EXECUTIVE SUMMARY
CONVERSATIONS WITH CORONATION

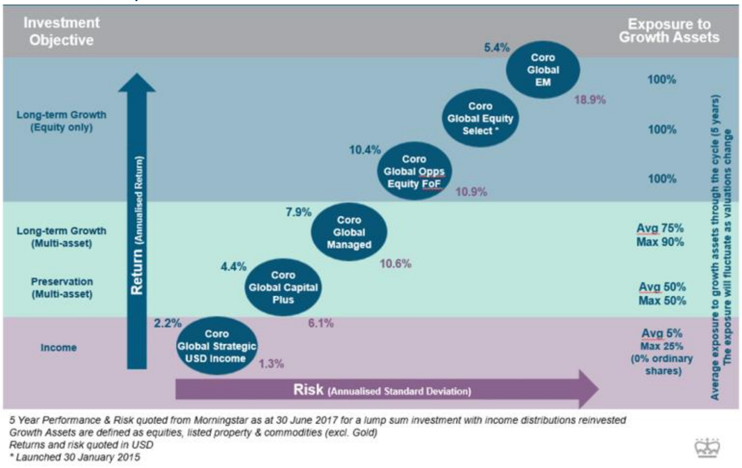
JULY 2017

GLOBAL INVESTING

International assets under Coronation's management have seen significant growth in recent years. This was driven, in part, by a strong increase in our international client base. We now manage international assets of some $12bn, split almost equally between global developed market and emerging market mandates. We manage our clients' global assets from Cape Town. We believe it doesn't matter where you sit in the world; what matters is how you invest. Our investment philosophy for global assets is exactly the same as in SA: we are focused on the long term and on valuation, and our investment decisions are informed by proprietary research.

We offer a full range of global funds, of which Global Managed and Global Capital Plus are the most widely held among retail investors. Our emerging, frontier and pan-Africa funds are used as equity building blocks in the construction of our multi-asset funds.

Global flagship funds



We often get questions from advisers on the ideal exposure to international assets. The answer would depend on a client's specific circumstances. Studies show that a minimum allocation of 20% to 30% (increasing as a client's balance sheet expands) is suitable for the majority of investors. Externalising money may often be preferable to rand-denominated funds. There are various reasons for this, including the risk of potential changes to exchange controls and capacity constraints in local funds (so far Coronation has been unaffected, and funds have not been closed).

GLOBAL MARKET ENVIRONMENT

Economic growth in the US is expected to average around 2% to 2.5% over the next two to three years, while inflation should reach 2%. The policies of the Trump government will likely be tamer than initially expected. Accordingly, the US hiking cycle is expected to be subdued and predictable. We expect that US Treasuries should move towards 3% to 3.5% over the next two to three years.

The EU should see a continuation of its accommodative policy through 2017, with inflation and growth moving higher. Still, EU bond yields will remain low. Brexit and political uncertainty pose a risk to UK growth prospects.

In China, growth is slowing at a measured pace, towards 5.5% to 6.5% over the longer term, as its economy is rebalancing from an investment to a consumption model. Emerging markets (EMs) are benefiting from positive growth in China and the US. Also, predictable US monetary policy and stable US bond yields are helping EM valuations look cheap in comparison.

EXECUTIVE SUMMARY
CONVERSATIONS WITH CORONATION

Global market indicators (periods ending 30 June 2017)

	1 year	3 years	5 years	10 years	20 years
MSCI All Country World Index (ACWI)	18.8%	4.8%	10.5%	3.7%	5.4%
S&P500	*17.9%*	*9.6%*	*14.6%*	*7.2%*	*7.2%*
DJ Euro Stoxx (USD)	*26.6%*	*-1.3%*	*9.4%*	*-1.2%*	*4.5%*
MSCI Emerging Markets	23.7%	1.1%	4.0%	1.9%	5.5%
Global Listed Developed Property	1.1%	4.6%	8.4%	2.8%	7.4%
Barclays Global Aggregate Bond Index	-2.2%	-0.4%	0.8%	3.7%	4.6%
Gold	-6.1%	-2.2%	-4.9%	6.7%	6.8%
Platinum	-9.6%	-14.6%	-8.6%	-3.1%	4.0%
US Cash	0.6%	0.3%	0.2%	0.4%	2.0%

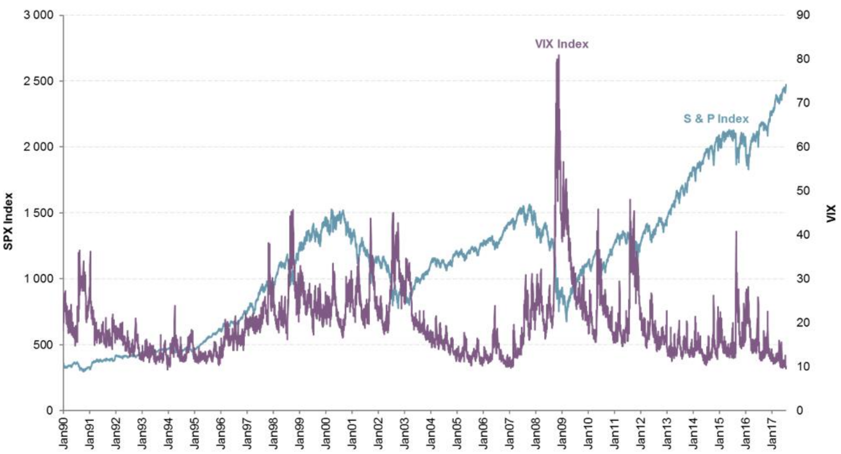
Notes:
Indices reported in USD
ACWI & EM are shown net of dividend withholding tax

Given the strong gains in equity markets, it is fairly clear that the expansion is getting long in the tooth. There are currently three main risks for equity investors:

- Asset price risk. The S&P has now more than tripled during its current bull run – clearly, fewer investment opportunities are on offer. This is reflected in our equity exposure: equity allocation in Global Capital Plus is at 27% (through-the-cycle average 35%), while Global Managed is at 57%, the lowest level since inception. That said, we are not necessarily expecting a major correction, or believe that global equities are dramatically overvalued. The Global Managed equity portfolio, for example, still has upside of 35%, according to our estimates of fair value.
- Debt levels around the world remain at very high levels – unprecedented amid low interest rates worldwide.
- Political risk is elevated. The current political leadership in developed markets has lost credibility, and in the US and UK in particular, there is a lot of discontent and rising populism fuelled by inequality and stagnant real wages of middle income earners. The risk is that political rhetoric will move sharply to the left and bring a radical change to the free market economy model we have known for past decades.

Equities remain the asset class of choice given the lack of alternatives. However, equity allocations have been reduced, and we have added significant downside protection to Global Capital Plus and Global Managed. The combination of relatively high valuation levels and macro uncertainty has increased the risk of capital loss. At the same time, the cost of buying protection is at all-time lows, and we have taken advantage of this situation.

Cost of equity protection continues to drop despite strong market



Client Service: 0800 22 11 77 Fax: 021 680 2500
Email: clientservice@coronation.co.za www.coronation.com

There is still a huge distortion in government bonds all around world and we believe the recent correction in the 35-year bond bull market is only the tip of the iceberg. Normalisation of short-term rates and withdrawal of QE programmes will continue to lead to significant yield curve shifts, and losses can be expected. We haven't seen any value in the global government bond market for many years. We are still holding some corporate credit, but have reduced our positions substantially, with all interest rate risk hedged out.

Property assets have been the prime beneficiaries of the multi-decade bond bull market. Over recent years, investors faced with low-yielding bonds have piled into higher-yielding Real Estate Investment Trusts (REITs). Accordingly, property has outperformed equities over meaningful periods. Of late, this has reversed. Property returned only 1% over the past year – and the US market represented most of the gain. We remain positive about listed property, but only in selected pockets – primarily, German residential and select UK holdings. We have also recently added US mall REITs.

CORONATION GLOBAL MANAGED AND GLOBAL CAPITAL PLUS

Coronation Global Managed is a medium-risk fund that offers investors robust risk management, while aiming to maximise returns from traditional asset classes. It has delivered a strong track record over longer time periods and since inception. In the past twelve months it has delivered its best performance in its history. In fact, in the year to March, its returns matched that of the global equity index – despite the fund only having exposure of 60% to equities. This was thanks to very good stock selection, and avoiding government bonds. Also, the fund's 'bond proxies' - corporate credit and property – performed well. Gold was a slight detractor. Equity protection cost the fund about 50bps in performance, but we will continue to look for ways to manage portfolio risk.

Coronation Global Managed
Performance (30 June 2017)

	1 year	3 years (p.a.)	5 years (p.a.)	*Since inception (p.a.)
Coronation Global Managed Fund	18.4%	2.5%	8.4%	7.6%
Benchmark **	10.0%	3.2%	7.1%	6.9%
Outperformance	8.4%	-0.7%	1.3%	0.7%

** Since inception – March 2010*
*** Benchmark – 60% ACWI & 40% Barclays Global Bond*
Note: performance is net of fees in USD (P class)

	1 year	3 years (p.a.)	5 years (p.a.)
Coronation Global Managed Fund	18.4%	2.5%	8.4%
Median	9.5% *(15)	2.4% *(15)	6.3% *(15)

** Number of funds*

Coronation Global Capital Plus is a low-risk fund aiming to deliver returns ahead of inflation without negative 12-month rolling returns. Our focus is primarily on risk management.

Coronation Global Capital Plus
Performance (30 June 2017)

	1 Year	3 Years (p.a.)	5 Years (p.a.)	* Since Inception (p.a.)
Coronation Global Capital Plus Fund	8.3%	1.5%	4.8%	6.6%
3m cash + 3%	4.0%	0.2%	2.2%	3.0%
Outperformance	4.3%	1.2%	2.6%	3.5%

** Since inception – November 2008 (spliced to September 2009 with USD fund)*
Note: Performance net of fees in USD (P class)

	1 year	3 years (p.a.)	5 years (p.a.)
Coronation Global Capital Plus Fund	8.3%	1.5%	4.8%
Median	5.9% *(10)	0.2% *(10)	3.3% *(10)

** Number of funds*

Changes to Global Managed and Global Capital Plus portfolio over the past twelve months:
In both funds, we have bought more physical gold as a hedge against currency devaluation and political instability, and reduced equity exposure through a combination of physical sales and protective puts. Also, we have added some US REITs and added to select UK property holdings. In terms of equity transactions over the last twelve months, Facebook has been introduced as a long-term core holding. Other new names include Johnson Controls, Dollar Tree and Anthem.

After strong outperformance and due to corporate action, we reduced exposure to alternative asset managers (Fortress, Apollo & KKR), and sold out of Tripadvisor, Qualcomm and Discovery Communications, as well as Harley-Davidson, Prudential, Union Pacific and Netease (after strong price action).

CORONATION GLOBAL EQUITY SELECT

After a challenging launch period, the fund performed very well in 2016, and its performance so far in 2017 has also been encouraging. The fund is now almost in positive alpha territory since inception (after all fees).

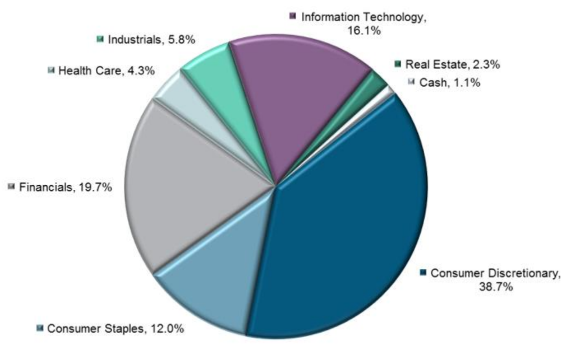
Coronation Global Equity Select
Performance (30 June 2017)

	1 year	2 years (p.a.)	* Since inception (p.a.)
Coronation Global Equity Select Fund	29.6%	5.5%	6.7%
MSCI ACWI	18.8%	6.9%	7.6%
Outperformance	10.8%	-1.4%	-0.9%

** Since inception – 1 November 2014*
Note: performance is net of fees in USD (P class). Source: Coronation

The big winners last year were the alternative asset managers, which contributed about a third of total outperformance. These companies continue to present attractive opportunities, with their current share prices ascribing little value to performance fees (which are more than half of normal earnings). Softbank's $3.3bn bid to buy Fortress Investment Group highlighted the value in the sector.

Coronation Global Equity Select
Sector allocation (30 June 2017)



Source: Coronation

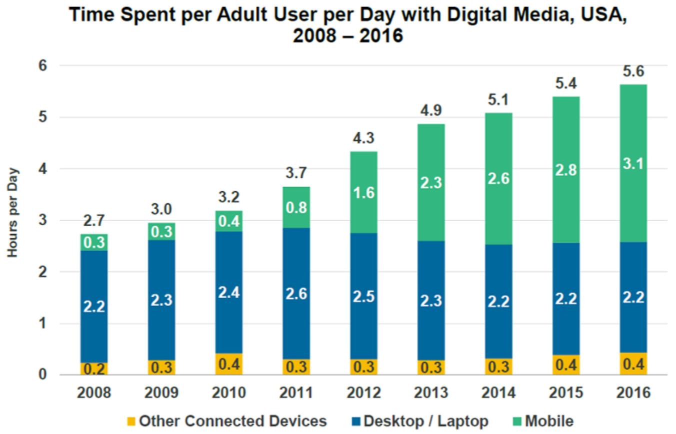
Coronation Global Equity Select
Top 10 holdings (30 June 2017)

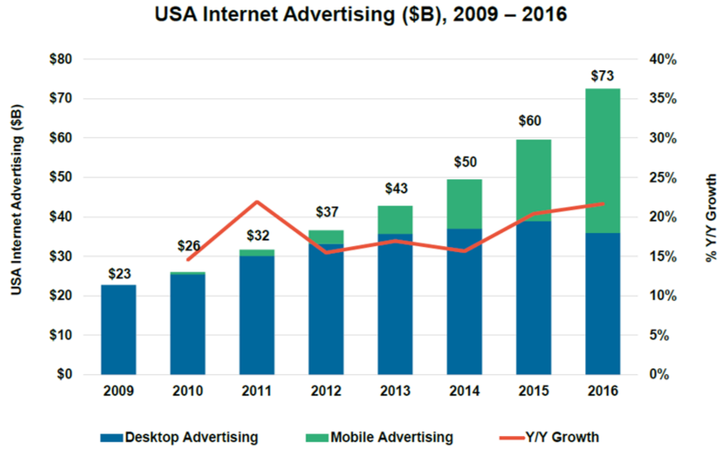
Top 10 Equity Holdings	% of Portfolio	PE (f)	Dividend Yield (f)
Alphabet	4.2%	20.8x	-
Amazon.com	3.7%	-	-
L Brands	3.6%	16.2x	4.6%
Facebook	3.4%	24.3x	-
The Blackstone Group	3.4%	11.0x	7.3%
Pershing Square Holdings	3.3%	-	-
Walgreens	3.2%	14.4x	2.0%
Charter Communications	3.2%	-	-
KKR	2.9%	7.9x	3.8%
CVS Health	2.8%	13.1x	2.6%
	33.5%		

Other notable winners over last 12 months include Airlines, JD.com, Charter Communications, American Express, and Priceline. The biggest detractors were Tripadvisor, L Brands (and other smaller retail positions) and US retail pharmaceutical positions. The severe sector rotation (out of defensives, into cyclicals) triggered by the US presidential election created attractive opportunities in consumer staples. We capitalised on some of these opportunities, but have sold some of the cyclical consumer franchises as tax reform and higher growth have now been more than discounted. The entire healthcare sector has been hit by concerns around unsustainable US healthcare costs. Walgreens and CVS are now top-10 positions, and we are looking to add to other pockets of value.

The fund has holdings in select China internet names like JD.com, Baidu and Tencent (through Naspers). On all valuation metrics these shares are trading at levels well below those for comparable US businesses, with significant growth prospects on the back of further internet penetration in China.

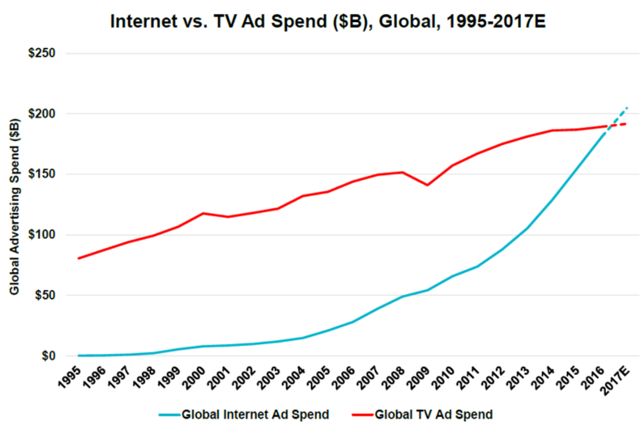
Alphabet and Facebook remain core holdings, as the disruptive power of the internet continues to transform many long-established business models – especially in advertising. Consumers are spending more of their time online, with mobile access driving the momentum:

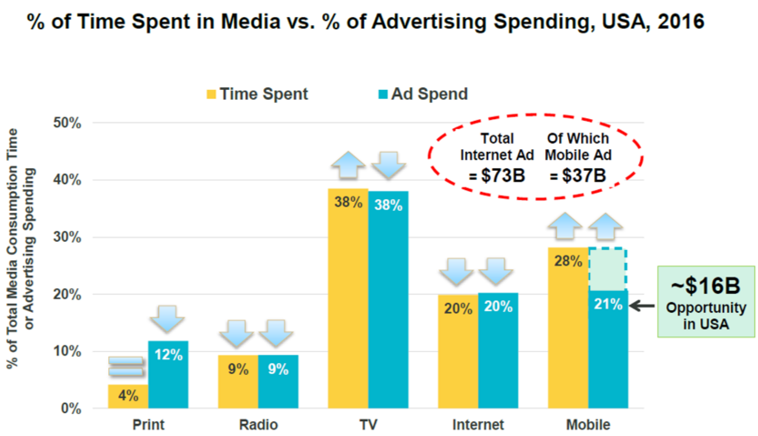




Source: 2017 Internet Trends – Kleiner Perkins Caufield Byers

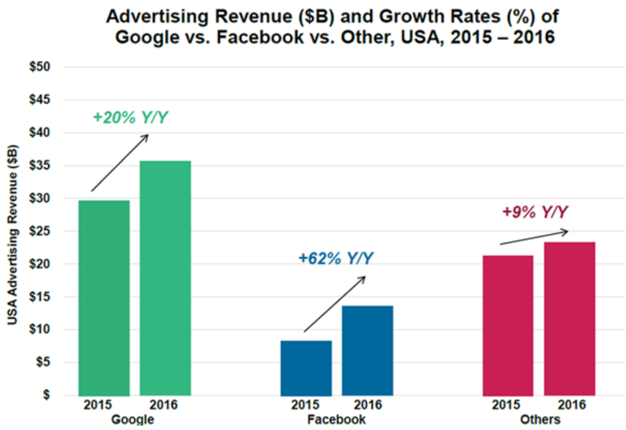
In 2017, advertising spend on the internet will exceed television for the first time. Google and Facebook capture 80-90% of growth in total advertising spend. But there is still a disconnect between time spent and the allocation of advertising budgets:





Source: 2017 Internet Trends – Kleiner Perkins Caufield Byers

The near-term multiples afforded to Alphabet and Facebook may seem high. But growth rates are multiple times higher than the market - so the long-term compounding of revenue and earnings isn't captured by looking only one year out. Their net cash balance sheets are robust compared to the market as a whole - Alphabet could buy Netflix, for example, and pocket $10bn in change. Its net cash balance is currently comparable to the market caps of Nike and Starbucks.



Source: 2017 Internet Trends – Kleiner Perkins Caufield Byers

Their earnings are currently below normal due to investment spending and under-monetised assets. Losses in Alphabet's "Other Bets" segment has reduced its EBIT by some 15% ($3.5bn in total), while Facebook's Whatsapp and FB Messenger (with more than 1.2bn users) are currently not being monetised. Their global platform and scale combined with resources (financial and intellectual) create tremendous optionality.

Amazon, which represents almost 4% of the fund, offers an open-ended growth opportunity. Online retail sales are accelerating, growing 15% annually in the US. Also, Amazon is the dominant ecommerce retailer in many markets:

Source: Euromonitor, UBS Estimates

Amazon Prime, its subscription service, offers fantastic value: free two-day shipping, unlimited video and music streaming. It is growing rapidly and is locking consumers into the Amazon ecosystem. In addition, Amazon's private label business is both a growth driver and a threat to some household brand names, including baby products and batteries. Amazon Web Services has a market share of 31% in the provision of cloud infrastructure services worldwide - compared to Microsoft (9%), IBM (7%) and Google (4%). This business continues to benefit from the shift to the cloud.

EXECUTIVE SUMMARY
CONVERSATIONS WITH CORONATION

JULY 2017

CORONATION GLOBAL EMERGING MARKET (GEM) FUND

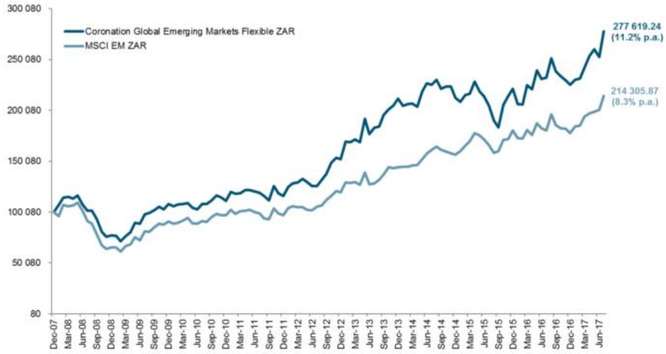
We were the first SA manager to launch an emerging market fund in 2008, which has subsequently gained strong traction among domestic and international clients. The Coronation GEM fund has achieved outperformance over all meaningful periods.

Coronation GEM Flexible Fund (ZAR)
Periods ending 31 July 2017

	Coronation GEM Flexible Fund	MSCI – EM in ZAR
Since Inception * (annualised)	11.2%	8.3%
7 years (p.a.)	14.4%	13.0%
5 years (p.a.)	17.2%	15.3%
3 years (p.a.)	7.2%	9.9%
1 Year	19.6%	18.8%
YTD	23.3%	20.8%

** Since inception – January 2008*
Note: P-class returns spliced with A-class adjusted for platform fees and VAT
Source for all graphs: Coronation

Coronation GEM Flexible Fund
Cumulative performance

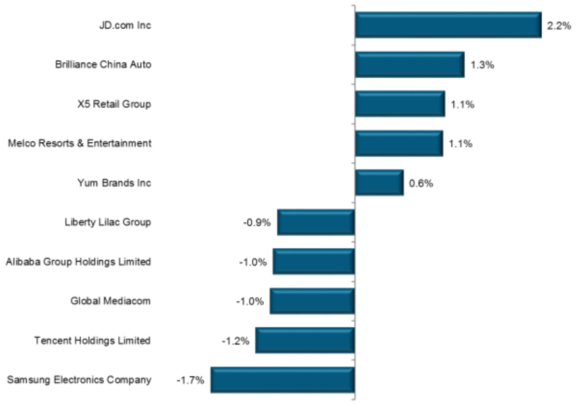


** Since inception – January 2008*
Note: P-class returns spliced with A-class adjusted for platform fees and VAT

Top 10 holdings
as at 30 June 2017

	Country	% PF
Naspers Limited	South Africa	8.2%
JD.com Inc	China	5.4%
Kroton Educacional Sa	Brazil	4.9%
Magnit Ojsc-Spon	Russia	4.0%
Baidu Inc	China	3.9%
Heineken NV	Netherlands	3.7%
58.com	China	3.1%
Sberbank	Russia	3.0%
Porsche Automobil	Germany	2.9%
AIA Group	China	2.9%

Attributions
Year ending 30 June 2017



The fund's key exposures are:

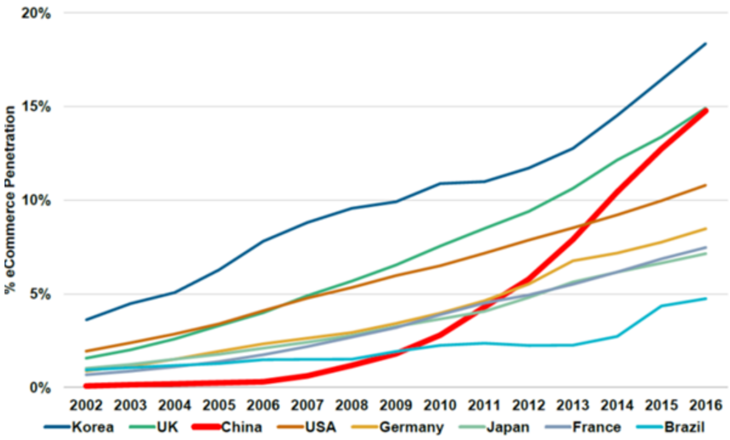
China internet-related shares: 14.7% of the fund. The fund is invested in online search, portals, gaming and travel providers. This includes indirect exposure to Tencent, the world's biggest online gaming company, through Naspers. (Tencent represents some 70% of our estimate of Naspers' fair value.) Online gaming is uniquely ubiquitous in China, partly explained by its one-child policy and sibling-less families.

Car companies: 7.5% of the fund. The fund's investment in vehicle manufacturers is specifically skewed toward premium cars. Vehicle ownership is growing in emerging markets (where penetration is low), while premium luxury brands are gaining market share in both emerging and developed markets. The fund's largest holding in this sector is Brilliance China Auto, the local joint venture manufacturing partner of BMW in China.

Brazil education: 7.3% of the fund (Kroton and Estácio). We have sizeable holdings in the two largest providers of tertiary education in the country, which stand to benefit from the long-term growth in this sector.

China e-commerce: 7.0% of the fund (JD.com and Alibaba, held directly and through Yahoo). Chinese consumers have embraced online buying in recent years, with cheaper smart phones supporting this trend.

In terms of e-commerce penetration, China is already more developed than the US:



Source: 2017 Internet Trends – Kleiner Perkins Caufield Byers

Still, there remains massive growth potential, as internet penetration is only at 55% in China (compared to an average of 80% in developed markets). Also, disposable incomes are rising: as Chinese consumers earn more, they will buy more. In addition, fulfilment speeds continue to improve (while fulfilment costs are falling). JD.com deliveries in the large Chinese cities arrive within 24 hours, while in Beijing and Shanghai, delivery is often within a couple of hours.

Russian food retail: 6.8% of the fund. The fund is invested in the #1, #2 and #4 food retailers in the country. These companies are growing their store base at rapid speed as one of the largest consumer markets in the world continues to formalise. X5, Russia's second largest food retailer, now has 10 000 stores, and is rolling out 2 000 more every year – by comparison, Shoprite Checkers only has around 2 650 stores across Africa.

Indian private sector financial: 6.3% of the fund. The GEM fund holds four holdings in this sector; Axis Bank (2.2%), Yes Bank (1.9%), Housing Development Finance Corporation (1.1%) and Indiabulls Housing Finance (0.7%). Banking penetration in India continues to be among the lowest in the world, while household debt is also still very limited and the demand to buy property is growing fast – contributing to high potential credit demand in future. Privately-owned banks also continue to take market share away from inefficient, poorly-managed state-owned banks, which still have 70% market share.

Global brewers: 5.6% of the fund. The fund holds stakes in Anheuser-Busch InBev and Heineken.

Latam financials: 4.0% of the fund. Holdings comprise banks and insurers in Brazil, Peru and Mexico.

The current upside to fair value of the Coronation GEM portfolio of 50% (in currency of listing) is compelling, in line with the long-term average.

EXECUTIVE SUMMARY
CONVERSATIONS WITH CORONATION

JULY 2017

CORONATION OPTIMUM GROWTH FUND

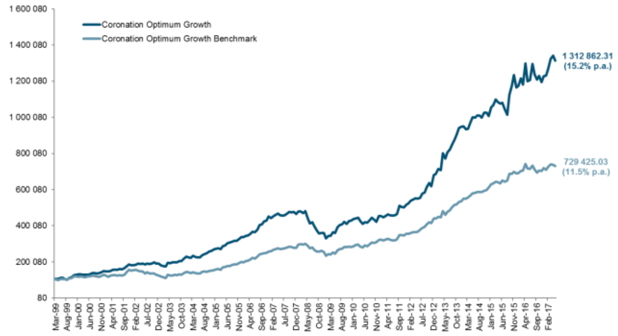
The Optimum Growth fund is suitable for investors who are looking for balanced exposure to both domestic and international assets, and are comfortable to grant Coronation a wide degree of discretion. The fund has a truly flexible mandate and really can go everywhere – it can invest anywhere in the world, including a potential offshore exposure of 100%. It has delivered a strong outperformance of its benchmarks since inception.

Performance
Periods ending 30 June 2017

	Coronation Optimum Fund	Benchmark
Since Inception * (annualised)	15.2%	11.5%
10 years (p.a.)	11.1%	10.4%
5 years (p.a.)	19.0%	14.7%
3 years (p.a.)	9.5%	8.0%
1 Year	9.5%	1.7%
YTD	9.8%	3.6%

** Since inception – March 1999*
Note: P-class returns spliced with A-class adjusted for platform fees and VAT
Source: Coronation

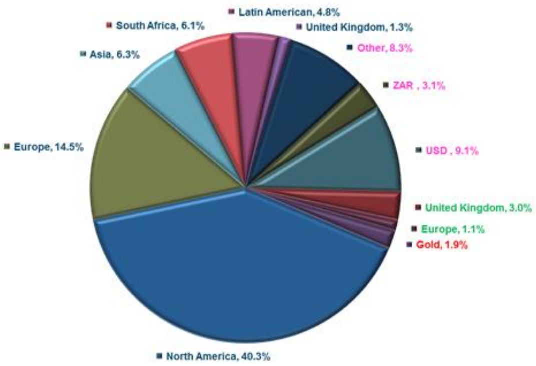
Coronation Optimum Growth Fund
Cumulative performance



** Since inception – March 1999*
Note: *P-class returns spliced with A-class adjusted for platform fees and VAT*

Equities remain the biggest part of the portfolio. The fund continues to have a sizeable exposure to global technology businesses. Real estate represents 4% to 5% of the portfolio, but we are seeing less value here than a couple of years ago. The fund has almost 2% in gold, but no exposure to bonds.

Asset allocation
as at 30 June 2017



Top 10 Holdings
as at 30 June 2017

	Country	% PF
Naspers Limited	South Africa	3.9%
Nike Inc	United States	3.5%
JD.com	China	3.4%
Facebook	United States	3.2%
Yum Brands Inc	United States	3.1%
Vivendi	France	3.1%
The Blackstone Group	United States	3.0%
Kroton Educacional Sa	Brazil	3.0%
Porsche Automobil	Germany	3.0%
Charter Communications	United States	3.0%

Source: 2017 Internet Trends – Kleiner Perkins Caufield Byers