

## 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 GROSS OF FEES

Period	Strategy	Benchmark	Active Return
Since Inception (cumulative)	159.2%	25.7%	133.5%
Since Inception p.a.	6.0%	1.4%	4.6%
Latest 15 years p.a.	4.8%	1.4%	3.4%
Latest 10 years p.a.	0.4%	2.0%	(1.6)%
Latest 5 years p.a.	2.3%	2.6%	(0.3)%
Latest 1 year	23.1%	5.4%	17.7%
Year to date	23.1%	5.4%	17.7%
Month	2.3%	0.4%	1.9%

For a side-by-side comparison of gross and net performance, please refer to <http://www.coronation.com/us/strategy-performance>

## SECTOR EXPOSURE

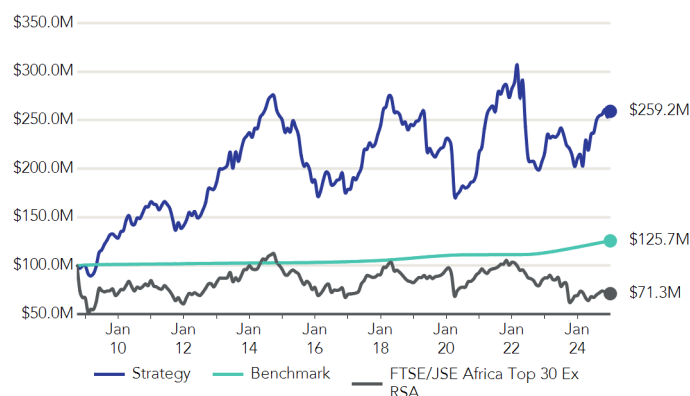
Sector	% Strategy
Consumer Goods	28.6%
Financials	21.7%
Telecommunications	19.3%
Basic Materials	10.0%
Industrials	7.5%
Oil & Gas	4.6%
Utilities	3.1%
Health Care	3.0%
Consumer Services	1.3%
Interest Bearing	0.9%

## GENERAL INFORMATION

Inception Date	01 October 2008
Strategy Size *	\$339.8 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).

The performance shown is gross of fees.

## GEOGRAPHIC EXPOSURE

Country	% Strategy
Egypt	27.7%
Nigeria	16.9%
Kenya	12.5%
Morocco	11.9%
Zimbabwe	9.1%
Uganda	3.1%
Ghana	3.1%
Mauritius	3.0%
Senegal	2.9%
Botswana	2.7%
Tanzania	2.2%
Canada	2.2%
Burkina Faso	1.6%
Cash	0.9%
South Africa	0.2%

## 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 is an analyst and portfolio manager in the Global team at Coronation. He co-manages the Africa Frontiers Strategy and is also responsible for analysing developed market stocks. He joined Coronation in 2013 and has over 11 years' investment experience.



Floris Steenkamp - BAcc (Hons), CA (SA), CFA

Floris is an analyst and portfolio manager in the Global team at Coronation. He co-manages the Africa Frontiers Strategy and is also responsible analysing developed market stocks. He joined Coronation in 2014 and has 10 years' investment experience.

## FUND MANAGERS

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## REGULATORY DISCLOSURE AND DISCLAIMER

The Prospectus and a Summary of Investor Rights can be sourced on the following link: <https://www.coronation.com/en/institutional/strategy-information/literature/>.

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The volatility of the Benchmark represented in the growth chart above may be materially different from that of the Strategy. In addition, the holdings in the accounts comprising the Strategy may differ significantly from the securities that comprise the Benchmark. The Benchmark has not been selected to represent an appropriate benchmark to compare the Strategy's performance, but rather is disclosed to allow for comparison of the Strategy's performance to that of a well-known and widely recognized Benchmark.

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## REVIEW FOR THE QUARTER

**Strategy performance**

2024 was a very strong year for the Strategy – it returned +23.1% in US dollars. This is well ahead of the FTSE/JSE All Africa (ex-South Africa) 30 Index (JA30) which was up +2.8%, and the MSCI Emerging Frontier Markets Africa ex SA Index (MSCI EFM), which was -1.3%. The past year was the second-best alpha year (+20.3%) against the JA30 Index and the best alpha year (+24.4%) against the MSCI EFM ex SA Index since inception in 2008. The best alpha year against the JA30 Index was in 2009 when the Strategy was +20.9%. Performance in the subsequent year, 2010, was also strong, +29% in absolute terms. The past quarter saw the Strategy return +1.2%. Since its inception more than 15 years ago, the Strategy has returned +6% p.a., while the respective index returns over this period were negative: -2.1% p.a. for the JA30 Index and -1.8% p.a. for MSCI EFM.

**Country performance**

During the quarter the markets in Ghana (+20.1%), Kenya (+15.1%), Tanzania (+14.3%) and Nigeria (+12.9%) were very strong, while Namibia (-13.6%) and Egypt (-10.6%) were weak. This was somewhat of a reversal of the 3Q performance. During the quarter, the Nigerian naira started trading on EFEMS (Electronic Foreign Exchange Matching System). This is a system that matches buys and sells, which should be more transparent. When this was introduced in December, the currency strengthened – the official rate at the start of December was NGN1683/\$ and the naira ended December at NGN1544/\$ (a move of 8%). This mirrors the 8% depreciation in 3Q.

For the full year, African markets saw very divergent performances. Kenya enjoyed an exceptional year, increasing +62.8% in USD. This was driven by strong local currency returns, +34.1%, and currency appreciation. Valuations and the exchange rate fell to extreme levels in 2H23, as the June 2024 Eurobond repayment came into focus. Investor sentiment was very depressed going in to 2024 as the risk of default increased in early 2024. Once it became apparent that an IMF deal was likely and the default risk reduced, the currency strengthened strongly, and equity markets rallied. Kenya is not without its challenges, but this is yet another reminder that when the outlook for a country improves just a little bit (from very negative to negative, for example), equity prices can adjust very quickly. Equities don't always need a shift from very negative to very positive. Tanzania (+27.4%), Ghana (+27.0%) and Morocco (+18.9%) were also very strong.

Egypt (-27.3%) and Nigeria (-18.7%) were both very weak following large moves in their currencies. The Egyptian pound fell from around EGP30/\$ to EGP50/\$ over the past 12 months, while the Nigerian naira moved from around NGN900/\$ to NGN1,500/\$. Both countries allowed their exchange rates to adjust in 2024. This has proved to be very painful in 2024 but should set themselves up for a much stronger 2025.

**Contributors and detractors**

The largest contributor to performance this quarter was, once again, Eastern Company, which increased 17.8% in USD and added +1.5% to the performance of the Strategy. The other large contributors were Nigerian Breweries and Safaricom, each adding +0.7% to performance. The largest detractor this quarter was Zimplats (-2.1%). CIB (-0.7%) and Delta Corp (-0.5%) were the next largest detractors.

For the year, Eastern Company (+4.4% contribution to Strategy performance), Safaricom (+2.6%) and Fawry (+2.5%) were the largest contributors. Eastern Company struggled to source USD to buy raw materials in 2023. Volumes suffered, falling 27% in their financial year ending in June. The Egyptian pound devaluation and the increase in USD liquidity has meant that raw materials are once again being procured, and production volumes have recovered, growing +70% in 1Q25, although they remain below normal levels. Eastern Company's share price increased 66% due to normalised production levels, significant price increases, and Philip Morris' investment in its largest shareholder.

Zimplats (-7.4% contribution) was by far the largest detractor for the Strategy in 2024. PGM prices remained under pressure in 2024 with the platinum price down -8% and the palladium price down -17% in 2024. As a result of the continued weakness in PGM prices, Zimplats' share price was -45% in US dollars. 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. The business invested heavily over the past few years, building a new concentrator, a new smelter, and a solar power plant. Not only did these investments increase production and lowered costs, but they also have a positive environmental impact. The company now trades well below replacement cost. Over the past three years alone the company invested \$1.0bn in capex, which is more than the current market cap of \$0.8bn. 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, trading on only 2x what we consider the normal earnings power of the business. Stanbic IBTC (-1.2% contribution) and Africa Oil (-1.0%) were the next largest detractors.

## Conclusion

After a tough year in 2023, we are very pleased with 2024's performance, as several of the large stocks ideas in the Strategy came through strongly. The alpha generation in a low beta year was very satisfying for us and is a function of a Strategy that looks very different to the indices. The table below shows the Strategy's top 5 positions against the two main benchmarks. The overlap is limited. This is a function of our bottom up stock picking approach to Strategy construction.

*Figure 1*

### CORONATION AFRICA FRONTIERS TOP 5 POSITIONS VS INDICES

Strategy	MSCI Emerging Frontier Market ex SA Index Index	JA30 Index
8.2% Egypt FMCG	12.1% Egypt Bank	19.2% Egypt Bank
6.4% Nigerian FMCG	10.3% Morocco Bank	12.4% Morocco Bank
5.7% Egypt TMT	7.5% Mauritius Bank	6.9% Morocco TMT
5.6% Kenyan TMT	5.4% Kenya TMT	6.5% Kenya TMT
5.5% Zimbabwe TMT	4.9% Morocco TMT	6.5% Kenya Bank
<b>31.4% Total</b>	<b>40.2% Total</b>	<b>51.5% Total</b>

Source: MSCI, FTSE and Coronation

Looking ahead, the currency resets in Nigeria and Egypt have largely closed the gap between the official and parallel market rates. This is very healthy, and we enter 2025 with all of our large markets continuing to function normally. Despite the strong performance across individual holdings, ratings remain very depressed. Earnings growth rather than re-rating has dominated. The Strategy is well positioned for 2025. Thank you for your continued support.