiers investment unit in 2013 as an investment analyst.

FUND MANAGERS

Please contact Coronation for further information

Sean Morris

Lead Client Service Fund Manager
tel: +27 21 680 2021
email: smorris@coronation.com

Gus Robertson

International Client Service Fund Manager
tel: +27 21 680 2443
email: grobertson@coronation.com

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/.

Coronation Investment Management International (Pty) Limited is an investment adviser registered with the United States Securities and Exchange Commission ("SEC"). An investment adviser's registration with the SEC does not imply a certain level of skill or training. Additional information about Coronation Investment Management International (Pty) Limited is also available on the SEC's website at https://www.adviserinfo.sec.gov. The information in this document has not been approved or verified by the SEC or by any state securities authority. Coronation Asset Management (Pty) Limited, Coronation Investment Management International (Pty) Limited and Coronation Alternative Investment Managers (Pty) Limited are also regulated by the Financial Sector Conduct Authority of South Africa.

This material is for information 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 an investment in the Strategy, nor shall it or the fact of its distribution form the basis of, or be relied upon in connection with, any contract for investment in the Strategy. Any such offer shall only be made pursuant to the provision of further information/prospectus in relation to the Strategy. The Strategy is subject to management, administration and performance fees. Past performance is not necessarily a guide to future performance. Investors may not receive back the full amount invested and may suffer capital loss. Investments in the Strategy may not be readily realisable. Opinions expressed in this document may be changed without notice at any time after publication. Nothing in this document shall constitute advice on the merits of buying and selling an investment. All income, capital gains and other tax liabilities that may arise as a result of investing in the Strategy, remain that of the investor.

The Secured Overnight Financing Rate (SOFR) is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities, and is considered a benchmark for short-term interest rates. 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.

The information contained herein is not approved for use by the public and must be read together with our Disclaimer that contains important information. If you are in possession of a physical copy of this document and you are unable to access our Disclaimer online, kindly contact us at cib@coronation.com and a copy will be sent to you via email.

REVIEW FOR THE QUARTER

In 2023, the Strategy significantly outperformed the FTSE/JSE All Africa (ex-South Africa) 30 Index (the Index), ending the year 18.1% ahead of the Index. The Strategy declined -2.7% in US dollars, while the Index was down -20.8% over the past year. Since inception in 2008, the Strategy returned 5.0% per annum (p.a.), while the Index return over this period was negative: -2.4% p.a.

In contrast to global financial markets, which were strong in 2023, African markets struggled. Currency moves were a large contributing factor. Several countries on the continent had large currency devaluations during the year – the Nigerian naira was finally devalued and lost 49% of its value, the Zambian kwacha lost 30%, in Kenya, the shilling lost 21%, and the Egyptian pound is down 20%. In Zimbabwe, the move was the most extreme, with the currency losing almost 90% of its value. Morocco was one of the few stock markets that performed well, with the market up +19.3%. Kenya was one of the worst-performing markets over the past year. Following the -29.8% decline in 2022, the Kenyan market declined a further -43.2% in US dollars during 2023. In Nigeria, the market fell -26.2% as the naira was finally allowed to devalue. Egypt was strong, returning +36.4%, but this is at the official unrealisable exchange rate. Shares in Egypt were up strongly in local currency terms as investors bought equities as a store of value – parallel market rates and dual-listed shares point to a further meaningful devaluation ahead in Egypt.

During the final quarter of the year, several African markets were also weak. In US dollar terms, Kenya (-8.7%), Nigeria (-4.2%), Ghana (-4.4%), and Mauritius (-2.9%) all declined. Morocco (+6.6%) performed well, primarily driven by an appreciation of the currency. On paper, Egypt was the best-performing market on the continent, gaining +23.2%. However, the gains in Egypt are not realisable. Against this backdrop, the Index returned +9.7% over the past three months, but the Strategy's return was -4.8% as we wrote down the value of the Egyptian stocks in the portfolio to a value that is realisable.

A key factor to consider when looking at the Strategy's performance relative to the Index is that the Index simply uses official exchange rates. This overstates the Index return because investors cannot transact at the official rate in a market like Egypt. When striking the NAV of the Strategy, we mark assets down to a value that would be realisable. We calculated that the NAV of the Strategy would have been approximately 32% higher if we used the official rates to value the assets in the portfolio! This is just to give a sense of the size of the haircuts we apply. We firmly believe that the values we use to strike the NAV are appropriate and realisable and therefore treat all investors fairly – investors coming into the Strategy as well as those who wish to exit. Here are examples of the ways different countries are treated in the portfolio and how this differs from the Index:

- Egypt: During the year, the official exchange rate weakened by 20%. In contrast, we use the exchange rate implied by dual-listed shares to value the Egyptian assets in the portfolio. This exchange rate weakened by 40% over the past year. Phrased differently, given that Egypt is now 37% of the Index, we estimate that the Index would have to take a performance hit of approximately -16% if it were to value the Egyptian assets the same way we do in the Strategy.
- Nigeria: We have long spoken about the valuation challenges we have faced in Nigeria and the reasons why we chose to use a realisable value rather than quoted spot exchange rates when valuing the portfolio. The past year has seen the Index align more closely with our valuation methodology in June, when we saw a marked devaluation in the naira. In September, the index provider saw fit to delete Nigeria from the Index, at zero value. This is particularly punitive as these assets still have value. While the official rate moved meaningfully, dual-listed shares, which we use to value the assets in the portfolio, still suggest an exchange rate that is approximately 35% weaker than the official exchange rate.
- Zimbabwe: At the start of 2023, we lowered the liquidity discount applied to the Zimbabwean assets. The country allowed the official exchange rate to devalue considerably over the past year and is now a closer reflection of the level where transactions occur in the economy. Importantly, despite this change, we still value the Zimbabwean in-country assets at a significant discount to the official exchange rate. We continue to repatriate US dollars from Zimbabwe through the auction mechanism at the official exchange rate, and every time this happens, we see an uplift in the NAV of the portfolio.
- Kenya: An investor looking to repatriate US dollars cannot get dollars at the official rate and would have to pay a premium. For this reason, we currently use an exchange rate that is approximately 6% weaker than the official rate when valuing the Kenyan assets in the portfolio.

Contributors and detractors

After being the largest detractors from performance in the previous year, Zimbabwean stocks such as Delta, Econet and Ecocash were the largest contributors in 2023. In aggregate, the Zimbabwean stocks added +6.5% to performance for the year. While the Zimbabwean dollar lost almost 90% of its value this year, it was more than offset by the strong share price moves. With the significant adjustment in the official exchange rate, we were able to reduce the liquidity discount we apply in Zimbabwe, which also contributed to the positive performance in the portfolio. Calendar year 2023 was a more challenging year for Zimbabwean exports, with gold production down about 15% and platinum group metal prices seeing a significant decline. However, the country is still in a much better position than what it was a few years ago. There are now ample US dollars in Zimbabwe, and the economy has now largely dollarised. This allowed companies to start paying US dollar dividends to shareholders.

Other notable contributors in 2023 were Umeme (up about 60% over the year and adding +1.7% to performance) and MTN Ghana (up 53% and adding +0.9% to performance).

With the large write-down we took in Egypt, it is not surprising that Egyptian stocks were the largest detractors in 2023. Cleopatra Hospitals detracted -1.5%, and Fawry detracted -1.4% from the performance of the portfolio. Kenyan stocks were also detractors with the extreme weakness we saw in this market. Safaricom declined more than 50% in 2023 and detracted -1.4%, while BAT Kenya declined more than 20% over the 12 months and detracted -1.3% from the performance of the portfolio. Valuations of these two companies are now incredibly attractive, both trading on single-digit PE multiples and 10% plus dividend yields.

For the last quarter of the year, the Zimbabwean stocks were again the largest contributors, in aggregate adding +1.9% to the performance of the portfolio. Shoprite added +0.9% to performance. The Strategy acquired Shoprite shares listed in Zambia more than a decade ago. However, historical disputes around the Zambian listing meant that liquidity on the Lusaka Stock Exchange dried up completely. This, coupled with the fact that these shares were also not freely fungible, resulted in Shoprite's share price in Zambia being a fraction of the Shoprite share price on the JSE. We conservatively carried the Shoprite shares in the portfolio at the share price quoted in Zambia. Over the years, we regularly engaged with Shoprite on the matter, and in December 2023, we were finally able to agree on a process to transfer the shares to the JSE and could recognise the value uplift in the Strategy on the back of this. The largest detractor was Stanbic IBTC, which detracted -1.4% from performance, mainly as a result of the quarter's 18% weakening of the Nigerian exchange rate used to value the Nigerian assets in the portfolio. Due to the Egyptian write down, Eastern Tobacco and Fawry each detracted -0.7%.

Buys and sells

In Nigeria, we increased our exposure to Guaranty Trust Bank (GTB) while reducing exposure to MTN Nigeria during the quarter. While the new administration in Nigeria has made significant positive policy changes by devaluing the currency, removing fuel subsidies, and raising interest rates, the problems they inherited are big, and it is unrealistic to expect that many years of unorthodox policies can be fixed quickly. Consumers are under immense pressure, and there has not yet been an improvement in forex liquidity. The parallel market and dual-listed shares suggest that a further weakening of the currency is required. GTB is well positioned for this: The bank benefits from a currency devaluation due to its sizable long US dollar position, and the rising interest rates mean that net interest margins are expanding. In contrast, the currency devaluation is negative for MTN as the company earns local currency revenues but a large portion of their operating expenses as well as their capital expenditures are linked to the US dollar. This means declining margins. MTN is a good business, and over time margins should recover, and mobile money still has a lot of potential. However, mobile money will likely not be as successful as M-Pesa has been in Kenya, given that there are already many well-established fintech competitors in Nigeria and the regulatory environment is more restrictive. While MTN Nigeria's forward PE multiple of 12x is not particularly high, there are some near-term headwinds. GTB trades on a forward PE multiple of only 4x and a double-digit dividend yield, which we view as very attractive for a business that is well positioned to navigate the current challenges in the country.

In Egypt, we increased the Strategy's exposure to Fawry and Edita during the quarter, while we sold Qatar National Bank Alahli (QNBA). Fawry's operational performance in 2023 has been excellent, and for the first nine months, net profit tripled. The company saw strong revenue growth and margin expansion as the investments it made in more employees and marketing during the previous year began to pay off. On top of this, Fawry is a big beneficiary of higher interest rates due to its large cash balance. Despite the strong operational performance, the share price declined about 10% in local currency during the year. This means that the share is down considerably in US dollar terms and now looks very attractive. We viewed this as a very good opportunity to increase the exposure to Fawry. On the other hand, QNBA's share price increased more than 50% during the year (in local currency). We used this as an opportunity to sell and redeploy the proceeds into better ideas.

Egypt's currency situation remains a concern. Instead of allowing the currency to act as the release valve, Egypt did not embrace a fully floating currency and pressure on the currency persisted. Many businesses are still unable to source sufficient hard currency for their operations, and the parallel market rate continues to point to a further devaluation. We continue to believe that the problem in Egypt has more to do with a lack of confidence than a lack of US dollars in the economy. Many sources of US dollars, such as tourism numbers and Suez Canal revenues, have been very strong in 2023. However, recent developments in the region are concerning. Since December 2023, the number of ships travelling through the Suez Canal started to decline as the Houthi attacks on ships caused many shipping companies to use alternative routes. In the first few days of January 2024, there has been a decline of almost 30% in the number of ships passing through the Red Sea, which will have a significant impact on Suez Canal revenues. The conflict in Gaza has the potential to affect tourism which is another big source of hard currency for Egypt. The country urgently needs to restore confidence. While Egypt has made progress on asset sales with over $2bn of commitments, these sales have been taking longer than initially hoped. The government targets $5bn of sales and, if concluded, should help to restore some confidence.

Conclusion

In several markets, currency issues are concerning. Most of the businesses that we own in the Strategy have strong pricing power which gives them the ability to grow their earnings in US dollar terms over the long term despite currency devaluations which could impact earnings in the short term. The Strategy also owns several exporters and resources companies that benefit from currency weakness. After many years of disappointing returns in African markets in general, the valuations of these businesses are extremely compelling. We also believe that the approach we use to value the assets in the portfolio is appropriately conservative. These factors more than adequately compensate investors for the risks. Thank you for your support and we wish you a prosperous 2024.

.