CORONATION GLOBAL EMERGING MARKETS FLEXIBLE [ZAR] FUND

Fund Information as at 30 June 2024

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WHAT IS THE FUND'S OBJECTIVE?

The Global Emerging Markets Flexible [ZAR] Fund aims to give investors access to the best opportunities in emerging equity markets. The fund actively seeks out attractively valued shares to maximise long-term growth. Our intent is to outperform the emerging equity benchmark over all periods of five years and longer.

WHAT DOES THE FUND INVEST IN?

The fund invests in the shares of companies which are either based in emerging countries, or earn a significant part of their revenue from emerging economies. It can also invest in cash and bonds, but will remain biased towards shares at all times. The fund is mandated to use derivative instruments for efficient portfolio management purposes.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Risk Profile

9/10
Aggressive

Maximum growth/ minimum income exposures

- Growth Assets: 100%
- Income Assets: 0%

The fund will only invest in shares we view as being attractively valued and which may offer superior long-term investment growth.

The fund's share selection is the result of rigorous international research conducted by Coronation's investment team.

While we have a disciplined approach to reducing risk, shares can be volatile investments and there is a meaningful risk of capital loss over the short term. Emerging markets are generally viewed as more risky than developed markets. Global currency movements may intensify investment gains or declines.

HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The fund is managed to deliver the best possible returns over the long term; an investment horizon of 10 years or more is therefore ideal. It is not suitable as a single investment for investors who need to preserve their capital over five years or less.

WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are building wealth, and who

- are comfortable with full exposure to shares in emerging markets;
- accept that the fund may underperform the market significantly in the short term in pursuit of superior long-term gains;
- hold other investments and are looking for exposure to emerging markets;
- do not require an income from their investment.

WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of a minimum of 1.00% and a maximum of 2.40%, depending on the fund's performance, is payable.

If fund performance equals that of the benchmark (after fees and costs), a fee of 1.15% will be charged. We share in 20% of performance above the benchmark, up to a total annual fee of 2.40%. Performance is measured over a rolling 24-month period.

If the fund underperforms the benchmark over any 60-month period, the fee is reduced by 0.15%.

All fees exclude VAT. Fund expenses that are incurred in the fund include administrative, trading, custody and audit charges. All performance information is disclosed after deducting all fees and other portfolio costs.

We do not charge any fees to access or withdraw from the fund.

More detail is available on www.coronation.com.

WHO ARE THE FUND MANAGERS?

GAVIN JOUBERT
BBusSc, CA (SA), CFA

SUHAIL SULEMAN
BBusSC, CFA

IAKOVOS MEKIOS
Ptychion (BSc), MIA, IMC, CFA

GENERAL FUND INFORMATION

Launch Date	28 December 2007
Fund Class	A
Benchmark	MSCI Emerging Markets Index
ASISA Fund Category	Global – Multi-asset – Flexible
Income Distribution	Semi-annually (March & September)
Investment Minimum	R5 000 or R500/m debit order
Bloomberg Code	CORGLOB
ISIN Code	ZAE000109211
JSE Code	CGEM

CORONATION GLOBAL EMERGING MARKETS FLEXIBLE [ZAR] FUND

CLASS A as at 30 June 2024

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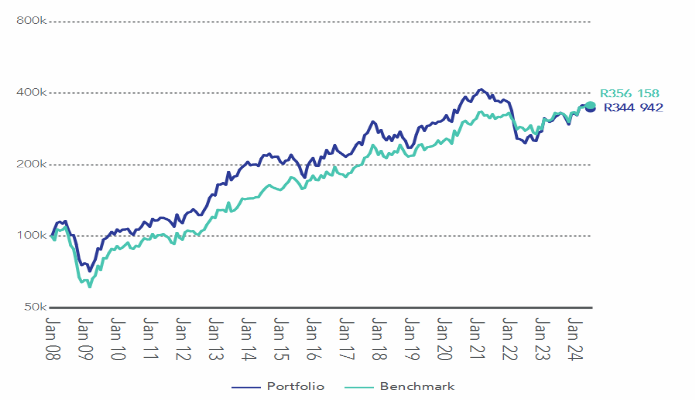
ASISA Fund Category	Global - Multi Asset - Flexible
Launch date	28 December 2007
Fund size	R 5.60 billion
NAV	328.54 cents
Benchmark/Performance Fee Hurdle	MSCI Emerging Markets Index
Portfolio manager/s	Gavin Joubert, Suhail Suleman and Iakovos Mekios

	1 Year*	3 Year
Total Expense Ratio	1.61%	1.32%
Fee for performance in line with benchmark	1.15%	1.15%
Adjusted for out/(under)-performance	0.15%	(0.09)%
Fund expenses	0.12%	0.11%
VAT	0.19%	0.16%
Transaction costs (inc. VAT)	0.22%	0.20%
Total Investment Charge	1.83%	1.52%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark
Since Launch (unannualised)	244.9%	256.2%
Since Launch (annualised)	7.8%	8.0%
Latest 15 years (annualised)	9.5%	11.2%
Latest 10 years (annualised)	4.6%	8.5%
Latest 5 years (annualised)	3.4%	8.5%
Latest 3 years (annualised)	(4.3)%	2.9%
Latest 2 years (annualised)	18.3%	13.1%
Latest 1 year	6.8%	8.6%
Year to date	4.7%	6.8%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Return	7.8%	8.0%
Annualised Deviation	17.1%	15.1%
Sharpe Ratio	0.03	0.05
Maximum Gain	25.5%	36.4%
Maximum Drawdown	(40.6)%	(44.2)%
Positive Months	55.1%	56.1%

	Fund	Date Range
Highest annual return	49.7%	Mar 2009 - Feb 2010
Lowest annual return	(37.5%)	Mar 2008 - Feb 2009

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Country	30 Jun 2024
Equities	**98.74%**
China	19.78%
Brazil	10.43%
India	9.98%
South Korea	8.74%
Taiwan	7.98%
Singapore	4.73%
France	4.07%
United Kingdom	2.96%
Indonesia	2.89%
Germany	2.85%
Other	24.34%
Cash	**1.17%**
USD	1.06%
Other	0.42%
HKD	0.00%
EUR	0.00%
ZAR	(0.31)%
Real Estate	**0.09%**
Brazil	0.09%

TOP 10 HOLDINGS

As at 30 Jun 2024	% of Fund
Taiwan Semiconductor Man (Taiwan)	7.1%
Hdfc Bank Limited (India)	4.6%
Northeast Utilities (Brazil)	3.2%
Prosus Nv (China)	3.0%
Bank Mandiri Tbk Pt (Indonesia)	2.9%
Delivery Hero Se (Germany)	2.9%
Airbus Group Se (France)	2.9%
Jd.com Inc (China)	2.8%
Grab Holdings Ltd - Cl A (Singapore)	2.7%
Pdd Holdings Inc (Ireland)	2.7%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
28 Mar 2024	02 Apr 2024	0.00	0.00	0.00
29 Sep 2023	02 Oct 2023	0.67	0.66	0.01

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2024	(1.9)%	7.7%	2.3%	(0.4)%	1.7%	(4.4)%							**4.7%**
Fund 2023	13.7%	(1.9)%	(1.4)%	1.1%	3.6%	1.6%	2.5%	(1.2)%	(4.4)%	(5.3)%	10.5%	0.8%	**19.3%**
Fund 2022	(7.5)%	(13.4)%	(11.8)%	(0.5)%	(1.3)%	(2.7)%	6.0%	2.1%	(5.0)%	(0.4)%	8.4%	1.0%	**(24.4)%**

**This column shows the most recently available figures for the 12 months ending May 2024.*
The 12-month TER for the financial year ending September 2023 was 1.25% which included a -0.15% adjustment for out/(under) performance and a total investment charge of 1.44%.

Issue date: 2024/07/11

Please note that the commentary is for the retail class of the Fund. All Fund and share price returns are quoted in ZAR.

The Fund returned -3.1% in the second quarter of 2024, lagging the 2.3% return of the benchmark MSCI Emerging Markets (Net) Total Return Index by 5.4%. The Fund has had a good two-year period since bottoming in the aftermath of Russia's invasion of Ukraine, having outperformed the benchmark by 5.3% p.a. However, over five years, the Fund has underperformed by 5.1% p.a. due to the tough performance cycle experienced from end March 2021 through to end June 2022. Since its inception in December 2007, the Fund has lagged the benchmark by 0.2% p.a.

The biggest positive contributor to relative performance in the quarter was Turkish hard discount food retailer BIM, which returned 46% (in rands) and contributed 0.5%. We sold BIM in 2021 when Turkey, driven by President Erdogan, started to adopt a very unconventional monetary policy by reducing interest rates to try to bring down inflation. Our view at the time was that the risk of significant currency depreciation outweighed the fundamental attractiveness of BIM. Late last year, however, it started to become clear that after securing re-election to the presidency, the Turkish president was reverting to more market-friendly economic policies, in particular, allowing the Central Bank of Turkey to abandon the policy of running low interest rates in a high inflation environment. This had the positive effect of bringing inflation down, and in doing so, the Turkish currency's depreciation slowed significantly. As a result of this shift, we bought BIM in the Fund in Q3 of 2023. Since then, the company has almost doubled quarterly revenues on a year-on-year basis and tripled profits. As a result, the share price has doubled (in dollars) from the levels at which we bought it back into the Fund last year.

Despite the strong absolute share price performance, BIM still trades at 10 times next year's earnings and offers a 3% dividend yield.

SEA (29% return) and HDFC Bank (13% return) provided 0.4% of relative performance each in the period. HDFC Bank largely recovered from the selloff in Q1. A key worry earlier in the year for investors (which largely resulted in the share price decline) was the high Loan-to-Deposit Ratio, which constrains the ability of the bank to grow loans at a high level unless it can pick up deposits at a higher rate. The bank continues to grow deposits higher than the banking system as a whole, and crucially, HDFC Bank is doing so without paying up for deposits (through higher interest rates), as evidenced by the Net Interest Margin remaining largely unchanged. Although there was some disappointment with the Indian election results initially – the market and initial exit polls seemed to be pricing in a thumping majority for the ruling (market-friendly) BJP – these concerns largely dissipated when it became clear that the BJP would remain in charge, albeit in a coalition.

Tencent Music Entertainment (22% return) and Naspers (8% return) provided around 0.3% of relative performance each.

Unfortunately, there were a few significant detractors in the quarter that fully offset the positive contributors. The biggest detractor was Assai (also known as Sendas), the cash and carry retailer in Brazil. Assai returned -40% in the quarter and this had a -1.2% impact on relative performance. Most of the selloff occurred after the release of its Q1 results, which were somewhat underwhelming. Interest rates in Brazil remain high, and Assai has a reasonably high net debt level, which would have also played a role in the share price decline. Cash and carry (in which Assai is the leader) continues to take market share from other formats in Brazil, and there is still a significant opportunity for Assai to roll out more stores in Brazil. In addition, profitability is depressed by newly opened stores that have not fully ramped up to profitability. Assai is focusing on debt reduction, has reined in capex, and has slowed down new store expansion. As a result, in our view Assai will start to generate significant free cash flow in the short to medium term. Assai now trades on 10 times next year's earnings, and we believe it is very attractive with 75% upside to our fair value.

The second largest detractor was Airbus, which returned -27% and cost the Fund -1.1% of relative performance. Airbus peaked in March at around €170 and sold off heavily in the quarter, particularly after a late June update to the market where it cut delivery guidance on aircraft due to supply chain issues, especially engines for the A320 aircraft (supplied by CFM and Pratt & Whitney), where Airbus's market position is the strongest and its profitability the highest. The aircraft delivery guidance was accompanied by a 20% cut in operating profit guidance and a 13% cut in free cash flow guidance. All of the above is very disappointing, but we do not believe it materially alters the long-term investment thesis where Airbus remains far ahead of its only real competitor, Boeing, in what is effectively an oligopoly in a structurally growing industry.

There were also a few other significant detractors that each took off between 0.6% and 0.7% from relative performance. Bank Mandiri in Indonesia returned -21%, 3R Petroleum in Brazil returned -27%, Delivery Hero (global multinational) returned -20% and Li Ning in China – 21%. This abnormally large number of significant detractors, combined with low exposure to the ongoing strong performance of India and Taiwan, ultimately drove the quarter's underperformance. Both India and Taiwan, particularly outside the handful of very large-cap stocks in both countries, are arguably now in bubble territory in our view. The Indian market has been driven by general enthusiasm for the country (which does indeed have attractive prospects: market valuation is what concerns us) and has also been a beneficiary of investors reducing/selling out of China. Retail investors in India have also increasingly embraced the stock market. Taiwan has largely been driven by AI, with retail investors here also being eager participants. In Taiwan, many stocks with even a hint of AI have appreciated significantly. In many cases, the AI contribution to these companies is very small or is commoditised. In other cases, profitability is way ahead of historical levels, which may be indicative of over-earning.

We have kept the positions in all four of the above-mentioned stocks. 3R Petroleum now trades on 3 times 2025 earnings, Li Ning (leading Chinese sportswear brand) on 9.5 times 2025 earnings with a 4.5% dividend yield (and almost 40% of its market cap in net cash), and while Delivery Hero (online food delivery in 75 countries, mainly emerging markets led by Korea) is currently not making money, it trades on 0.45 times price-to-sales (vs Zomato in India on 8 times sales, for example, and DoorDash in the US on 4 times sales). In addition to this, we believe that Delivery Hero will ultimately become very profitable in the years ahead and have a clear plan to achieve this. There is now more than 150% upside to our fair values for each of 3R, Delivery Hero and Li Ning. It is unusual for any stock we own to have more than 100% upside to fair value, let alone 150%+. We continue to spend a lot of time on these three stocks, continually reassessing our views and fair values for them. In Bank Mandiri's case, the upside to fair value is a more moderate 35%, but the five-year IRR is 23% and the stock trades on 9.5 times 2025 earnings with a 6% dividend yield.

New buys in the period include NetEase (China gaming), Bajaj Finance (financial services group), Despegar (an online travel agency on 12.5x 2025 earnings), and in South Africa, Standard Bank (on 7.5 times 2025 earnings with an 8% dividend yield) was added.

NetEase sold off heavily late last year on the threat of regulatory action against the gaming sector. These proposals were subsequently hastily withdrawn, and the responsible officials were censured for causing market panic. The share price recovered quickly, but then, along with most Chinese stocks, gave up most of the year-to-date gains. We met with the company in China in June and came away with a very positive view. The legacy PC gaming business is still growing and no longer heavily reliant on one particular game (their largest game is now only 10% of the overall business, as an example). It currently trades on a 10% free cash flow yield, has a very strong balance sheet (over 20% of market cap in net cash) and is returning two-thirds of free cash flow to shareholders.

Bajaj Finance is a company we have been watching and meeting with for some time, but that always seemed too expensive to buy. With the share price now flat over the last three years, earnings growth has brought the valuation down to more palatable levels. One of the main concerns is that they cannot continue to operate as a non-bank finance company and will be forced to become a bank in the next few years. Doing so will increase costs and slow the business's growth rate. While these concerns are real, we believe they are well reflected in the current share price. In addition, the conversion to a bank would also allow them to gather low-cost CASA (current and savings account) deposits, which they currently cannot raise. CASA funding will lower the reliance on expensive wholesale funding and be a net positive for Bajaj.

Bajaj pioneered a new product aimed at allowing customers to buy large ticket items over six months with equal instalments at zero interest. The company earned its profits on this product by securing the financed item at a discount to the advertised price, resulting in it earning the discount over the life of the loan i.e. a 20% discount on the goods means an effective 20% interest rate over six months or an annualised 44% p.a. Peers took a long time to replicate this product and Bajaj's success means they now have over 80 million customers, with over 10 million more being added every year. In addition to growing the number of customers, Bajaj has been very successful at cross-selling additional products to its existing client base.

Bajaj has been led by the same impressive (in our view) CEO/MD since 2007, and he is only 54 years old, with a deep bench of talent below him when the time comes for him to step aside. Most lending is unsecured, so interest rates are higher, and they have compounded their loan book at 36% p.a. over the last 16 years, raising capital several times to fund this growth as it has exceeded the exceptional 20%-plus return on equity the book has consistently generated.

There were several sales in the quarter also, with the Fund selling completely out of Make My Trip (Indian online travel), Naver (search and ecommerce in Korea), Heineken (global brewer), Qualitas (Mexican insurance) and Total Energies (global oil major). In the case of Make My Trip and Qualitas, the sales were due to valuation. In the enthusiasm for fast growing Indian companies, Make My Trip, which we had owned for the past few years, is now up 240% over the past year, outperforming even Nvidia. In the case of Naver and Heineken, the sales were driven by concerns over the long-term moat around their businesses becoming progressively weaker. The sale of Total Energies largely funded the Standard Bank purchase.

Despite the negative relative performance in the quarter, we are positive on the prospects for the Fund. At current valuations, the Fund offers a weighted average upside of 70% and an IRR of 19%, which is well above the long-term average.

Portfolio managers

Gavin Joubert, Suhail Suleman and Iakovos Mekios

as at 30 June 2024

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IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION GLOBAL EMERGING MARKETS FLEXIBLE [ZAR] FUND

The Global Emerging Markets Flexible [ZAR] Fund should be considered a long-term investment. The value of units may go down as well as up, and therefore Coronation does not make any guarantees with respect to the protection of capital or returns. Past performance is not necessarily an indication of future performance. The fund is mandated to invest up to 100% of its portfolio into foreign securities and may as a result be exposed to macroeconomic, settlement, political, tax, reporting or illiquidity risk factors that may be different to similar investments in the South African markets. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Asset allocation and top 10 holdings are reflected on a look-through basis. Coronation Management Company (RF) (Pty) Ltd is a Collective Investment Schemes Manager approved by the Financial Sector Conduct Authority in terms of the Collective Investment Schemes Control Act. Portfolio managed by Coronation International Limited, a financial services provider authorised and regulated by the Financial Conduct Authority. The Management Company reserves the right to close the fund to new investors if we deem it necessary to limit further inflows in order for it to be managed in accordance with its mandate. Unit trusts are allowed to engage in scrip lending and borrowing. Standard Chartered has been appointed as trustees for the fund (www.sc.com/za; 011-2176600). Coronation is a full member of the Association for Savings & Investment SA (ASISA).

HOW ARE UNITS PRICED AND AT WHICH PRICE WILL MY TRANSACTION BE EXECUTED?

Unit trusts are traded at ruling prices set on every trading day. Fund valuations take place at approximately 15h00 each business day, except at month end when the valuation is performed at approximately 17h00 (JSE market close) and forward pricing is used. Instructions must reach the Management Company before 14h00 (12h00 for the Money Market Fund) to ensure same day value. The payment of withdrawals may be delayed in extraordinary circumstances, when the manager with the consent of the fund trustees deem this to be in the interest of all fund investors. These circumstances may include periods when significant underlying markets suspend trading which will prevent accurate valuation of the instruments held in the fund. When the suspension of trading relates to only certain assets held by the fund, these assets may be side-pocketed. This process allows normal liquidity on the assets that can be valued, but will delay liquidity on the affected portion of the fund. If the fund is faced with excessive withdrawals, the affected withdrawals may be ring-fenced, which is the separation and delayed sale of the assets reflecting the interest of the liquidity seeking investors. It ensures that the sale of a large number of units will not force Coronation to sell the underlying investments in a manner that may have a negative impact on remaining investors of the fund.

HOW WAS THE PERFORMANCE INFORMATION INCLUDED IN THIS FACT SHEET CALCULATED?

Performance is calculated by Coronation as at the last day of the month for a lump sum investment using Class A NAV prices with income distributions reinvested. All underlying price and distribution data is sourced from Morningstar. Performance figures are quoted after the deduction of all costs (including manager fees and trading costs) incurred within the fund. Note that individual investor performance may differ as a result of the actual investment date, the date of reinvestment of distributions and dividend withholding tax, where applicable. Annualised performance figures represent the geometric average return earned by the fund over the given time period. Unannualised performance represents the total return earned by the fund over the given time period, expressed as a percentage.

WHAT IS THE TOTAL EXPENSE RATIO (TER) AND TRANSACTION COSTS (TC)?

TER is calculated as a percentage of the average net asset value of the portfolio incurred as charges, levies and fees in the management of the portfolio over the period referenced. The TER charged by any underlying fund held as part of a fund's portfolio is included in the fund expenses portion of the TER, but trading and implementation costs incurred in managing the underlying fund are excluded. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's. The 1 Year* TER is for a rolling 12-month period to the last available month end (updated monthly). The financial year TER displayed at the bottom of page 2, is the latest available 12-month TER to the end of the previous financial year ending 30 September (updated annually). The 3 Year TER is for a rolling 36-month period to the last available quarter end (December, March, June and September).

Transaction costs are a necessary cost in managing a fund and impacts the fund's return. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER.

The Total Investment Charge is the sum of the Total Expense Ratio (TER) and transaction costs.

ADVICE AND PLATFORM COSTS

Coronation does not provide financial advice. If you appoint an adviser, advice fees are contracted directly between you and the adviser. For more information please contact the relevant platform (Linked Investment Service Provider or Life Assurance Provider).

WHERE CAN I FIND ADDITIONAL INFORMATION?

Additional information such as daily fund prices, brochures, application forms and a schedule of fund fees and charges is available on our website, www.coronation.com

IMPORTANT INFORMATION REGARDING TERMS OF USE

This document is for information purposes only and does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase any particular investment. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance upon the information.