CORONATION

AFRICA FRONTIERS STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 31 MARCH 2024

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.	129.2%	68.8%	20.9%	108.3%
Since Inception p.a.	5.5%	3.4%	1.2%	4.3%
Latest 15 years p.a.	6.3%	4.2%	1.2%	5.1%
Latest 10 years p.a.	(0.5)%	(2.0)%	1.6%	(2.1)%
Latest 5 years p.a.	(2.2)%	(3.7)%	2.1%	(4.3)%
Latest 1 year	(1.9)%	(3.3)%	5.4%	(7.3)%
Year to date	8.9%	8.5%	1.3%	7.6%
Month	12.8%	12.7%	0.4%	12.4%

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

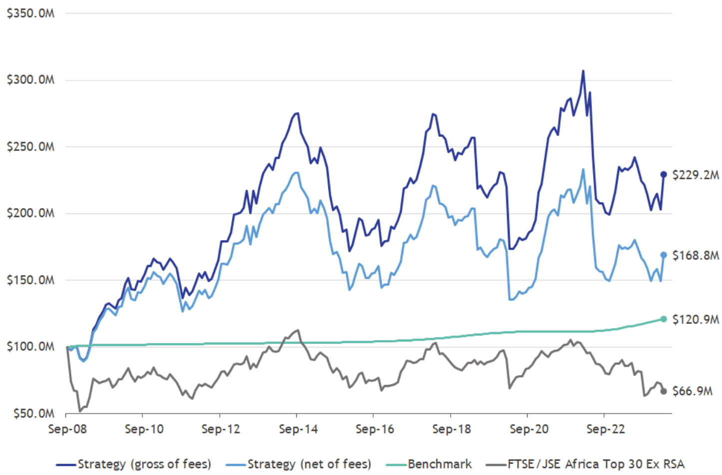
Sector	% Strategy
Consumer Goods	22.3%
Financials	19.3%
Telecommunications	14.0%
Basic Materials	12.6%
Industrials	11.3%
Oil & Gas	6.8%
Utilities	4.6%
Health Care	2.5%
Consumer Services	2.5%
Interest Bearing	4.1%

GENERAL INFORMATION

Inception Date	01 October 2008
Strategy Size *	$240.7 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	23.8%
Zimbabwe	19.5%
Kenya	14.7%
Nigeria	11.0%
Canada	5.6%
Uganda	4.6%
Morocco	3.9%
Ghana	3.3%
Botswana	2.8%
Tanzania	2.7%
Senegal	1.4%
United Kingdom	1.0%
South Africa	1.0%
Mauritius	0.6%
Interest Bearing	4.1%

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

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REGULATORY DISCLOSURE AND DISCLAIMER

REVIEW FOR THE QUARTER

Strategy performance

The Strategy had a great quarter, both on an absolute basis (up 8.9% in USD) and on a relative basis – outperforming the FTSE/JSE All Africa (ex-South Africa) 30 Index (JA30) by 12.4% as the JA30 index was down -3.5% during the quarter.

The Egyptian pound was finally devalued, losing 35% of its value to find a level of two-way trade. We carried Egypt at the conservative end of valuation outcomes, adding further to Strategy performance now that this has normalised.

Elsewhere, the Central Bank of Nigeria was also looking to restore the Nigerian forex markets. The Nigerian foreign exchange market has been frozen for foreign investors since 2020. Over the years we highlighted many times that the official exchange rate was not realisable. In Nigeria, we also used the much weaker exchange rate implied by dual-listed shares to value the assets in the Strategy. In June 2023, the new president removed fuel subsidies and allowed the currency to devalue from around NGN 460/$ to around NGN 800/$ – a level very similar to where the parallel market traded at the time. However, large backlogs remained, and the move was insufficient to bring about two-way flow of US dollars. In February 2024, the currency was allowed to devalue further to approximately NGN 1,600/$. This move only impacted our total return number given that the index provider has removed Nigeria as a country constituent.

Since inception more than a decade ago, the Strategy has returned +5.5% p.a., while the index return over this period was negative: -2.6% p.a. While the +5.5% return is more modest than what we would like, we are happy with the outcome.

As we've highlighted many times over the past year, the index carries Egyptian assets using the official exchange rate which was not realisable. In contrast, we used the much weaker exchange rate implied by dual-listed shares to value the assets in the Strategy. During the quarter, the pound devalued, and the official rate is now much closer to the exchange rate we are using to strike the NAV of the Strategy. The depreciation of the official exchange rate meant that the Egyptian stock market declined by a massive -29.3% in US dollars during Q1-24 and was the primary reason for the large negative performance of the JA30 index. The devaluation, however, did not impact the returns of the Strategy as we've already written Egyptian assets down to their realisable value. In fact, the Egyptian positions contributed to the performance of the Strategy as the exchange rate implied by dual-listed shares strengthened during the quarter.

In February 2024 the Egyptian government signed a deal where they sold the Ras al-Hekma land plot to the Abu Dhabi sovereign wealth fund (ADQ) for $35bn. This put the central bank in a very strong position to address the issues in the foreign currency market. On 6 March 2024, Egypt allowed the currency to devalue from EGP 31/$ to around EGP 50/$. On the same day, they also raised interest rates by 600bps and announced a $8bn IMF deal. The forex backlog was cleared, and since then foreign investors have been able to repatriate money freely out of Egypt at the official exchange rate.

Over the past three months we saw big positive developments in Nigeria. In February 2024, the currency was allowed to devalue, the central bank raised interest rates by 400bps and forced banks to sell their excess USD. This resulted in a substantial improvement in forex liquidity. By the end of February, the backlog for foreign investors was cleared, and since then investors could repatriate money freely out of Nigeria. In March, the central bank announced that they cleared the $7bn backlog of forwards which built up under the previous administration. On the back of this, the currency strengthened from the lows to end the quarter at approximately NGN 1,350/$, and spreads continued to narrow. The parallel rate and the official rates have converged, which is a good indication that the foreign exchange market is functioning relatively well. As a result of the devaluation of the currency, the Nigerian stock market declined by -10.1% in US dollars this quarter.

These foreign currency issues cause large distortions in indices. At the start of the quarter, the JA30 index had 36% exposure to Egypt, in contrast the Strategy had 25%. The index's Egypt weight dropped to 26% by the end of the quarter. During 2023, the index also saw fit to remove Nigeria from the index, just as we started to see significant positive reforms in the country. With Nigeria out of the index and Egypt now much smaller in the index, the Morocco weighting in the JA30 index has increased from 24% one year ago, to 44% today.

Contributors and detractors

We have become skilled at navigating the various currency markets and forex auction windows. As a result, this has become a material contributor as we have extracted cash at various levels better than the realisable value we use in calculating our NAV. Egypt was a large contributor this month as we used every opportunity we could to repatriate our pounds prior to any devaluation.

During 2023, Kenya was one of the worst-performing markets on the continent (declining -43.2% in 2023), but over the past quarter, Kenya was the best-performing African market, gaining +46.4% in US dollars. During the quarter, the currency strengthened by approximately 19%. In February 2024, Kenya successfully issued a Eurobond, which will enable the country to repay its upcoming Eurobond maturity which was a big concern during 2023. The currency strengthened on the back of this. Kenyan holdings contributed meaningfully to performance: Safaricom returned +66% in US dollars and added +2% to the performance of the Strategy, and Equity Bank was up 77%, which added +1.5% to performance.

The weakness in PGM prices resulted in Zimplats being the largest detractor. The share was down -25% in US dollars during the quarter and detracted -4.6% from performance. Zimplats is a high quality mine which is low on the cost curve and has a long life of almost 40 years. Production volumes continue to be good, and costs remain well-contained. We believe that the current low PGM prices are not sustainable and that prices will ultimately normalise higher. Zimplats is very attractively valued based on our assessment of the long-term earnings power of the business.

With the weakness in Nigeria over the past quarter it is not surprising that several Nigerian stocks were detractors. Stanbic IBTC detracted -1.8% and Nigerian Breweries detracted -0.7%.

Conclusion

The measures we have seen in Nigeria and Egypt over the past few months have been very significant. This leaves us hopeful that both countries are serious about addressing the issues that have been holding their economies back. However, these are very early days and both countries still need to prove that the currency issues of the past have been completely addressed. A large currency move has a big impact on businesses, as it typically results in a substantial increase in their cost base. Many companies are also stuck with hard currency liabilities while generating local currency revenues, resulting in large forex losses being recorded. It will take time for companies to pass on the full currency moves in the prices of their products which means we will likely see pressure on margins in the near term.

However, longer term the changes are extremely positive for these countries. While there will be near-term pain, the long-term outlook has improved dramatically. 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 resource companies that benefit from currency weakness. Importantly, the valuations that these businesses trade on are extremely compelling which more than adequately compensates investors for the risks.