

# Homegrown Expertise In Emerging And Frontier Markets



**Coronation Fund Managers** is one of the largest managers of institutional assets in Southern Africa, with a track record of delivering strong long-term returns.

**As an African company, we have specific expertise in managing money in frontier and emerging markets.** We have been investing and protecting clients' savings amid ongoing currency and political shocks for almost a quarter of a century. This has helped us become disciplined investors who can cut through the noise and focus on the long term.

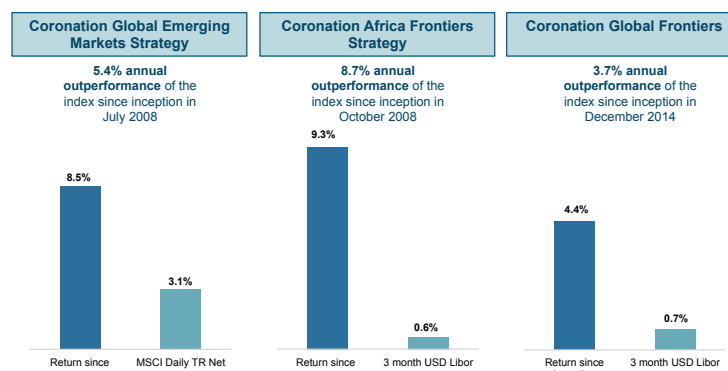
**It has also helped us find value where other fund managers may only see risk, especially in emerging and frontier markets, where we understand the dynamics of formalising economies in complex environments.**

Over the past 24 years, we have witnessed this formalisation process in many countries in Africa and beyond. This experience has enabled us to recognise and better analyse opportunities in other nascent markets. For example, we created significant value for our clients through our early investment in Safaricom in Kenya because of the potential we saw in its mobile financial services business, M-Pesa. M-Pesa has grown phenomenally. Our exhaustive analysis of the company since its listing coupled with our in-depth understanding of the business model has enabled us to identify a similar business in Bangladesh, bKash. We believe that bKash is today where M-Pesa was about four or five years ago – similarly low levels of financial inclusion, a benign regulatory environment but a population four times the size of Kenya. If M-Pesa's growth trajectory is anything to go by, bKash has enormous growth ahead of it.

In frontier markets the per capita consumption of consumer and capital goods remains a fraction of that in other markets. Many businesses in these markets stand to benefit from formalising economies, and can build additional scale quickly, which will have a large impact on profits.

**We believe many of the best invest-**

**Figure 2**  
PERFORMANCE

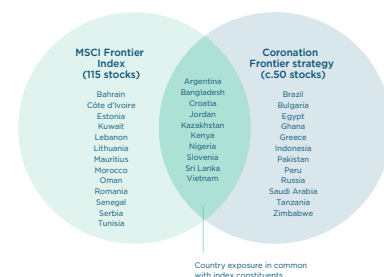


Source: Coronation. Performance since inception in USD, gross, annualised.

**ments in global emerging and frontier markets lie beyond the index.**

Coronation constructs its portfolios without reference to a benchmark, as is evident from the following example:

**Figure 1**  
BENCHMARK AGNOSTIC PORTFOLIO  
Coronation Global Frontiers vs MSCI Frontier Markets Index



Source: Coronation analysis

In frontier markets the lack of reliable information and long-term track records for businesses demands intensive on-the-ground research, constant contact with management teams and solid financial modelling. Accordingly, we do not use indices as a starting point for building a strategy, relying instead on valuation discipline. Our emphasis is on stock selection rather than top-down geographic allocation or macro themes. We are comfortable taking decisive positions away from the benchmark, as these positions are underpinned by convictions derived from our proprietary analysis.

This analysis is based on our own detailed modelling of all companies in our coverage list. This includes modelling the revenue, cost, and margins for at least five years out. Setting our own assumptions allows us to avoid anchoring off 'consensus expectations' and sell-side recommendations. Our proprietary company research is supported by extensive first-hand scrutiny of potential holdings, including country visits and meetings with management, competitors, industry experts and other information sources. Our own, unique research will determine our estimation of what a share is worth (its fair value), and we will only invest if we think the current price is sufficiently below this level, thereby offering a sound margin of safety.

We are not buy and hold investors – if a share reaches fair value in a short period and we believe that the fair value remains correct, then we will sell the share. **We are active investors and all our portfolios at any time always represent our best investment view.**

## EMERGING MARKETS

We have identified many great businesses in fast-growing industries outside the index that have resulted in significant value creation for our clients over the years as illustrated in Figure 2.

We continue to invest in companies

that we believe are trading at attractive valuations and can benefit from the powerful long-term structural drivers in global emerging markets.

Some of our key current holdings are exposed to the Chinese digital sector, Brazilian tertiary education and Russian retail.

## FRONTIER MARKETS

We expect exciting returns from select frontier markets in coming years, reflecting the long runway of economic growth in many of these countries.

Some of our key current holdings are exposed to Kazakhstani telecommunications, Vietnamese consumer goods and Nigerian wealth management.

### A single global investment team, based in an emerging market

- Comprises 66 individuals including three former CIOs
- Operates as an integrated unit, with significant sharing and cross-pollination of investment ideas to create a single research platform.
- Coverage extends across South African, global emerging, global developed and emerging markets
- Rated Best Africa Fund Manager (Ai Capital Markets Index Series Awards) four times since 2010.<sup>1</sup>

<sup>1</sup> This ranking/award bestowed upon Coronation was based on a third-party rating alone, judged on an independent basis, without Coronation having had any input into the selection criteria or the judge's decision. The criteria used by the third party is available upon request.

### About Coronation Fund Managers

Founded in Cape Town, South Africa in 1993, Coronation Fund Managers is an independent investment-led, owner-managed business with staff owning a quarter of the company. We are solely focused on asset management. An active investment manager with a long-term valuation-driven investment approach, Coronation manages in excess of €38.8bn in client assets (as at end-June 2017). Our clients include retirement funds, medical schemes, unit trusts, banks, insurers, endowments and family offices globally. For further information, please visit:

[www.coronation.com](http://www.coronation.com) or email [cib@coronation.com](mailto:cib@coronation.com)

#### Compliance statement

The performance shown is gross of fees. Past performance is no guarantee of future results. Inherent in any investment is the potential for loss. The information herein is not designed for use in any jurisdiction or location where the publication or availability of the information would be contrary to local law or regulation. If you have access to the information it is your responsibility to be aware of and to observe all applicable laws and regulations of any relevant jurisdiction and it is recommended any potential investor first obtain appropriate legal, tax, investment or other professional advice prior to acting upon the information. The value of investments and any income from them can go down as well as up and investors may not get back all that they have invested. Performance numbers are for the period to end-September 2017. Information contained on this page is made available without any express or implied representation or warranty whatsoever, and Coronation Fund Managers disclaims liability for any expenses incurred, or any damage, claims or costs sustained by users arising from the reliance being placed on the information or representations contained in this publication. Coronation Asset Management (Pty) Limited and Coronation Investment Management International (Pty) Limited are investment advisers registered with the United States Securities and Exchange Commission ("SEC"). An investment adviser's registration with the SEC does not imply a certain level of skill or training. Additional information about Coronation Asset Management and Coronation Investment Management International (Pty) Limited is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The information in this document has not been approved or verified by the SEC or by any state securities authority. Coronation Asset Management (Pty) Limited and Coronation Investment Management International (Pty) Limited are also regulated by the Financial Services Board of South Africa. This material is for information 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 an investment in the Strategies, nor shall it or the fact of its distribution form the basis of, or be relied upon in connection with, any contract for investment in the Strategies. Any such offer shall only be made pursuant to the provision of further information/prospectus in relation to the Strategies. The Strategies are subject to management, administration and performance fees. Opinions expressed in this document may be changed without notice at any time after publication. Nothing in this document shall constitute advice on the merits of buying and selling an investment. All income, capital gains and other tax liabilities that may arise as a result of investing in the Strategies, remain that of the investor. The volatility of the MSCI Daily TR Net Emerging Markets USD (NDUEEGF Index) represented above may be materially different from that of the Global Emerging Markets Equity Strategy. In addition, the holdings in the accounts comprising the Strategy may differ significantly from the securities or components that comprise the MSCI Daily TR Net Emerging Markets USD (NDUEEGF Index). The MSCI Daily TR Net Emerging Markets USD (NDUEEGF Index) has not been selected to represent an appropriate benchmark to compare the Global Emerging Markets Equity 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 index. The volatility of the ICE LIBOR USD 3 Month (US0003M Index) represented above may be materially different from that of the Africa Frontiers Strategy and the Global Frontiers Strategy. In addition, the holdings in the accounts comprising the Strategies may differ significantly from the securities or components that comprise the ICE LIBOR USD 3 Month (US0003M Index). The ICE LIBOR USD 3 Month (US0003M Index) has not been selected to represent an appropriate benchmark to compare the Africa Frontiers Strategy or Global Frontiers Fund's performance, but rather is disclosed to allow for comparison of the Strategies' performance to that of a well-known and widely recognized index. This article is for informational purposes and should not be taken as a recommendation to purchase any individual securities. The companies mentioned herein are currently held in Coronation managed strategies, however, Coronation closely monitors its positions and may make changes to investment strategies at any time. If a company's underlying fundamentals or valuation measures change, Coronation will re-evaluate its position and may sell part or all of its position. There is no guarantee that, should market conditions repeat, the abovementioned companies will perform in the same way in the future. There is no guarantee that the opinions expressed herein will be valid beyond the date of this presentation. There can be no assurance that a strategy will continue to hold the same position in companies described herein.