

WHAT IS THE FUND'S OBJECTIVE?

The Global Emerging Markets Fund aims to give investors access to the best opportunities in emerging equity markets. The fund actively seeks out undervalued 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 will be fully invested in shares at all times. The fund is mandated to use derivative instruments for efficient portfolio management purposes.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Global Emerging Markets 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 ten 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 1.40% is payable.

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

GENERAL FUND INFORMATION

Fund Launch Date	14 July 2008
Class	B
Class Type	Accumulation
Class Launch Date	5 May 2011
Fund Domicile	Ireland
Morningstar Fund Category	Global Emerging Markets – Equity
Currency	US Dollar
Benchmark	MSCI Emerging Markets Index
Investment Minimum	US\$500
Bloomberg	CORGEMB
ISIN	IE00B553TV27
SEDOL	B553TV2

CLASS B as at 29 February 2024

Launch date	14 July 2008
Fund size	US\$ 975.55 million
NAV	11.04
Benchmark	MSCI Emerging Markets Index
Portfolio manager/s	Gavin Joubert, Suhail Suleman and Iakovos Mekios

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.50%	1.51%
Fund expenses	0.11%	0.12%
VAT	0.00%	0.00%
Transaction costs (inc. VAT)	0.21%	0.22%
Total Investment Charge	1.71%	1.73%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A US\$100,000 INVESTMENT (AFTER FEES)



PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark
Since Launch (unannualised)	55.10%	45.97%
Since Launch (annualised)	2.84%	2.44%
Latest 15 years (annualised)	7.41%	7.59%
Latest 10 years (annualised)	0.03%	3.07%
Latest 5 years (annualised)	(0.41)%	1.89%
Latest 3 years (annualised)	(13.11)%	(6.30)%
Latest 1 year	7.70%	8.73%
Year to date	1.63%	(0.11)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	23.4%	20.9%
Sharpe Ratio	0.08	0.07
Maximum Gain	99.4%	56.3%
Maximum Drawdown	(50.0)%	(51.4)%
Positive Months	54.3%	53.2%

	Fund	Date Range
Highest annual return	106.2%	Mar 2009 - Feb 2010
Lowest annual return	(44.5)%	Jul 2021 - Jun 2022

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2024	(3.1)%	4.9%											1.6%
Fund 2023	11.6%	(7.6)%	2.3%	(1.5)%	(4.2)%	6.4%	6.7%	(5.9)%	(5.1)%	(4.4)%	9.8%	3.2%	9.2%
Fund 2022	(3.5)%	(13.0)%	(6.6)%	(9.0)%	0.6%	(6.7)%	4.4%	(0.6)%	(10.6)%	(2.3)%	18.4%	(0.2)%	(28.3)%
Fund 2021	2.2%	1.2%	(1.0)%	0.3%	0.6%	(0.4)%	(8.5)%	1.8%	(5.5)%	1.0%	(6.5)%	(0.3)%	(14.8)%
Fund 2020	(2.0)%	(7.4)%	(15.4)%	8.7%	3.0%	7.6%	8.5%	4.0%	(1.7)%	1.6%	10.7%	6.6%	23.1%

PORTFOLIO DETAIL

EFFECTIVE GEOGRAPHIC EXPOSURE

Country	29 Feb 2024
Equities	99.39%
China	18.42%
Brazil	12.46%
India	11.90%
South Korea	9.90%
Taiwan	6.42%
France	5.56%
Mexico	5.03%
Indonesia	3.31%
Ireland	3.29%
Netherlands	2.96%
Other	20.14%
Cash	0.61%
USD	0.60%
Other	0.01%

TOP 10 HOLDINGS

As at 29 Feb 2024	% of Fund
Taiwan Semiconductor Man (Taiwan)	5.41%
Hdfc Bank Limited (India)	4.31%
Airbus Group Se (France)	3.52%
Bank Mandiri Tbk Pt (Indonesia)	3.31%
Pdd Holdings Inc (Ireland)	3.29%
Prosus Nv (China)	3.07%
Northeast Utilities (Brazil)	2.92%
Sendas Distribuidora Sa-w/i (Brazil)	2.63%
Grupo Financiero Banorte (Mexico)	2.47%
Li Ning Co Ltd (China)	2.37%

SECTORAL EXPOSURE

As at 29 Feb 2024	Fund
Consumer Discretionary	35.01%
Financials	21.41%
Information Technology	16.38%
Consumer Staples	9.59%
Energy	6.88%
Industrials	6.23%
Communication Services	2.78%
Materials	0.88%
Health Care	0.18%
Cash	0.66%

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

The Fund returned 8.3% in the final quarter of 2023. This strong absolute performance was also 0.4% ahead of the 7.9% return of the benchmark MSCI Emerging Markets (Net) Total Return Index. For the year as a whole, the Fund returned 9.2%, which was 0.6% behind the benchmark. We recognise that there is still much room for improvement in performance as some of the longer-term numbers remain well below our expectations. Since inception over 15 years ago, the Fund has outperformed the benchmark by 0.3% p.a. We believe that our investment process and philosophy of buying undervalued businesses with a margin of safety/attractive 5-year IRR should be able to deliver outperformance in excess of 3% p.a. (before fees) over meaningful periods, as it has done for most periods since launch, and we continue to work towards delivering these returns in future. The asset class (Emerging Markets) has lagged its developed market benchmarks by some distance over most longer-term periods, and we believe it is substantially undervalued as a result. More importantly, the Fund currently offers around 75% upside to fair value on a weighted average basis, which is well in excess of the long-term average of around 40%. We therefore continue to be very positive about returns on a forward-looking basis.

The biggest contributor to relative performance (alpha) in the quarter was Pepco Group, which returned 42% and contributed 0.6% to alpha. In our prior commentary, we highlighted the group's challenges that caused the share price to decline significantly in September 2023 and which led to the departure of the CEO. It is pleasing that the share price has rebounded so quickly since then, partly helped by results not being quite as poor as was hinted at in the group's September trading update. Gross margins have started to improve after coming down by around 5% over the last few years, helped by a normalisation of shipping and freight costs. In the final quarter of the company's fiscal year (30 September), gross profit margins were 3% higher than for the year as a whole, which shows the direction of profitability is strongly positive. The greater focus on capital discipline and the slowing down of their aggressive store expansion plan have also helped allay concerns that Pepco's debt profile would worsen over time. Pepco's main shareholder announced they would not be selling any shares as they consider the company to be significantly undervalued. This removes a potential overhang that would come from the main shareholder selling down.

The second largest positive contributor was the Brazilian financial services group StoneCo, which returned 70% in the quarter and contributed 0.5% to alpha. Great results for the year to date to end-September kickstarted the run in its share price, with close to 30% revenue growth for the nine-month period (year on year [yoy]), around 50% growth in Earnings Before Interest Tax Depreciation and Amortisation (EBITDA), and 320% growth in Earnings Before Tax (EBT). The new management team has really turned this business around, strengthened corporate governance, improved disclosure, and changed remuneration to align properly with shareholders. The company announced a R\$300m (\$62m) share buyback in September and completed it by the time the results were published in mid-November. They subsequently announced a further R\$1bn buyback (\$206m), which is ongoing. On the company's investor day, soon after the results release, StoneCo shared its view on the long-term opportunities available in the markets in which it operates (payments, banking, credit, and software). Arguably, the most meaningful metric was their expectation for net income to reach R\$4.3 billion (\$885 million) in 2027. Even with the share price movement, the company's market capitalisation is only \$5.5 billion, putting it on six times earnings for 2027 (four years away). Our numbers are below that of management (implying around eight times 2027 earnings), largely due to a more conservative take rate assumption. Few peer businesses in any geography trade at single-digit multiples like this, so while there is execution risk in achieving these targets, the risk-reward balance warrants retaining the position (of 1.5% of Fund) in our view.

Pinduoduo, the ecommerce group, and Tencent Music Entertainment (no.1 in online music and audio streaming in China) were the only holdings from China that contributed meaningfully to relative performance in the quarter. Pinduoduo returned 50% and provided 0.5% alpha, and Tencent Music returned 41% and contributed 0.4% alpha. In Pinduoduo's case, the driver of the share price was exceptional results, significantly outperforming the broadly stagnant ecommerce market in China. Revenues for the third quarter (Q3) almost doubled compared to the previous year, operating profit was up 60% yoy despite heavy investment in their international operation (Temu), and cash conversion was very strong. Temu's success has exceeded our expectations and having attached very little value to it previously (Temu is loss-making currently), we now contemplate an outcome where it could be a significant part of their business in future. The success of the Pinduoduo investment has helped counter the impact of JD.com, its competitor in ecommerce, which was the biggest detractor in the Fund for the calendar year. Tencent Music rallied strongly as it managed to grow quarterly earnings by 11% yoy in Q3 despite a 50% decline in what was previously its largest revenue source – social entertainment. Online music is now 70% of the business, and two-thirds of this is subscription revenues. There are now over 100 million paying users for online music, each spending an average of RMB10.30 a month for the service. There is room to grow both these headline figures significantly in our view.

The Chinese equity market as a whole did not have a good quarter (or year) as concerns over property, a slowing economy, and economic policies weighed on share prices. As a result, three of the biggest positive contributors to relative performance for the quarter were stocks we do not own that are material in the benchmark. Alibaba and Tencent Holdings contributed 0.5% alpha each, and Meituan Dianping contributed 0.4%. Tencent's positive contribution was, however, largely cancelled out by our Naspers and Prosus position combined, which detracted 0.4% from relative performance. Chinese authorities also spooked the market in late December by publishing potentially negative draft gaming regulations for comment. Tencent and NetEase, the two largest online gaming operators in the country, both reacted negatively to the announcement. Given that NetEase is far more exposed to high-paying features (its games are more complex and long running), we took the view to sell the position given the potential increased risk. We retained our indirect Tencent exposure via Naspers and Prosus as the potential impact of these regulations is very different compared to NetEase. For a start, Tencent is less exposed to these regulations as it has a very different game catalogue/genre and its gamers are not anywhere near NetEase levels in terms of being "heavy spenders". Additionally, gaming represents less than half of Tencent's overall business, which further mitigates the risk. Finally, Naspers and Prosus trade at a substantial (40%) discount to the value of the Tencent stake alone (ignoring all other assets). The impact of NetEase cost the Fund 0.3% in the quarter, while that of Prosus and Naspers (-0.4%) is highlighted above. Within days of the original announcement, there was an apparent U-turn by the regulator, emphasising that the regulations were in draft format and that they were open to making changes after listening to the companies' views. A large batch of online games (including games from both Tencent and NetEase) were also unexpectedly approved. The official responsible for publishing the draft regulations was also fired.

The biggest detractor in the quarter was Li Ning, the Chinese local sportswear brand. Li Ning returned -36% and took off 1.1% from performance. Li Ning endured a very difficult operating environment in 2023: they set unrealistic sales targets for the year, produced too much inventory, and then had to cut prices to clear stock. Distributors also worsened matters by selling on unauthorised channels, damaging brand equity. The company compounded these operational missteps by announcing (in December) the purchase of a building in Hong Kong for \$280 million (about 4% of its market cap at the time) to house their international expansion. In our view, this was a very poor use of capital given that the share price had already halved since the beginning of the year prior to the announcement. We (and presumably many other long-term shareholders) strongly lobbied the board to do a share buyback, which they announced (equivalent to 6% of shares in issue) soon after the property purchase. Li Ning trades on around 9 times this year's (depressed) earnings, which we believe is very attractive for what remains one of the strongest sportswear brands in China.

The second largest detractor was 3R Petroleum in Brazil, which returned -14% and cost 0.5% alpha. 3R was weak in the quarter due to falling oil prices, but also because they have scaled back their production forecasts for this year by around 15% to 55 000 barrels of oil equivalent per day (boe/d). Melco Resorts returned -11% in the quarter and also cost 0.5% of performance. The gambling market in Macau is taking longer to return to pre-pandemic levels despite China's reopening, with flight and ferry availability still being lower than in 2019, and, in the case of flights, travel costs being significantly higher. China's clampdown on capital leaving the country over and above the small official travel allowance has further soured sentiment toward Macau gambling stocks as they are somewhat reliant on unauthorised/unofficial channels for gamblers to exchange their Renminbi (China's currency) into local currency. Melco Resorts now trades on around a 20% free cash flow yield on our estimates of 2024 free cash generation and we believe the stock is substantially undervalued.

JD.com cost the Fund 0.4% in the quarter, making it the biggest detractor for the year with a 3.3% negative contribution. JD.com's share price halved in the year as their own growth, and that of the ecommerce market as a whole, slowed, with Pinduoduo and Duoyin (owned by ByteDance, the parent company of TikTok) being the only meaningful players to show strong revenue growth. The company trades on eight times this year's forecast earnings, and this valuation ignores their significant net cash balance (over 40% of current market capitalisation) and potential stakes in listed subsidiaries.

There were a few new buys in the quarter, the most material of which was Richemont (1.6% of Fund at year-end). The share price reacted negatively to interim results released in November, with the key disappointment being a slowdown in the growth rate for its specialist watchmakers division. However, the bulk of the business is in Jewellery Maisons (Cartier and Van Cleef & Arpels), which saw 16% constant currency revenue growth yoy. Richemont now trades on around 14 times one-year forward earnings (excluding cash). At these multiples, Richemont is trading well below the 20-year average multiple of 19 times. Other new buys were all 50-60 basis points positions. In Mexico, we bought Quálitas (insurance) and Walmart de México, whilst in China we bought Kweichow Moutai (spirits) and Yum China, the operator of KFC, Pizza Hut and other brands in that country. Yum China fell almost 25% in November after reporting poor results and highlighting intensified competition in the restaurant sector. We believe this reaction was overdone and the long-term structural opportunity for the various franchises/brands in China is multiples of the current size. The company continues to be at the forefront of digital innovation, with orders now representing almost 90% from digital sources (delivery apps, their own app or touchscreen in restaurants). Their membership base is closing in on half a billion people (more than a third of the country's population), and members account for around two-thirds of sales.

Figure 1
AT THE FOREFRONT OF DIGITAL INNOVATION



Management is also very shareholder-friendly, with over \$210 million returned via dividends and share repurchases in Q3. Our team met the company in November and came away impressed, and with the conclusion that this is one of the best assets in China. The store base is currently 14 000 stores, and they are targeting 20 000 by 2026. The lower-tier cities have huge potential for new stores and most new stores break even within three months. They have also committed to return \$3 billion in capital to shareholders (relative to a \$16 billion market capitalisation).

We exited a number of small positions to fund the new purchases. In Brazil, we exited Petz (pet store operator) due to poor execution and a far more competitive environment. In China, we sold out of Li Ning's peer Anta Sports and Bosideng, a maker of premium down jackets. We also sold out of Diageo, largely putting the proceeds into Kweichow Moutai, as mentioned above.

Portfolio managers
Gavin Joubert, Suhail Suleman and Iakovos Mekios
as at 31 December 2023

IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION GLOBAL EMERGING MARKETS FUND

The Global Emerging Markets 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. Coronation 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. Coronation Global Fund Managers (Ireland) Limited is authorised in Ireland and regulated by the Central Bank of Ireland. The fund is approved under Section 65 of the Collective Investment Schemes Control Act by the Financial Sector Conduct Authority of South Africa. Portfolio managed by Coronation Investment Management International (Pty) Ltd (FSP45646), an authorised financial services provider.

JP Morgan (Ireland) has been appointed as the fund's trustees (www.jpmorgan.com; t: +353-1-612-4000), and its custodian is JP Morgan Administration Services (Ireland) Limited (www.jpmorgan.com; t: +353-1-612-4000). Coronation is a full member of the Association for Savings & Investment SA (ASISA).

HOW ARE UNITS PRICED AND AT WHAT PRICE WILL MY TRANSACTION BE EXECUTED?

Unit trusts are traded at ruling prices set on every business day. Fund valuations take place at approximately 17h00 each business day (Irish Time) and forward pricing is used. Instructions must reach Coronation before 12h00 (SA Time) one day prior to the dealing date. You can expect to receive withdrawal payouts three business days after the dealing day. Large investments or redemptions (exceeding 5% of fund value) may be subject to an anti-dilution levy to defray dealing costs and expenses. This levy, where applicable, is applied fully for the benefit 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 B NAV prices. Class A NAV prices were used for the period prior to the launch of Class B. All underlying price and distribution data are 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 the 12 months to end of the previous financial year (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 www.coronation.com. You will also find additional information on the considerations pertinent to investing in a fund denominated in a foreign currency and domiciled in an offshore jurisdiction.

The Prospectus of Coronation Global Opportunities Fund and Fund KIID can be sourced on the following link: <https://www.coronation.com/en/institutional/strategy-information/literature/ucits-fund-library/umbrella-fund>.

A summary of Investor Rights can be sourced on the following link: <https://www.coronation.com/en/institutional/about-us/ucits-v-disclosure/>.

IMPORTANT INFORMATION REGARDING TERMS OF USE

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