EXECUTIVE SUMMARY
CONVERSATIONS WITH CORONATION

OCTOBER 2014

LAUNCH OF NEW GLOBAL EQUITY FUND

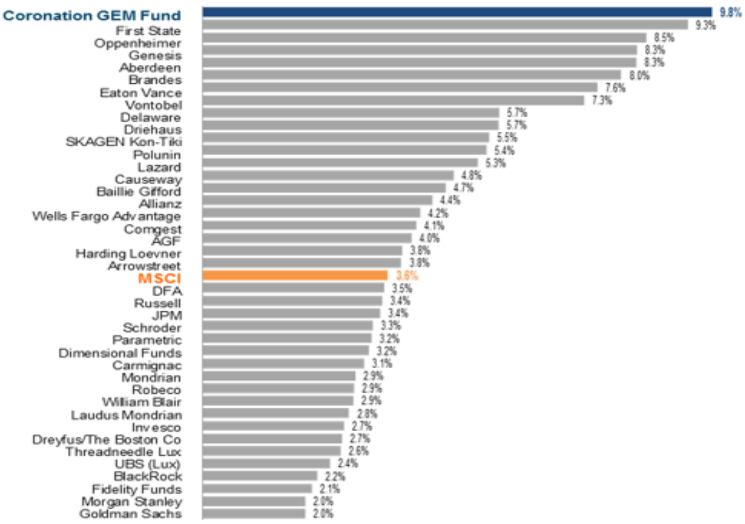
The proposed Coronation Global Equity Select Fund is scheduled for launch in the next few months. The fund will focus on long-term investment opportunities in global developed markets, with a maximum allocation of 30% to emerging market companies. The Global Equity Select Fund will include a maximum of around 50 equities – a portfolio of our highest-conviction global investment ideas. Coronation co-founder and former chief investment officer Louis Stassen will manage the new fund, supported by a team of dedicated developed market analysts. Already the team has initiated research on more than 90 international equities, in addition to the more than 150 equities covered by the established Coronation emerging markets team. The two teams work closely together, with overlapping research responsibilities that ensures shared sector knowledge and robust debate about investment decisions. The fund will complete the range of Coronation offshore funds available to investors.

Coronation offshore fund range

As with all Coronation's international funds, the new fund will be managed according to our single philosophy of investing with a long time horizon, based on our proprietary research. Companies with a solid track record of excellent capital allocation are preferred and, at this stage, the fund will mostly exclude very cyclical industries. While the portfolio will be concentrated, risk management through diversification across countries and industries will be an essential feature. The size of an investment will be determined by the level of conviction in Coronation's assessment of the fair value of the stock, as well as the margin of safety – adjusted for risk – on offer.

Coronation has a proven track record of alpha generation in global markets. Our Global Emerging Markets (GEM) fund has delivered an annualised performance of 12.8% (in rands) since inception in 2007. Its performance in US dollars has outperformed its benchmark and many of the world's largest fund managers by a significant margin:

Performance vs. peer group



Coronation GEM Fund (UCITS) annualised performance since fund inception (July 2008 to end-August 2014). Source: Bloomberg

OFFSHORE OPPORTUNITIES

Notwithstanding recent losses, global equities have delivered a very strong performance over the past three years. As such, we believe these assets offer less upside than in the past. However, we continue to prefer global equities to South African shares. Coronation's offshore multi-asset funds, Global Capital Plus and Global Managed, currently maintain conservative equity exposures and hold relatively large cash positions, with a view to deploy these when the right opportunities emerge. That said, there is an interesting array of equities that offer significant upside in the international markets, some of which we discuss in more detail below.

Quality emerging market businesses

Emerging economies have slowed quite a bit and macroeconomic conditions are undoubtedly tough in many markets. However, a number of companies continue to perform exceptionally well, thanks to long-term structural drivers as well as their dominant positions and ability to grow market share:

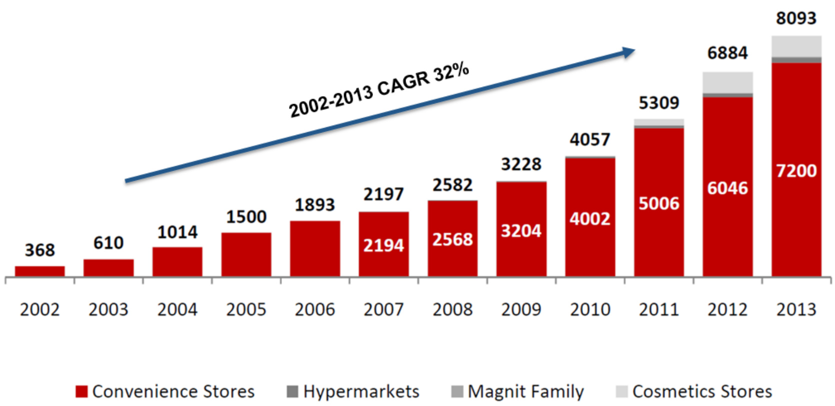
	Sales growth (H1*)	Net profit growth (H1*)
Kroton (Brazilian education group)	+43%	+93%
Tata Motors (India/global auto)	+38%	+212%
Brilliance China (China auto)	+30%	+76%
Magnit (Russia food retail)	+28%	+34%

** First half of financial 2014. Source: Company results*

Magnit is an impressive example of a company which is flourishing amid emerging market uncertainty. The largest food retailer in Russia, Magnit is growing rapidly in a market that offers tremendous scope for formal retail expansion. Independent small stores still represent half of the food retail market, which is very high compared to other countries. The five largest food retailers represent only 15% of the market, compared to the global average of between 50% and 80%. In addition, none of the large international retailers are present, and competition is less intensive.

Magnit has capitalised on these dynamics, growing its store base to almost 9 000 by focusing on towns and cities with populations of fewer than 500 000. Often Magnit offers the first modern retailing experience for many of these communities, who were previously served by grim Soviet-style corner shops. The company has a strong distribution network at the core of its operations. Its 47-year old founder and CEO, Sergey Galitskiy, owns a 40% stake in the business and plans to open another 1 600 new stores in 2015. Magnit looks set to grow its share of the Russian food retail market (which is almost the same size as the UK market) from 6% currently to 20% over the next decade, which should increase its revenue more than threefold.

Magnit store base



Compound annual growth rate (CAGR). Source: Company annual report

Magnit trades on 19 times forward earnings, a reasonable valuation given its long-term growth prospects. In South Africa, Shoprite has a similar price earnings ratio, but grew its earnings by only 3% in the most recent annual period (to June), versus Magnit's earnings growth of 49% over the same period. The Ukraine crisis appears not to have had a negative impact on the company's performance – in fact it has resulted in the group taking market share from smaller, weaker players. In the past, some of these smaller operators bypassed customs to illegally import goods from Ukraine without paying tax. With the borders now closed, this has left them disadvantaged.

Coronation has identified, and is invested in, a number of other well-run, attractive businesses in Russia. These include another food retailer, X5, as well as two ecommerce businesses (Mail.ru and Yandex) and the financial institution Sberbank. Many of these businesses have seen operational gains despite the current instability. However, given the political uncertainty, exposure to Russia has been limited, while the new Global Equity Select Fund (as well as Global Managed) will hold at most 7.5%. We believe these positions are appropriate given the risks.

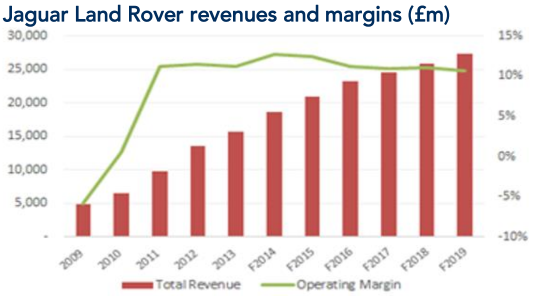
Premium car manufacturers

These companies have been unfairly tarred with the same brush as mass market producers, which are struggling due to a number of problems. The premium segment is, however, performing satisfactorily as consumers aspire to own more expensive cars. Premium SUV manufacturers in particular can't keep up with demand. The long-term trend of 'premiumisation' in developed markets is now being replicated in emerging economies. In Europe, premium cars have doubled to 18% of the car market from 9% fifteen years ago. The premium car market share in China is only 4% to 5% currently, and looks set for significant growth over time.

The fundamentals, in particular the high profit margins, of the premium car sector are impressive. While general car companies generate margins of around 5%, Audi and BMW (10% to 12%), Jaguar Land Rover (15%) and Porsche (20%) earn much higher profit margins thanks to their powerful brands, which command higher prices.

Tata Motors owns Jaguar Land Rover (JLR), a formidable business with great products. Given small losses at its Indian operation (due to a cyclical downturn), more than 100% of Tata's earnings are currently generated by JLR. Since Tata acquired it from Ford in 2008, JLR has attracted top-level German executives from Porsche and BMW, and has dedicated high levels of capital expenditure to establish a very successful portfolio of products. This has created a significant demand (and waiting lists of many months) for its products. JLR plans to increase its capacity with new plants in emerging markets to satisfy the current excess demand. We believe current margins are sustainable and that Tata can generate earnings growth of 13% p.a. over the next five years. (Revenue has been growing by 31% on average over recent years.) Using what we view as conservative assumptions, earnings per share are expected to almost treble in the next five years. Trading at only 8.8 times forward price earnings, in our view Tata offers a solid investment opportunity.

Jaguar Land Rover revenues and margins (£m)



Sources: Coronation, company results

Alternative asset managers

We expect strong growth from these asset managers, which typically invest on behalf of their clients in private equity, physical property, debt or hedge funds. The investment industry's allocation to these managers is currently very small, with traditional asset managers still responsible for 92% of public assets under management. However, pension fund and investment consultants are indicating they want to dedicate significantly more capital to alternative asset managers over the next seven to ten years.

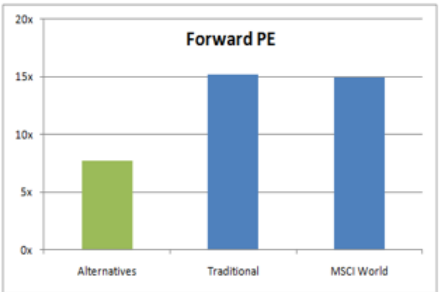
This is a less competitive space, with only eight large listed alternative asset managers (compared to more than 150 listed traditional asset managers). While the capital requirements are low, there are tremendous barriers to entry, including that it can take up to a decade to establish the track record for a single fund.

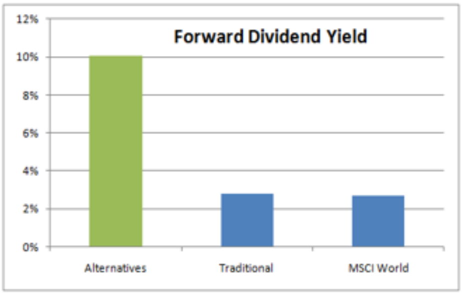
The business models of these asset managers are solid, with great cash conversion rates and scalability. Profit margins are high (typically around 50%, compared to 33% for traditional asset managers), yet the stocks are at present very poorly rated. This is partly due to the fact that the bulk of their profits are from lumpy performance fees, which are difficult to forecast and model. Generally investors require certainty, and they pay up for stability. As long-term investors, we are happy to wait for profits - as long as we are confident in management's capability to generate the superior returns.

Investors are also deterred by tax factors. In the US, authorities have previously indicated that they would require a higher tax contribution from these asset managers. While the rhetoric has since calmed down, our valuations of these companies are already taking higher tax rates into account and we continue to find huge value in this sector. These groups are also structured as limited liability partnerships, which means investors are required to do additional tax administration. This has discouraged some parties, but we are not deterred as these assets are so attractively priced.

We have four holdings in the alternative asset management space, which account for about 11% of the Global Emerging Markets fund's effective equity exposure. The four are very different, with different areas of expertise, and different growth drivers: KKR (private equity), Blackstone (property), Apollo (credit) and Fortress (diversified). Their balance sheets also look very different and they are at varying stages of value realisation. These are very high quality business trading at very low multiples.

Alternative asset managers are attractively valued





Source: Coronation

Ecommerce

The internet will continue to disrupt the traditional retail model. Investing in ecommerce companies, however, comes with a certain amount of risk. We are investing in companies that we believe will consistently deliver over time and try to steer away from the risky opportunities, as these are often untested ideas. We can't back an idea if we don't have a complete understanding of the risks. While our investments in established names like Google and eBay admittedly don't have the same theoretical upside as an exceptional start-up in San Francisco, they also carry much less risk.

That doesn't mean we can only invest in companies that are already making profits. Amazon and the Chinese ecommerce group JD.com are not yet profitable, but we believe in their business models and ability of their management teams to execute over time. When we are convinced of an opportunity, we are prepared to wait for profitability to come later.

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FUND UPDATES

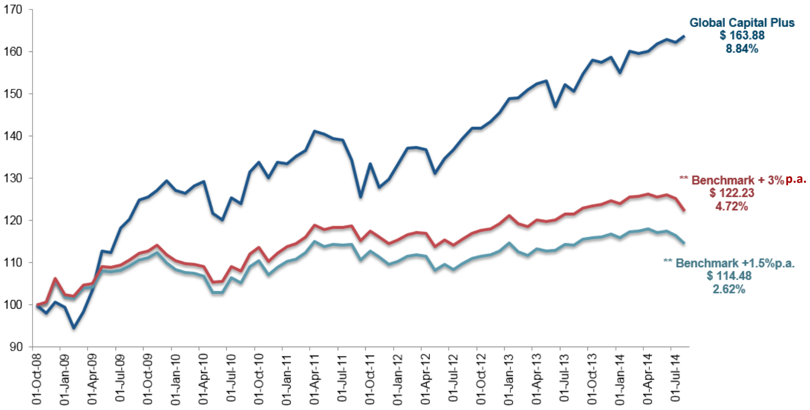
Coronation Global Capital Plus

The objective of the fund is diversified exposure to global assets with a focus on capital preservation. A low-risk fund, Global Capital Plus aims to deliver a return of between 6% and 7% per annum, while maintaining a positive return over any 12-month rolling period. The fund has a maximum allocation to growth assets of 50%, and is currently maintaining its equity exposure at around 30%, which may be lowered further if share prices rise from current levels.

The fund's exposure to property (12.9%) is a very important component of the portfolio. Currently, our highest conviction is in German residential property, which has done well and, we think, has a lot more potential. The Brazilian shopping mall owner and developer BR Malls offers an exciting prospect. The company has been sold off in sympathy with interest rate sensitive retailers ahead of expected rate hikes in Brazil.

Gold and other metal holdings are used to provide some diversification and protection against equity market risk. Global government bonds remain unattractively valued given the stage of the interest rate cycle. Given this, cash holdings (47%) are high and will enable the fund to move on attractive opportunities when presented.

Coronation Global Capital Plus, cumulative returns in US dollar*



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

Coronation Global Managed Fund

The fund aims to deliver diversified exposure to global assets with a focus on maximising returns over the long term. It is allowed a maximum equity exposure of 75%, plus further exposure to property of 10%. All listed asset classes are considered including shares, conventional bonds, inflation-linked bonds, cash and other appropriate instruments, but the fund has a bias towards equities.

The fund's historic benchmark is a composite of the MSCI World Index (60%) and the CitiGroup World Government Bond Index (40%). The MSCI World Index component will soon be replaced by the MSCI All Country World Index, which has a greater emerging market weighting. The Global Managed Fund currently has a 62% exposure to equities, with 28% of this exposure in emerging markets.

The weighted average forward price earnings ratio over one-year for the portfolio (excluding property) is 14.6 times, while the average forward dividend yield is 3.6%.

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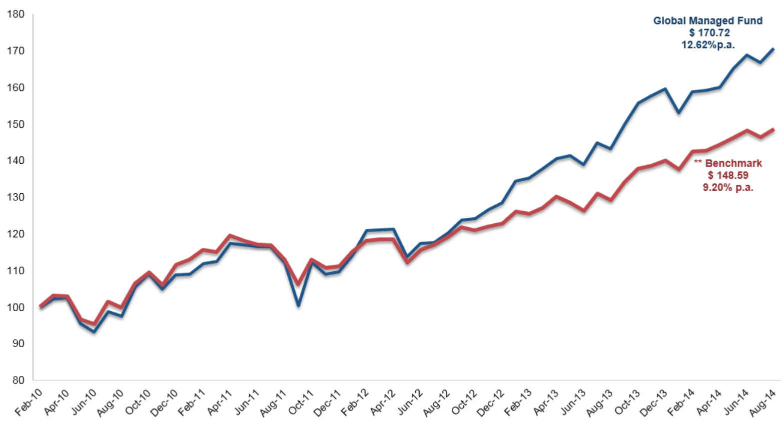
Coronation Global Managed fund (31 August 2014)

Top 10 Equity Holdings	% of Portfolio	PE	Dividend Yield
Porsche Automobil Holding SE	4.16	6.2x	3.4%
Tata Motors Ltd	3.38	9.6x	0.4%
Fortress Investment Group LLC	2.78	7.3x	10.5%
Discovery Communications Inc	2.77	20.6x	-
Google Inc	2.37	19.5x	-
KKR & Co LP	2.22	9.1x	8.0%
eBay Inc	2.03	17.1x	-
Dollar General Corp	1.97	16.8x	-
Amazon.com Inc	1.95	269.6x	-
Yum! Brands Inc	1.93	18.4x	2.2%

Coronation Global Managed Fund, cumulative performance*



** Since inception – March 2010*
*** Benchmark - 60% MSCI World Index % 40% Citigroup World Government Bond Index. Note: performance is gross of fees in USD*