

CORONATION



TRUST IS EARNED™



2018 Reviewed *Interim* Results

for the six months ended 31 March 2018

22 May 2018

Anton Pillay: Chief Executive Officer

John Snalam: Chief Financial Officer

CORONATION

TRUST IS EARNED™



Agenda

- Highlights
- Business update
- Financial results
- Closing comments



Highlights

CORONATION

TRUST IS EARNED™

Business highlights

For the six months ended 31 March 2018

- Business performing in line with management expectations
- AUM of R588bn & slowdown in net outflows to R15.5bn
- Active management delivered excellent performance over the longterm for clients - near-term performance in line with peer average
- Focused investment in our business infrastructure, technology and people to achieve strategic objective of becoming a global, world-class asset management company
- Initiatives to achieve true transformation continue to deliver meaningful and substantive results



Revenue

R2.1bn

Diluted headline earnings per share

223.4c

Total dividend per share

223.0c

CORONATION

TRUST IS EARNED™



Business update

Coronation: 25 years of building a sustainable business



- We remain an active manager with a long-term focused valuation-driven investment philosophy
- Our business is cyclical - revenue is geared to market returns and the outperformance we generate on behalf of clients
- As a significant manager of savings in South Africa, we continue to focus on being a good corporate citizen and ensuring the best outcomes for all our stakeholders
- **We put clients' interests first - *without clients we do not have a business***
 - Our key focus is on investment outperformance and service excellence
 - Re-opened strategies that were closed to new institutional clients for a period of five years
 - Changes to administration model represents a seminal moment in our history
 - Asset services and transfer agency to be provided by new service providers will be fully implemented in 2018

CORONATION

TRUST IS EARNED™

Asset administration services



Consolidated to ensure integrated delivery of world-class service

- Growing global franchise necessitates change to achieve single, consistent oversight model
- Fund accounting services to be provided by J.P. Morgan delivers additional benefits
 - ‘Follow the sun’ service allowing extended daily availability of services
 - Globally distributed operating model allowing for seamless servicing from multiple jurisdictions
- Transition progressing well and currently running new and existing systems in parallel
- Project on track for complete transfer of service in Q3 2018

Support of black-owned business



Establishing transfer agency platform for delivery of exceptional client service

- Since our inception, Coronation's entrepreneurial spirit has been the catalyst for the creation of numerous new financial services businesses, allowing us to remain purely focused on asset management
- We support a number of projects that will deliver tangible results in SME space (e.g. CEO Initiative SA SME Fund, Black Stockbroker Support Programme)
- More recently, we are supporting the establishment of a new black-owned business, Intembeko, to provide transfer agency services to Coronation
 - 100% black owned (Coronation has no shareholding)
 - Infrastructure and people in place to deliver world-class service
 - New service to be provided from Q4 2018

Transformation journey



A key strategic focus...not about ticking the boxes

- Continue to play a role in achieving meaningful and sustainable transformation in all areas of our business & society
- Industry-leading transformation across our business
 - 56% of our employees are black
 - 50% of all our employees are female
 - 75% of key business executives are black
 - 63% of the board of directors are black
- Real progress on transformation of SA -focused investment team
 - 3 out of 4 key investment leadership roles are black (Head of Fixed Income, Head of SA Equity Research, Head of SA Equity)
 - 43% of senior portfolio managers in the SA-focused investment team are black

Black owned

23%

As measured by the FSC

59%

Of our black employees are female

75%

Of all new hires over past 18 months are black

The environment will remain challenging



Positive local changes... but need to see translation into growth

- Global growth remains supportive but volatile given geopolitical risks
- Domestic economy has been extremely constrained for a long time, impacting economic growth
- More recent data points to a turnaround
 - Moody's maintained sovereign credit rating and related outlook to stable
 - Stabilisation of unemployment (albeit at unacceptably high levels)
 - Improved confidence levels (business & private sector)
 - Important political changes & corrective actions to arrest the descent of country and economy
- Expect SA GDP growth of 2% for 2018 (vs global growth of 4%), but need structural changes to effect sustainable growth
- Realistic expectations required given the time frame required to implement changes

Market movements



31 March 2018

Economic group	3 months to March 2018 %	6 months to March 2018 %	12 months to March 2018 %
All Share (ZAR)	(5.97)	1.03	9.60
Resources	(3.83)	0.85	10.44
Small Cap	(1.27)	2.28	(2.77)
Industrials	(7.99)	(3.69)	5.70
Financials	(3.56)	11.85	17.58
USD/ZAR exchange	4.67	14.58	13.42
MSCI All Country World Index	(0.96)	4.17	14.85
MSCI Emerging Markets (USD)	1.42	8.96	24.93

Source: Deutsche Bank

CORONATION

TRUST IS EARNED™

Investment performance



Our key focus remains on asset management and the delivery of investment excellence

- We understand periods of average performance are part and parcel of being an active manager
- While long-term performance across strategies is excellent, recent performance across certain strategies has been in line with peer average
- Focus remains on delivering performance over meaningful periods
- Our investment approach remains unchanged over the last 25 years
- Our bottom-up, long-term valuation-driven approach does however require patience for benefits to materialise
- All our key strategies continue to perform against both benchmarks and peers over meaningful periods

CORONATION

TRUST IS EARNED™

Investment performance - Institutional



Local and global strategies annualised alpha at 31 March 2018

Local strategies	<u>Annualised active return (gross of fees)</u>	
	10 years	Since inception
– Multi-Asset (Global)	1.92%	1.28%
– Specialist Equity	2.51%	2.54%
– Absolute Return	5.57%	9.29%
– Fixed Income (Bond)	1.46%	1.48%

Global strategies (USD)	<u>Annualised active return (gross of fees)</u>	
	5 years*	Since inception
– Multi-asset	0.31%	1.55%
– GEM	0.44%	4.24%
– Africa Frontiers	5.81%	10.61%

* Strategies do not have 10-year performance track records

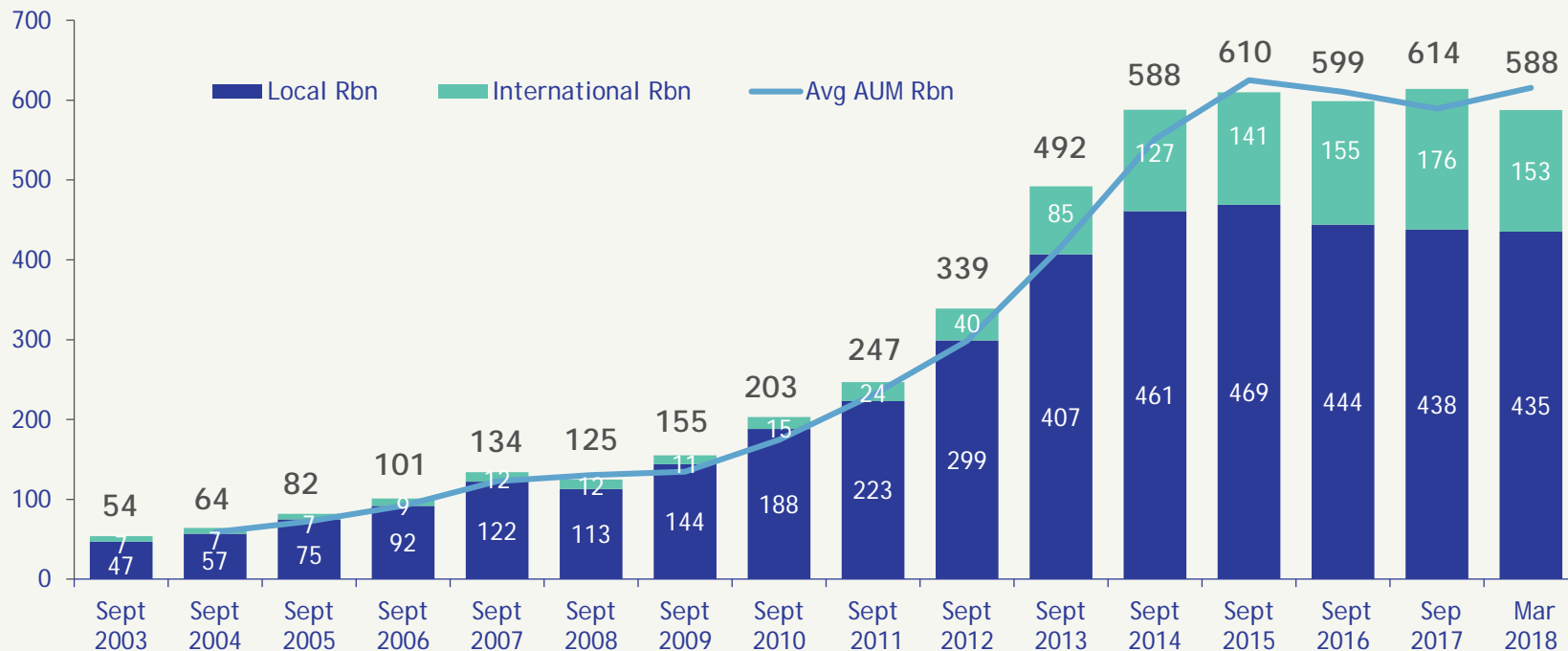
CORONATION

TRUST IS EARNED™

Assets under management



As at 31 March 2018

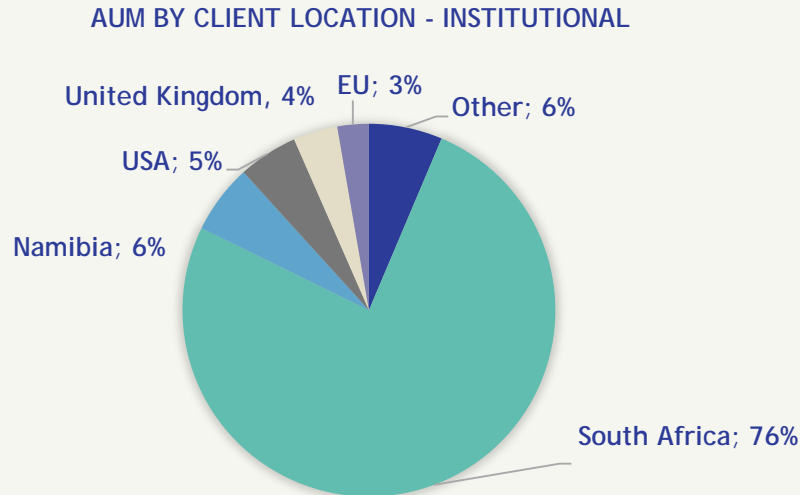


Local: Equity 48.6%; Fixed Interest and Cash 22.8%; Other 0.4%
 Foreign: Equity 22.9%; Fixed Interest and Cash 5.0%; Other 0.3%

Institutional business



- Full range of products and dedicated team available globally to satisfy all our client requirements
- Total institutional client outflows significantly declined to R14bn (FY 2017 R36bn)



Total institutional client AUM of

R355bn

Local institutional client AUM of

R295bn

Global institutional client AUM of

R60bn

CORONATION

TRUST IS EARNED™

SA institutional clients

Significant manager of institutional assets in SA



- SA institutional clients represent R295bn
- Expect small level of net outflows to continue in foreseeable future
- Local client net outflows affected by:
 - SA retirement fund industry remains a net outflow market
 - Local economic environment improvement not flowing through as yet
- Reduced total net outflows from SA institutional business of R11.1bn (FY 2017: R43.7bn)
- Re-opening of some of our top-performing portfolios which were closed for five years has been positively received by clients, but not yet translated into meaningful inflows

Global institutional clients



- Over past decade we have made great strides in growing our global franchise, which now represents R60bn of assets under management
 - International clients net outflows of \$260m over the six months
 - We continue to enhance our relationships with global asset allocators, mainly in our Global Emerging Markets and Global Managed strategies
- We are continuing to build the track records for our Global Equity and Global Frontiers strategies
- A compelling business in its own right and growing this franchise will be a key focus going forward, given that the South African market is ex growth

Retail business



Coronation remains one of the foremost managers in the local unit trust industry

- Retail AUM R233bn
- Net outflows of R1.4bn (-R4bn H1 2017; -R6.9bn FY 2017)
 - Encouraging support for long-term growth funds
 - Net flow volumes at industry level still very subdued, with a strong bias to fixed income funds
- We remain focused on client outcomes
 - Recent performance average across most mandates, long-term track record remains exceptional - core funds delivered 1st quartile performance over 10 years and since inception
 - Investment in retail client-facing infrastructure continuing
 - Move of transfer agency to newly established black administrator on track (Q4 2018)
 - Successfully insourced client correspondence
 - Fee reductions implemented
 - Absolute funds during October 2017
 - International funds during February 2018



Financial results

Robust revenue in tough environment



	March 2018	March 2017	Change
Revenue (from fund management)	R2 079m	R1 936m	7%
Profit (from fund management)	R1 034m	R1 012m	2%
Profit after tax	R782m	R763m	2%
Cost to income ratio	49.3%	47.9%	

Interim dividend increased



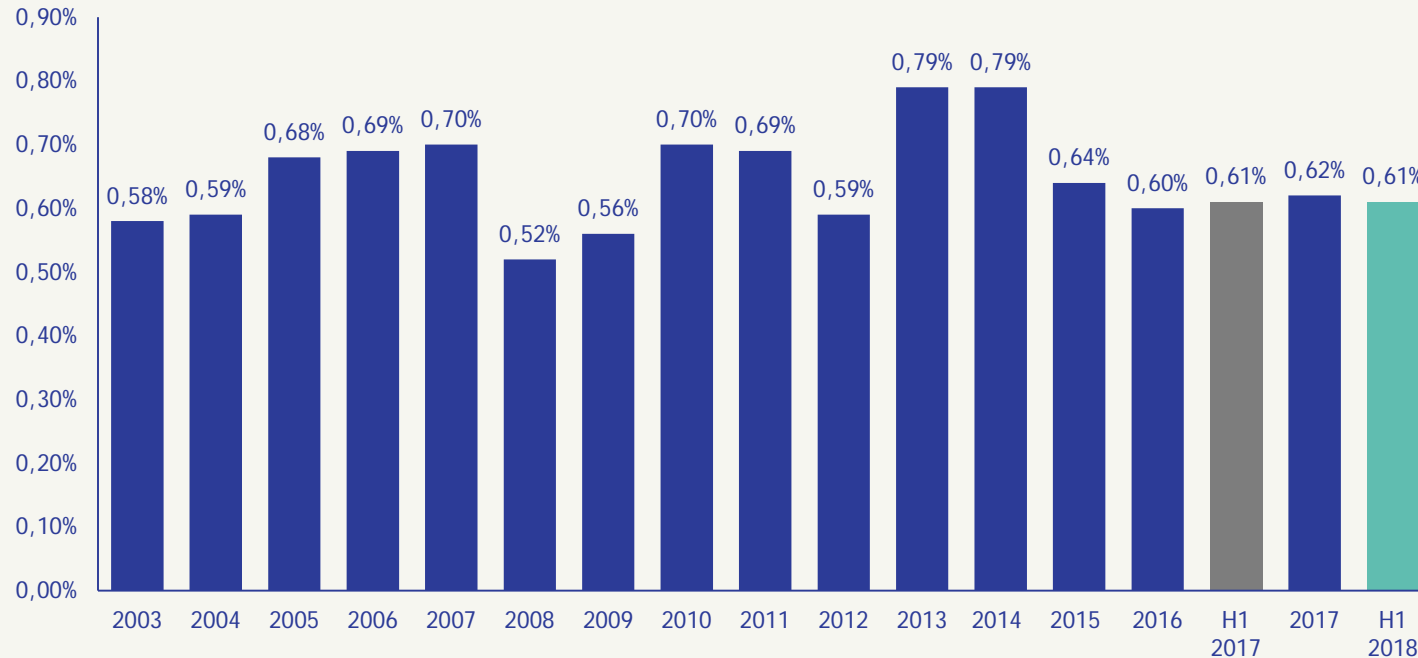
100% of DHEPS declared

	Change	March 2018	March 2017
Diluted HEPS (cents)	1%	223.4	220.7
Interim dividend per share (cents)	1%	223.0	220.0
Actual shares in issue		349 799 102	349 799 102

Total net fee



Stable margin over past 4 years



CORONATION

TRUST IS EARNED™

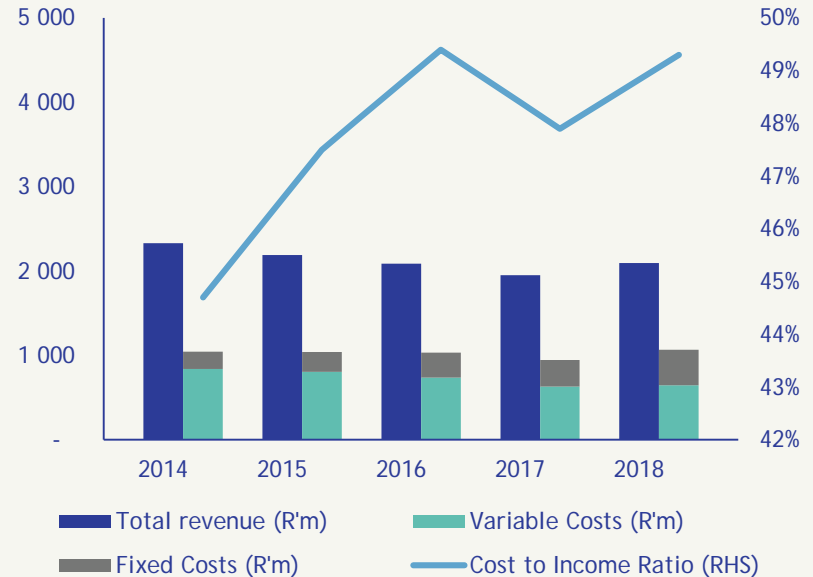
Variable cost model continues to contribute to effective management of total costs



	Change	March 2018 R'm	March 2017 R'm
Fixed costs*	(18%)	342	291
Variable costs - including distribution costs	(2%)	645	633
Operating expenses	(7%)	987	924
Other expenses*		68	9
Total operating expenses**	(13%)	1 055	933

* Excludes share-based payment expense and unrealised foreign exchange losses show under other expenses

** Excludes finance expense



CORONATION

TRUST IS EARNED™

Fixed costs

Increase due to continued investment in business



	Change	March 2018 R'm	March 2017 R'm
Total fixed costs*	(18%)	342	291
- Employee costs	(13%)	154	136
- Information systems	(23%)	63	51
- Professional fees	(45%)	28	19
- Marketing	(47%)	56	38
Employee complement		319	294

*Excludes foreign exchange losses and share based payments

CORONATION

TRUST IS EARNED™



Closing comments

Our focus



We remain committed to providing world-class investment excellence

- › We are singularly focused on the delivery of active returns over meaningful periods and remain committed to our long -term investment approach
- › Near-term performance of our funds has been in line with peer average. We remain focused on long-term valuation and seek to take advantage of attractive opportunities in the market
- › The high levels of optimism in South Africa should translate into economic growth, if structural changes are implemented - but it will take time to see the benefits flow through
- › Similar to our investment approach we manage the business for the long term
 - Providing excellent service to all our local and global clients
 - Continuing to invest in the business and our people to ensure we remain world class
 - Supporting the creation of a new black-owned service provider
 - Focusing on expanding on our well-established relationships with global asset allocators in the years ahead
 - Demonstrating good corporate citizenship
- › Our success in achieving this will ensure long -term value for all stakeholders



Questions



Annexure A: Coronation information

About Coronation Fund Managers



- Founded in Cape Town, South Africa, in 1993 with zero assets under management
- Listed in 2003
- 25% Employee-owned
- An independent fund manager with no safety-net of in-house assets
- Singular focus on asset management, outsourcing non-core components of business
- An active manager with a long-term valuation-driven investment approach
- A single global investment team and process
- SA-based business with offices in Cape Town, Johannesburg, Durban, Pretoria, London and Dublin





• + + +

• + + •

• + + •

• • • •

• • • +

Annexure B: Market & selected strategy performance

Local market indicators



Periods ending 31 March 2018

	3 years (p.a.) %	5 years (p.a.) %	10 years (p.a.) %
All Share	5.05	10.02	9.67
All Bond	8.65	7.72	9.63
Listed Property	(0.48)	7.11	13.70
AF Money Market	7.21	6.64	7.10
MSCI World (ZAR)	7.04	15.27	10.00
Global Bonds (ZAR)	2.56	6.31	5.92
CPI	5.40	5.26	5.73
USD/ZAR	0.87	(4.82)	(3.73)

Source: IRESS

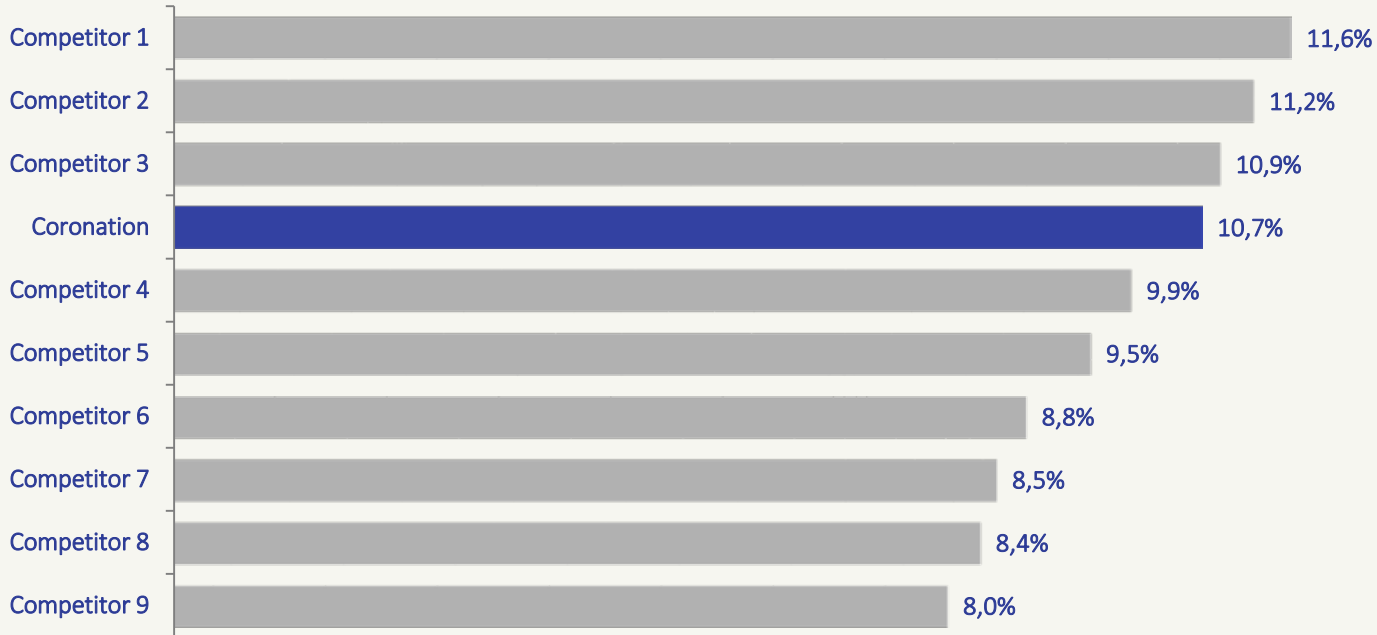
CORONATION

TRUST IS EARNED™

Global Houseview Strategy



Compelling long-term performance (5 years)

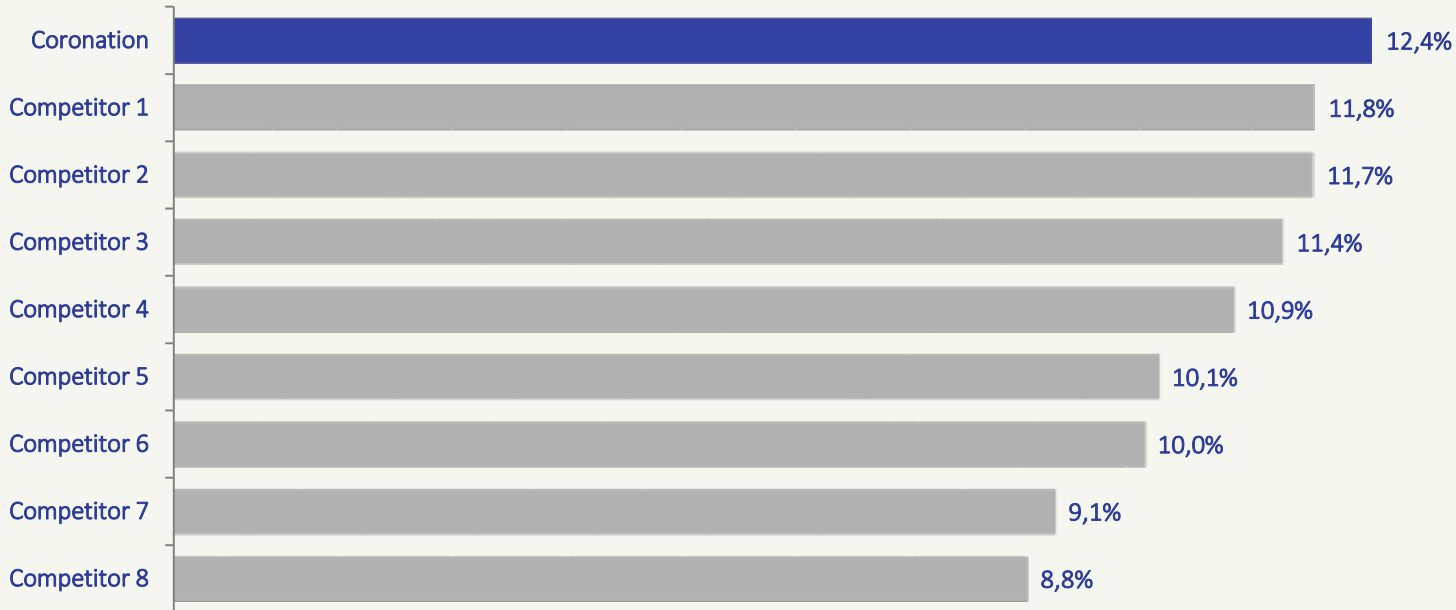


Source: Alexander Forbes Global Large Manager Watch™ Survey to 31 March 2018

Global Houseview Strategy



Compelling long-term performance (10 years)



Source: Alexander Forbes Global Large Manager Watch™ Survey to 31 March 2018

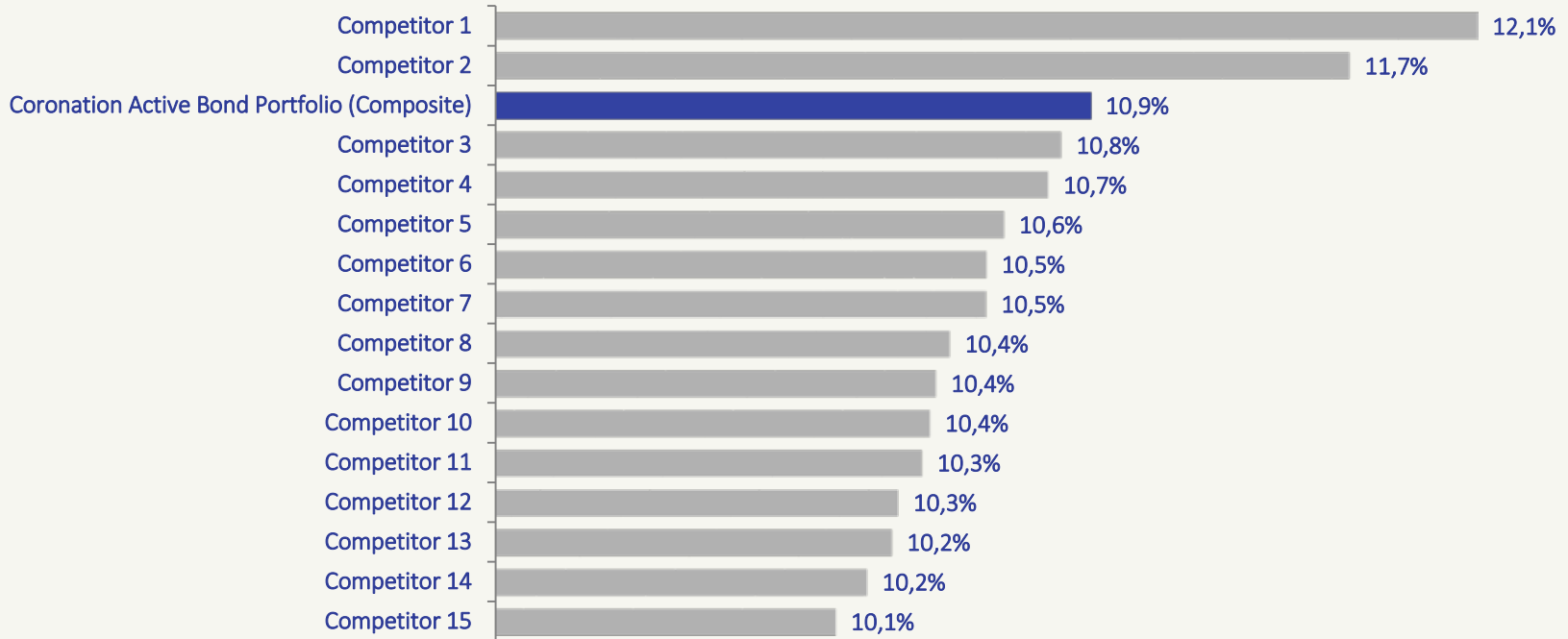
CORONATION

TRUST IS EARNED™

Fixed Income Strategies



Compelling performance (10 years)



Source: SA Bond Manager Watch™ to 31 March 2018

CORONATION

TRUST IS EARNED™

Houseview Equity Strategy



Exceptional long-term active returns (alpha) over 25 years

	5 Years (p.a.) %	10 years (p.a.) %	*Since inception (p.a.) %
Houseview Equity	9.8	12.7	17.1
CAPI	10.1	10.2	14.6
Active return	(0.3)	2.5	2.5

*Since Inception - October 1993

Source: Independent Retirement Fund Survey as at 31 March 2018

CORONATION

TRUST IS EARNED™

Global Absolute



Consistent delivery of real returns over significant periods

	5 years (p.a.) %	10 years (p.a.) %	*Since inception (p.a.) %
Global Absolute	8.8	11.3	15.4
CPI	5.3	5.7	6.1

*Since Inception - August 1999

Source: Independent Retirement Fund Survey as at 31 March 2018

CORONATION

TRUST IS EARNED™

Global Emerging Markets Equity (USD)



A highly compelling track record of alpha generation

	5 Years (p.a.) %	*Since inception (p.a.) %
Global Emerging Markets Equity Strategy	5.6	8.1
MSCI Daily TR Net Emerging Markets USD	5.2	3.9
Active Return	0.4	4.2

*Since Inception - 14 July 2008

Returns quoted in USD

CORONATION

TRUST IS EARNED™

Strong international track record



US dollar returns since their respective launch dates

Offshore USD Funds	*Active return %	Launch date
Global Equity Fund of Funds	2.0	01-Jul-00
Global Emerging Markets Equity Strategy	4.2	14-Jul-08
Global Bond	2.1	01-Oct-09
Coronation Africa Frontiers Strategy	10.6	01-Oct-08
Global Capital Plus	6.6	01-Sep-09
Coronation Global Managed Strategy	1.5	01-Nov-09

*Annualised active return for Institutional portfolios (gross of fees) since launch to 31 March 2018

CORONATION

TRUST IS EARNED™

Investment performance - Retail



Domestic flagship funds as at 31 March 2018

	Fund	10-year ranking	Since inception ranking
Long-term Growth (equity only)	Top 20	1st Quartile	1st Quartile
Long-term Growth (multi asset)	Balanced Plus	1st Quartile	1st Quartile
Income & Growth	Capital Plus	1st Quartile	1st Quartile
	Balanced Defensive	1st Quartile	1st Quartile
Income only	Strategic Income	1st Quartile	1st Quartile

Source: Morningstar as at 31 March 2018

CORONATION

TRUST IS EARNED™

Investment performance - Retail



International flagship funds as at 31 March 2018

		10-year ranking	Since inception ranking
LT Growth (equity only)	Global Emerging Markets	-	1st Quartile
	Global Opportunities Equity	1st Quartile	1st Quartile
LT Growth (multi asset)	Global Managed	-	1st Quartile
Preservation & growth	Global Capital Plus	-	1st Quartile

Source: For GEM [USD]: Bloomberg as at 31 March 2018 / For GCP and GM [USD]: Morningstar as at 31 March 2018 - custom peer groups based on funds available for sale on South African platforms / For all other funds [Rand-denominated]: Morningstar as at 31 March 2018 based on ASISA categories excluding Coronation funds in that category

CORONATION

TRUST IS EARNED™

Disclaimer



This presentation contains certain forward-looking statements. These forward-looking statements are based on current information and expectations, and involve a number of risks and uncertainties. Although Coronation Fund Managers Limited believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results may differ materially from those projected in such statements due to various factors, including but not limited to changes in economic and market conditions, changes in regulatory environment, fluctuations in security prices and exchange rates, and business and operational risk management. Coronation Fund Managers Limited is under no obligation to update these statements once it has been posted or released. Coronation Asset Management (Pty) Limited and Coronation Investment Management International (Pty) Limited are authorised Financial Services Providers regulated by the Financial Sector Conduct Authority of South Africa. Coronation Asset Management (Pty) Limited and Coronation Investment Management International (Pty) Limited are subsidiary companies of Coronation Fund Managers Ltd, a company incorporated in South Africa and listed on the JSE (ISIN:ZAE000047353). The Information is for information purposes only and does not constitute or form part of any offer to the public to issue or sell, or any solicitation of any offer to subscribe for or purchase an investment, nor shall it or the fact of its distribution form the basis of, or be relied upon in connection with, any contract for investment. 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. Coronation Asset Management (Pty) Limited and Coronation Investment Management International (Pty) Ltd 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 (Pty) Limited and Coronation Investment Management International (Pty) Limited is also available on the SEC’s website at www.adviserinfo.sec.gov. The information in this document has not been approved or verified by the SEC or by any state securities authority. Unit trusts should be considered a medium-to long-term investment. The value of units may go down as well as up, and is therefore not guaranteed. Past performance is not necessarily an indication of future performance. 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. Where foreign securities are included in a fund it may 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. Coronation Management Company (RF) (Pty) Ltd is a Collective Investment Schemes Manager approved by the Financial Sector Conduct Authority of South Africa in terms of the Collective Investment Schemes Control Act. Unit trusts are traded at ruling prices set on every trading day. Unit trusts are allowed to engage in scrip lending and borrowing. Coronation Fund Managers Limited is a Full member of the Association for Savings & Investment SA (ASISA).



Thank you

CORONATION

TRUST IS EARNED™