EXECUTIVE SUMMARY
CONVERSATIONS WITH CORONATION

JULY 2015

CORONATION GLOBAL EMERGING MARKETS FUND

We remain cautious amid ongoing turbulence in emerging markets, but believe a number of companies now offer significant long-term value after their recent underperformance.

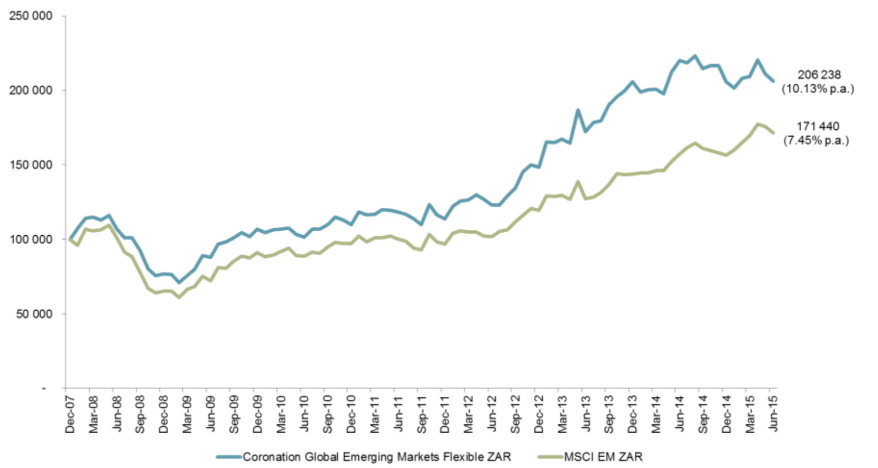
Investors are currently preoccupied with the potential impact of US rate hikes on emerging markets and currencies. We do not profess to know exactly how rate increases will affect emerging markets; instead, we simply continue to focus on valuing businesses based on their long-term earnings streams, and to only buy undervalued assets. As detailed in our June 2015 summary, we remain prudent in our valuations, discounting future cash flows using a conservative risk-free rate (the discount rate reflects both the time value of money as well as the uncertainty of future cash flows; a higher discount rate leads to a lower valuation) for every company we value. Our valuations are based on a 5% risk-free rate (our estimate of the normalised US 10-year bond yield) - and not the current market rate of around 2%.

Even with this cautious approach, a number of quality emerging market companies are offering significant value. It is also worth noting that, historically, a US rate hike cycle is not necessarily associated with a stronger dollar. In five of the most recent seven rate hike cycles in the US, the dollar depreciated against a basket of currencies. The two exceptions were due to a flight to bonds in reaction to severe market crises (the savings and loans crisis in the 1990s and the collapse of the internet bubble in the early noughties).

The Coronation Global Emerging Markets (GEM) fund's long-term outperformance remains strong, however in the short term, exposure to Brazilian shares (which represent 25% of the fund) has weighed on its performance.

Coronation Global Emerging Markets

Performance since inception (to end-June 2015)



Negative sentiment towards Brazil has been compounded by weak commodity prices, the Petrobras scandal, its current account deficit, as well as rising inflation and interest rates. In truth, the Brazilian government is doing the right things; cutting spending and clamping down on corruption. Unlike South Africa, unemployment is relatively low and the electricity sector is functional. Negativity towards Brazil has resulted in very attractive valuations for good businesses.

Some 18% of the fund is invested in China – all in the consumer or internet industries, apart from our holding in the luxury car manufacturer BMW Brilliance Automotive. The Chinese economy is shifting from a reliance on infrastructure and exports to be more consumer-oriented. This is negative for the demand for commodities, but positive for consumer stocks in China. Most of the fund's exposure is to US-listed Chinese ADRs, and not to shares listed on the domestic bourses, which have seen massive turbulence following a government-sanctioned rally. We have also specifically avoided financial shares amid uncertainty about valuations and bad debt levels.

Russia has poor fundamentals; it is very reliant on oil, it is not a democracy and it has rule of law problems. However, the country has a number of outstanding businesses, specifically in the retail sector, which should offer strong earnings growth over time.

The fund's holding in Tata Motors (5.2%) represents the largest exposure (15%) to India. Other Indian holdings include IT services companies and private banks. Arguably, India has the best economic prospects of any emerging market over the next ten years. In a sense, the country is where China was twenty years ago. It has a young and large population (1.2 billion people), with a low penetration of goods and services. Its government has taken some concrete steps to free the economy. Unfortunately, in most cases, valuations already reflect these attractive fundamentals. Nevertheless, we continue to spend a lot of time in India researching its domestic companies.

Large positions in the fund

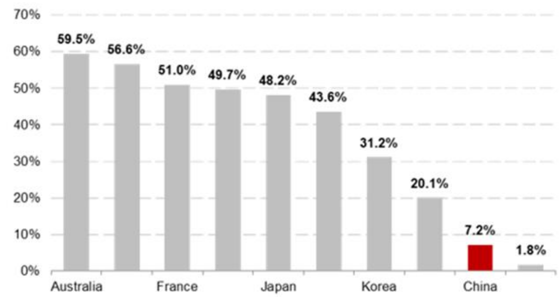
	% of fund
Global/Chinese car companies (Tata/JLR, Porsche, Brilliance China)	13%
Brazilian Education companies (Kroton, Estacio, Seer Educacional)	9%
Russia food retailers (Magnit, X5 Retail, Lenta)	8%
Chinese internet companies (Baidu, JD.com, Sohu, Netease, Autohome, C-Trip)	9%

Car companies

Luxury car companies have tremendous pricing power thanks to their strong brands. Their ability to charge premium prices ensures large operating margins and a higher return on capital. In addition, there are significant barriers to entry in terms of distribution and scale. Over the next decades, the companies will also be real beneficiaries of the wealth effect in emerging markets, and will continue to grow their market share, also in established markets.

Scope for growth

Passenger vehicle penetration (2013)



Source: ACMR

Market share of premium brands in Western Europe

Source: LMC, Macquarie Research (January 2014)

The companies are trading on attractive price earnings ratios, given their long-term prospects:

GEM car company holdings:	Financial metrics			Operating metrics *	
	% of fund	PE 1 yr fwd	Div yield	Operating margin (LFY)	Return on equity (ave 3 yrs)
Tata Motor*	5.2%	7.5x	0.5%	10.2%	35.4%
Porsche Automobil*	4.7%	6.5x	2.9%	6.3%	11.8%
Brilliance China Automotive*	3.9%	8.2x	1.4%	15.6%	30.8%
	13.8%				

** Operating metrics are for the underlying operating subsidiary where appropriate*

Brazilian education companies

Around 10% of the GEM fund is invested in the three largest Brazilian education companies (Kroton, Estácio and Seer), which have seen a sell-off in recent months after the government reduced student loans as part of budget cuts. Following this 35%-slide, education stocks are now trading on 11 to 13 times forward earnings. The investment case for the sector remains strong, given Brazil's reliance on private universities. State institutions are only able to admit 15% of the total university intake. Brazil has the second lowest penetration of tertiary education among the 37 largest economies, while the benefits of having a degree are among the highest: within four years of graduating, Brazilians earn 270% more than without a degree. The combination of good fundamentals and attractive valuations means prospects of good returns from these companies are high. We are also invested in Brazilian retailers (6% of fund), which are benefiting from the continued structural shift to formal trading.

Russian food companies

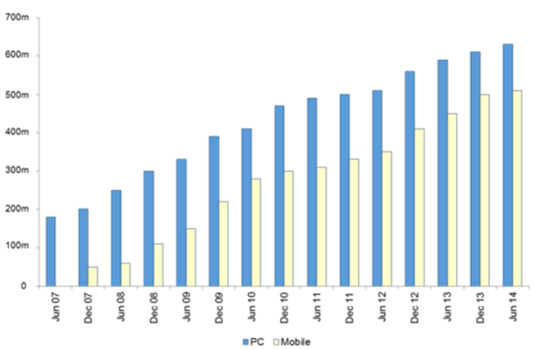
Food retailers in Russia are also continuing to benefit from the shift to formal retailing. While corner shops and outdoor markets have a market share of 50%, consumers are increasingly shopping at large retailers, which offer more competitive pricing and a better shopping experience. These retailers are growing at a rapid rate as they continue to take market share. We have invested some 8% of the fund in Russian food retailers, and our preferred holding is Magnit, a well-run company that has been rolling out between 1 000 and 1 500 new stores a year.

Chinese internet companies

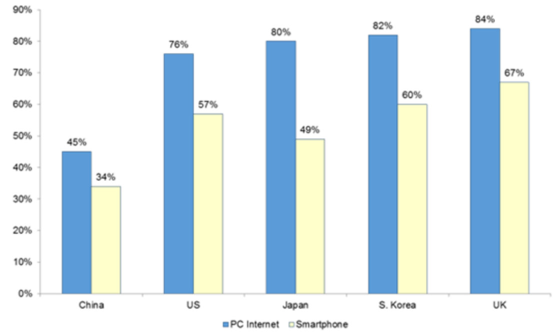
Chinese online businesses have staggering growth prospects; currently only 45% of the population has access to personal computers, low compared to the global average. China looks set to see large growth in the number of people who will be able to access the internet in coming years. This is positive for Chinese businesses that are involved in the internet, and we favour these in particular: Baidu (#1 search engine in China); JD.com (#2 e-commerce company); Sohu.com (#2 search engine); Netease (#2 online gaming company); Autohome (#1 online automobile classified ads) and C-trip (#1 online travel company).

Growth in Chinese internet users

China personal computer and mobile internet users



Personal computer and smartphone penetration (2013)

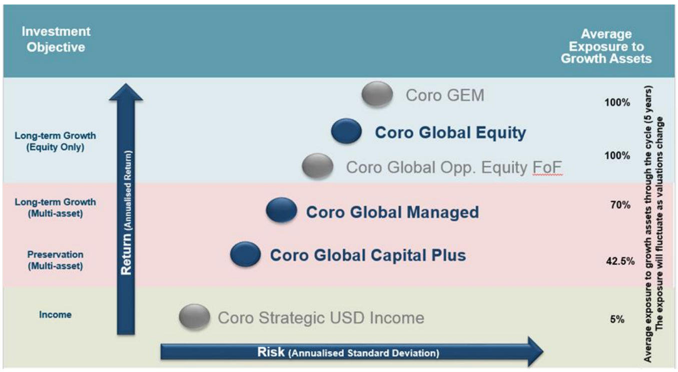


Source: CLSA Investors' Forum 2014

CORONATION GLOBAL EQUITY SELECT

Global Equity Select was launched recently after many years of planning. The fund is biased towards developed markets, but still flexible enough to include some exposure to the exceptional growth potential offered by emerging markets. We target attractively valued shares to maximise long-term growth for investors, aiming to outperform the global market indices through active stock-picking. Global Equity Select completes the global fund range, by including a concentrated global equity fund in addition to the more diversified Global Opportunities Equity Fund:

Coronation offshore fund range



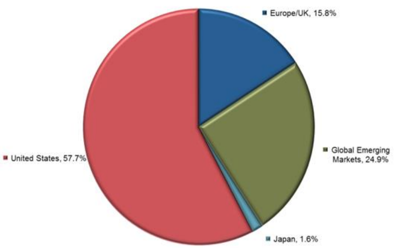
While we aim to deliver sustainable outperformance over long periods, alpha generation will be lumpy and unpredictable. We have been cautioning that return expectations should be tempered following the strong rally (+80%) in global equities and property stocks over the last five years. However, while some markets, particularly in the developed world, are close to all-time highs, a marked dispersion is emerging. The number of stocks currently reaching one-year highs is in line with the number hitting one-year lows and the strength in the Standard & Poor's 500, which is close to all-time highs, is in fact driven by a narrow band of stocks. Accordingly, a number of investment opportunities remain. The fund is concentrated and has exposure to some 50 stocks, selected on a 'clean slate basis', without any reference to an index.

Coronation Global Equity Select

Largest holdings

Top 10 Equity Holdings	% of Portfolio	PE (f)	Dividend Yield (f)
Tata Motors	4.9%	6.4x	0.5%
Apollo Global Management	4.5%	11.1x	8.4%
Discovery Communications	4.3%	15.1x	-
KKR	4.2%	8.4x	8.1%
Fortress Investment Group	4.0%	7.4x	10.2%
Porsche Automobil	3.9%	6.2x	3.1%
Amazon.com	3.6%	80.2x	-
Google	3.3%	17.8x	-
American Express	3.3%	13.6x	1.5%
Twenty-First Century Fox	3.0%	16.4x	0.8%

Equity exposure (as at 30 June 2015)



The fund has exposure to a number of large **online companies** with robust business models. These companies are the drivers of a huge disruption across a wide variety of industries. The internet has turned retail economics on its head by lifting geographic constraints and connecting online retailers with large global markets, resulting in the massive scalability of businesses like Amazon and eBay. It has also upended the television industry; Netflix – a start-up that didn't exist ten years ago – now has 60 million subscribers for its on-demand streaming internet videos. By comparison, the largest US pay television operator, Comcast, founded in 1963, only has 22 million.

Online search is another sector with strong prospects. The fund has a relatively large allocation (3.3%) to Google, which now has a 64%-share of desktop search in the US, and 90% in Europe. Android ownership (80% of global smartphone operating systems) ensures that Google is the first port of call for mobile search. In the online search industry, dominance results in a deeper business moat over time. As more people use a search engine, massive quantities of user queries are gathered to help refine results. This in turn strengthens the attractiveness of the search engine and results in even more users, enhancing the value of the platform to advertisers, which drives revenue growth. Consequently, dominant players increase their lead over time and Google has steadily gained market share, reflecting a service that is streets ahead of its competitors. We believe Google is extremely well-positioned to benefit from the shift to online advertising. It has a high-return, cash-generative business model and Google now sits on $70 billion in cash which provides tremendous optionality. Furthermore, we think there is scope for Google's new CFO, who hails from Morgan Stanley, to improve capital management and expense control. Google is currently trading on 19 times forward earnings; attractive, given the quality of the business and its long-term growth prospects.

In addition to Google, Amazon, eBay and the Swedish technology investment group Kinnevik, the fund also has some exposure to the German internet company Rocket, the Chinese e-commerce group JD.com as well as the online travel companies Priceline and TripAdvisor. The travel sector is one of the fastest-growing global industries (7% p.a. over last 5 years), and online companies have been taking market share from traditional operators. Online players have increased their market share from 28% in 2009 to 38% in 2015, and there is great scope for further growth in future.

The **alternative asset management** sector has been neglected by investors amid fears over the potential impact of tax changes and nervousness around the sustainability of fees. However, we see a sector that is benefiting from secular growth, with price earnings ratios around 9 to 12 times normalised earnings. The fund also has significant exposure to **premium auto manufacturers,** e.g. Porsche and Tata Motors, and to an interesting array of **quality emerging market companies** (like the Brazilian education companies Kroton and Estácio, and the Russian retailer Magnit), which offer strong potential upside after recent underperformance.

CORONATION GLOBAL MANAGED

The fund's objective is to provide diversified exposure to global assets with a focus on maximising returns over the long term. Its equity portfolio will mirror that of Global Equity Select. Equity remains the fund's asset class of choice, given the lack of alternatives, but the asset class is not nearly as attractive as a few years ago. We believe the returns over the past five years are unsustainable, which is reflected in the fund's equity exposure of 58% (compared to a maximum allowable exposure of 75%, plus 10% in property), the lowest since inception. Given our concern about the impact of low interest rates and the 'hunt for yield' on global listed property, our exposure to this sector (6%) is also among the lowest since inception. We don't hold any property holdings in the US, and our exposure is concentrated in German and Japanese residential opportunities. Our view on global bonds continues to be very negative, and we are only holding some reasonably priced credit. The fund's large cash position (31%) is actively managed.

Coronation Global Managed

Performance since inception (to end-June)

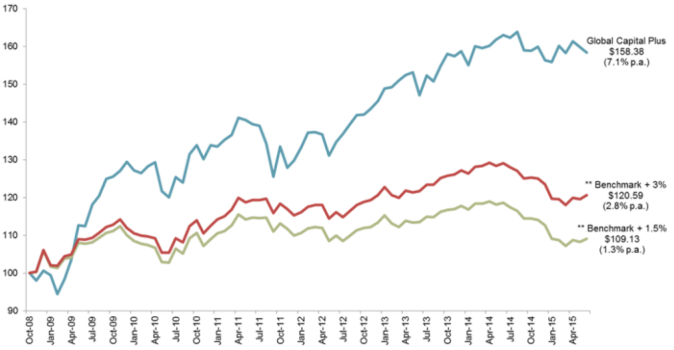
** Since inception (March 2010). ** 60% MSCI World Index + 40% Citigroup World Government Bond Index. Note: performance is net of fees in USD*

CORONATION GLOBAL CAPITAL PLUS

A low-risk fund, Global Capital Plus aims to deliver returns ahead of inflation over time, while preserving capital over any 12-month rolling period. The equity holdings in Global Capital Plus will overlap with that of Global Managed and Global Equity Select, but position sizes will reflect its more cautious stance. The fund is allowed a maximum exposure to growth assets of 50%.

Coronation Global Capital Plus

Performance since inception (to end-June)



** Since inception: November 2008 (spliced to September 2009 with USD fund) ** Benchmark - 50% US Libor & 50% Euribor. Note: Performance net of fees (USD)*

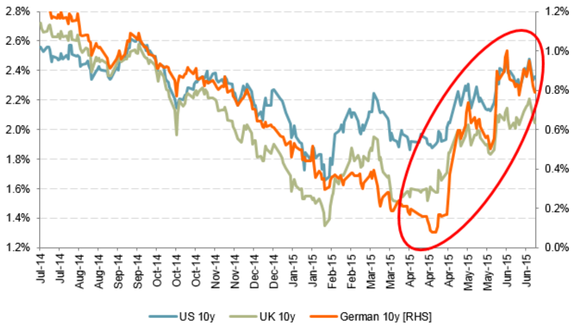
We are happy to maintain a large cash holding (45% of the fund) when bonds do not offer value. In the second quarter of the year, global bonds suffered their worst returns in twenty years due a number of factors, including the increased likelihood of a US rate hike, tentative signs of a eurozone recovery, and extreme valuations (i.e. negative nominal yields through most of Europe).

Tough period for fixed income

Worst quarterly returns for investment grade global fixed income

Year	Quarter	Global FI (%)
2015	2Q	-2.23
2013	2Q	-1.83
2008	2Q	-1.68
2010	4Q	-1.64
2004	2Q	-1.61
2007	2Q	-1.06
2006	1Q	-1.04
1999	2Q	-1.01
2006	2Q	-0.43
2003	3Q	-0.33

Sharp correction in bond yields



CHANGES TO FEES AND BENCHMARKS

We recently launched the most significant review of our fee structure, benchmarks and mandates since establishing our unit trust business two decades ago.

Our main aim is to achieve the best possible outcomes for our clients, and to simplify our fund options. We will introduce meaningful fee reductions in a large number of our funds, and employ more consistent benchmarks across our product range. We also plan to broaden the investment mandates of our two domestic equity funds.

Lower fees:

In reviewing our fees, we considered the trade-off between the simplicity of fixed fees, and the fact that performance fees are closely aligned with investor outcome; performance fees are only levied if a fund delivers a superior return.

We decided on **fixed fees for all our flagship multi-asset funds**. These popular portfolios are in broad use in the domestic market, by investors with various levels of sophistication. We think it should be easy to understand and compare the fees on these funds. Capital Plus, Global Capital Plus, Global Managed and Global Opportunities Equity will move from performance fees to fixed fees. Strategic Income and all other income funds, as well as Balanced Defensive and Balanced Plus, already only charge fixed fees.

Importantly, **Capital Plus** and **Balanced Defensive** will in future charge the same fees. The two funds serve the same investor needs (income and growth for investors requiring a return above inflation, along with capital protection). However, their risk budgets differ, with Capital Plus taking on additional risk in return for the prospect of stronger growth, which makes particular sense for investors in the first half of retirement.

In the past, some investors may have based their decision between the funds on their different fee structures. Balanced Defensive has a fixed fee, while Capital Plus charged a performance fee. The performance fee may have dissuaded some investors, who potentially ended up in the wrong risk budget as a result. Consequently, the performance fee for Capital Plus will be removed, while Balanced Defensive's fixed fee will be reduced. The two funds will now charge the same fixed fee, and we have retained the discount for negative returns. For Balanced Defensive, the discount will apply if we fail to preserve capital over 12 months, and for Capital Plus, over 24 months – reflecting their different risk budgets.

Global Capital Plus will be converted to a fixed fee as it is also an absolute return portfolio, bringing it in line with its domestic equivalents.

Fixed-fee funds

Money Market Fund		0.15%
Jibar Plus Fund		0.25%
Bond Fund		0.35%
Strategic Income Fund		0.45%
Balanced Defensive Fund (-10bps)	★	0.35% / 1.00%
Capital Plus Fund (+15/-100bps)	★	0.35% / 1.00%
Balanced Plus Fund		0.85%
Local sector funds		0.85% - 1.00%
Global Strategic USD Fund (-15bps)	★	0.50%
Global Capital Plus Fund(+15/-150bps)	★	0.35% / 1.00%
Global Managed Fund (+15/-165bps)	★	1.00%
Global Opportunities Equity Fund (-165bps)	★	0.85%

★ *Change from performance to fixed fee*

★ *Fixed fee reduction*

Impact of move to fixed fees

Fund	New Fee Range	Old Range
Capital Plus Fund	0.35% - 1.00%	0.35% - 1.85%
Global Capital Plus Fund	0.35% - 1.00%	0.25% - 2.35%
Global Managed Fund	1.00% flat	0.85% - 2.50%
Global Opportunities Equity Fund	0.85% flat	0.85% - 2.50%

All fee rates quoted above are for the respective clean classes of the local (Class B4) and UCITS (Class P) funds respectively. The UCITS funds are typically available via offshore fund platforms. The clean classes (B4 Class) of the equivalent rand-denominated funds are 0.05% - 0.1% more expensive. The quoted fee rates exclude VAT where applicable

Our equity-based funds retain performance fees, and we are pioneering new changes that will benefit our investors. We believe they should have the comfort of knowing that if an equity portfolio underperforms the benchmark, the fees they pay will be in line with that of a passive investment. Consequently, we are introducing a penalty when a fund underperforms its benchmark over the recommended investment term (five years). If our funds perform in line with their benchmarks, we believe our fees will be below the average of our active competitors. A premium fee will only be charged when our funds deliver a meaningful outperformance.

Our performance fees continue to be capped, helping clients to know upfront what the maximum price will be.

New performance fees: Local funds

Top 20 New fee range: 0.10% - 2.60% Old fee range: 0.10% - 2.60%	Base fee: 0.60% Performance fee: 20% of net-of-fees performance above CAPI over 24 months, capped at 2.00% Performance discount: 0.50% if net-of-fees return over any five year period is behind benchmark
Equity New fee range: 0.35% – 2.20% Old fee range: 0.70% - 2.60%	Base fee: 0.70% Performance fee: 20% of net-of-fees performance above CAPI measured over 24 months capped at 1.50% Performance discount: 0.35% if net-of-fees return over any five year period is behind benchmark
Market Plus New fee range: 0.35% - 2.00% Old fee range: 0.35% - 2.60%	Base fee: 0.85% Performance fee: 20% of net-of-fees performance above Balanced Plus BM + 2% over 24 months capped at 1.15% Performance discount: 0.50% if net-of-fees return over any five year period is behind benchmark

All fee rates quoted above are for the respective B4 or clean classes of the funds typically available via LISPs. The quoted fee rates exclude VAT.

New performance fees: Global and worldwide funds

Global EM New fee range: 0.60% - 2.00% Old fee range: 0.85% - 2.50%	Base fee: 0.75% Performance fee: 20% of net-of-fees performance above MSCI EM Index over 24 months capped at 1.25% Performance discount: 0.15% if net-of-fees return over any five year period is behind benchmark
Global Equity Select New fee range: 0.40% – 2.00% Old fee range: 0.75% - 2.40%	Base fee: 0.75% Performance fee: 20% of net-of-fees performance above MSCI ACWI Index over 24 months capped at 1.25% Performance discount: 0.35% if net-of-fees return over any five year period is behind benchmark
Optimum New fee range: 0.45% - 2.00% Old fee range: 0.60% - 2.60%	Base fee: 0.60% Performance fee: 20% of net-of-fees performance above new composite over 24 months capped at 1.40% Performance discount: 0.15% if net-of-fees return over any five year period is behind benchmark

All fee rates quoted above are for the respective clean classes (Class P) of the UCITS funds typically available via offshore fund platforms. The clean classes (B4 Class) of the equivalent rand-denominated funds are 0.1% more expensive. The quoted fee rates exclude VAT where applicable.

The fee changes will take effect from 1 October 2015. To avoid any inadvertent prejudice to our clients, the lowest of the new or old fee will be applied on a daily basis for the first 12 months. Only the new fees will apply from 1 October 2016.

Better benchmarks:

We believe benchmarks should be credible and replicable, meaning that if you wanted to construct a portfolio that would simply deliver the benchmark, it should be easy to do. You can choose from many passive products that merely track the indices we use as our benchmarks. We are confident in our ability to outperform these indices over the long term. Our benchmarks should also give a clear indication of the assets you can expect to be in a portfolio over time. We are therefore making the following benchmark changes across our fund range:

Local equities: FTSE/JSE Capped Index (Capi) replaces the Shareholder Weighted (Swix) and Top 40 indices.
Unlike the other two indices, the Capi has a maximum exposure of 10% to any share, in line with regulatory restrictions. It also does not, in contrast to the Swix, exclude shares in dual-listed companies that have share registers outside of South Africa. The Swix was designed in the early 2000s for an environment that does not exist today. Foreign shareholders now make up over 40% of the domestic share registers, resulting in a significantly different treatment of the index weightings of shares only listed locally against those with dual listings. As an example of the perverse situation which now arises, BHP Billiton, a global miner with a market capitalisation of R1.4 trillion, has a SWIX weighting of 1.9%, while Sasol, with a market capitalisation of R260 billion, has a SWIX weighting of 4.3%.

Global equities: MSCI All Country World Index (ACWI) replaces MSCI World Index.

The ACWI offers a wider representation than the MSCI World index, including exposure of some 12.5% to emerging markets. The MSCI World essentially ignores emerging markets.

Global bonds: Barclays Global Bond Aggregate (BGBA) replaces World Government Bond Index (WGBI).
The BGBA is a broader index that covers 24 debt markets including government, quasi-government and corporate bonds. It is more representative of the universe we can invest in, as it has less of a developed market bias and also includes corporate issuers.

Mandate changes:

Coronation Equity and Top 20 Funds
Following careful consideration and after polling large investors in the Coronation Equity Fund, we are proposing to add the ability to invest 25% of the fund's portfolio in global equities. At the same time, we will introduce the SA Equity Fund for investors who still prefer a pure local equity building block. The Top 20 Fund will continue to invest in domestic equities only, but we plan to lift the constraint that limits its investment universe to the 50 largest shares on the JSE. Subject to investor approval, we proposed that its 15 to 20 positions may also be in other shares, although the fund will always have a bias towards large caps.

Global Capital Plus Fund (Houseview Currency Class and Feeder Fund)
Currently, its benchmark is a composite of the US dollar (50%) and the euro (50%). This is causing distortions: In times of significant euro weakness, the purportedly stable benchmark gives a negative return. We are proposing to change the benchmark to US dollar only, subject to investor approval.