

CORONATION



TRUST IS EARNED™



2018 Reviewed Annual Results

20 NOVEMBER 2018

Anton Pillay, CEO and John Snalam, CFO

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Agenda

- Highlights
- Operating environment
- Business update
- Financial results
- Closing comments
- Questions



Highlights



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Business highlights



- 25th year of managing local and global clients' investments marked by extremely challenging conditions in the current year
- AUM totalled R587bn; total net outflows slowed to R31bn
- Active management continued to deliver strong performance over the long term
 - Certain strategies (Fixed Interest and Frontier Markets) have had an excellent 12-month performance period, while GEM and SA portfolios have delivered disappointing shorter-term returns from our own and our clients' perspective
- Manage the business for the long term
 - Focus on delivering long-term returns and delivering world-class service to our significant local and offshore business underpinned by continued investment in the business
- Good corporate citizenship
 - Transformation and Corporate Social Investment continue to be key focuses of our business

REVENUE

R3.8 billion

DILUTED HEPS

420.7cents

TOTAL DIVIDEND PER SHARE

420.0 cents

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Operating environment



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Global economy



- Growth composition has become more uneven, and risks (mostly downside), have increased
- Growth remains generally strong in developed market economies
 - GDP forecast at 2.1% in 2018 and 1.7% in 2019
 - Unlikely that conditions will improve from here
 - Brexit
 - US tax cuts are in the base
- The GDP outlook for emerging markets forecast at 4.7% in 2018 is benign, but could become more challenging in the year ahead
 - Threat of higher-than-expected US rates
 - Stronger US dollar
 - Ongoing wider trade tensions

SA macroeconomic environment



- Being part of the emerging markets group is inescapable
- Following the uncertainty in 2017, optimism of early 2018 faded and poor operating environment is expected to continue
- Economic base is very low, with disappointing GDP growth
- Still have some challenges to deal with, but signs of positive actions encouraging:
 - Will have a positive effect on the economy as well as investment and consumer sentiment
 - The simple act of stopping corruption, theft and wastage will be positive
 - Some patience required

Capital markets



Markets are ever more volatile and sensitive to short-term news flow

Economic group	3 months to end September 2018	6 months to end September 2018	12 months to end September 2018
All Share (ZAR)	(2.17%)	2.27%	3.32%
CAPI	(0.98%)	1.85%	3.33%
Resources	5.20%	25.84%	26.91%
Listed Property	(1.01%)	(3.18%)	(15.68%)
Industrials	(7.82%)	(4.17%)	(7.71%)
Financials	2.81%	(3.38%)	8.08%
USD/ZAR	(2.97%)	(16.46%)	(4.28%)
Cash	1.68%	3.37%	6.91%
MSCI Emerging Markets (USD)	(1.09%)	(8.97%)	(0.81%)
MSCI All Country World (USD)	4.28%	4.83%	9.77%
FTSE/JSE Africa ex-SA (USD)	(8.94%)	(14.92%)	(1.38%)
MSCI Frontiers Markets (USD)	(1.98%)	(16.87%)	(7.73%)

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Business update



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Our business



25 years of trusted custodianship of client savings

An active manager with a singular focus on long-term investing

We put clients first

- ▶ Our sole purpose is the delivery of strong long-term investment outperformance and service excellence
- ▶ Long-term investment performance remains excellent
- ▶ Closed institutional strategies for 5 years
- ▶ Strong symmetry: fees aligned with client outcomes
- ▶ Understand our role as custodians of clients' savings (ESG)

A proudly South African company

- ▶ Trusted household brand
- ▶ Level 2: revised FSC
- ▶ 25% employee-owned
- ▶ 23% black-owned
- ▶ 58% of our employees are black, of which 58% are black females
- ▶ 78% of our new hires in 2018 are black

Creating a sustainable global business

- ▶ Cyclical nature of business means we need to mangle through the investment cycles
- ▶ Employ and train the best people
- ▶ Past 24 months - investment in systems and changes to outsourced administration
- ▶ Next phase to extract value & synergies from changes to systems

Committed to advancing economic transformation in our industry

- ▶ **Black-owned stockbrokers**
For more than a decade we have allocated 10% of our annual South African brokerage to emerging black stockbrokers.
- ▶ **Black financial advisers**
We assist in the development of black financial advisers through a bespoke business development programme.
- ▶ **Independent black-owned business**
We recently supported the establishment of independent black-owned administration transfer agency, Intembeko Investment Administrators

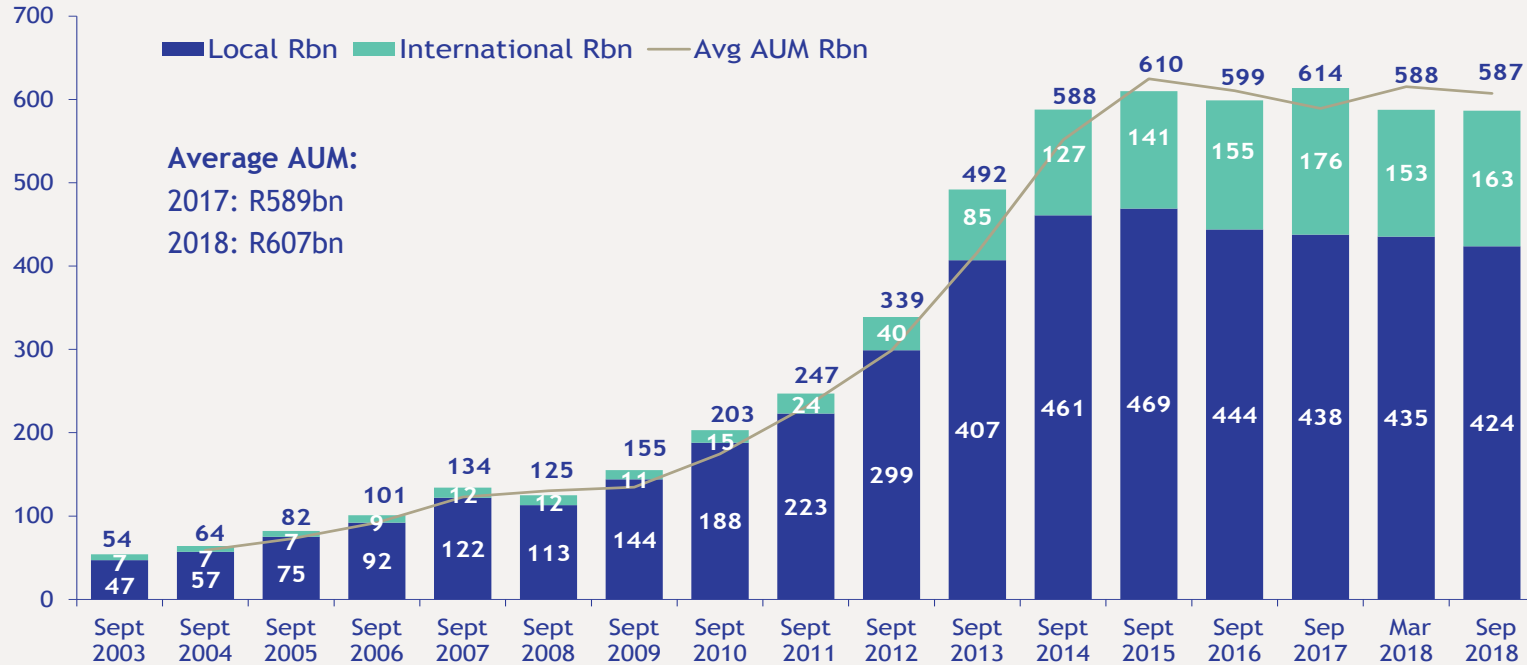
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Assets under management



AUM flat for the six months



Local: equity 46.2%; fixed interest and cash 24.1%; other 0.5%
Foreign: equity 23.9%; fixed interest and cash 5.1%; other 0.2%

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Investment performance



Key advantage is an investment horizon that lies beyond market's short-term focus

- The long-term performance across strategies remains strong
 - Includes our full suite of local equity, fixed income, multi-asset class, frontier and emerging market equity products
 - Of the institutional and retail assets that have been invested with us for a period of at least 10 years, 99.1%* have outperformed their respective benchmarks since inception
- Disappointing short-term performance
 - Our SA Equity and GEM Equity portfolios have underperformed over the last 12 months, while certain strategies (Fixed Interest and Frontier Markets) have had an excellent period
- Our focus remains on delivering performance over meaningful periods
 - Investment approach remains unchanged over the last 25 years, but we are always learning and finessing the process
 - We understand that periods of average performance are part and parcel of being an active manager
 - Continue to have conviction in positions in our portfolios
 - Bottom-up, long-term valuation-driven approach does however require patience for its benefits to materialise

*Asset-weighted portfolios

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Investment performance - Institutional



Local and global strategies annualised alpha at 30 September 2018

Local strategies

Annualised active return (gross of fees)

	10 years	Since inception
– Multi-Asset (Global)	1.0%	1.2%
– Specialist Equity	1.0%	2.3%
– Absolute Return	6.8%	9.2%
– Fixed Income (Bond)	1.4%	1.4%

Global strategies (USD)

Annualised active return (gross of fees)

	10 years*	Since inception
– Multi-Asset*	-	1.4%
– GEM	2.4%	3.4%
– Africa Frontiers*	-	8.8%

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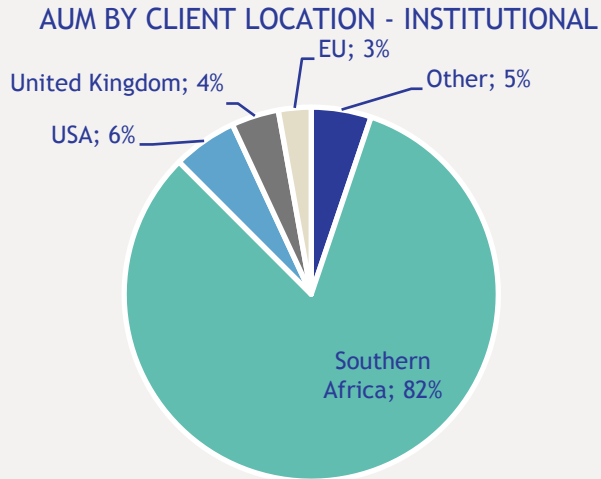
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* Strategies do not have 10-year performance track records. The Africa Frontiers strategy reached its 10-year track record in October 2018.

Institutional business

Worldwide manager of institutional client investments

- Total institutional client net outflows declined to R27bn from R36bn in prior year
- Full range of products available for clients



TOTAL INSTITUTIONAL
CLIENT AUM OF

R346bn

LOCAL INSTITUTIONAL
CLIENT AUM OF

R285bn

GLOBAL INSTITUTIONAL
CLIENT AUM OF

R61bn

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SA institutional clients



We remain a significant manager of institutional assets in SA

- SA institutional client assets represent R285bn
- Net outflows of R22.6bn (2017: R43.7bn) represents 7% of our opening balance and a material improvement on the outflows experienced in the three years prior
- Net outflows are a function of:
 - Ongoing structural net outflows from the local institutional savings market
 - Poor local economic environment
 - A historic five-year closed period for our SA Equity and Multi-Asset strategies, one of the longest institutional product closes by an asset manager in South Africa
- Focused engagement with our clients and providing them with world-class service remains key activities

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Global clients



Continue to build on our international strategies' investment track records

- Over past decade we have made great strides in growing our global franchise
 - Now represents R61bn of assets under management (c.\$131t market)
- Net outflows of R4.2 billion represented 6% of our opening AUM
 - Good outcome given allocation to passives
- Growing this franchise a key focus going forward (given that the South African market is ex-growth)
 - GEM Equity Strategy (\$5.4bn in size) reached its 10-year milestone in July
 - Despite a very difficult decade in Africa, our Africa Frontiers Strategy delivered strong absolute returns compared to the broader emerging markets grouping
 - Plan to start introducing newer products going into 5th year since launch
- A compelling business in its own right: continue to focus on distinguishing ourselves from global peer group & engaging with global asset consultants



Africa Investor INDEX
SERIES Award:

2018, 2017, 2016,
2012 & 2010

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Retail business



Coronation remains one of the foremost managers of retail savings at R241bn

- Net outflows of R4.2bn slowed down vs R6.9bn in prior year
 - Industry continued to experience decreasing flows: net outflows of R10bn* (excluding fixed income funds)
 - Absolute funds remain under pressure but encouraging support for all other mandate groups
- We remain focused on client outcomes
 - Short-term performance average across mandates, but long-term track record remains exceptional
 - 1st quartile ranking over 10 years
 - Ongoing investment in retail client-facing infrastructure continuing
 - Transition to Intembeko (new independent black-owned unit trust administration business) before end of 2018
 - Successfully insourced client reporting and correspondence
 - Encouraged young South Africans to start investing through successful Savings Month campaign
 - Fee revision completed during current year
 - same, competitive flat fee for all multi-asset funds regardless of risk budget or geographical focus

*Single-manager unit trust flows

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Financial results



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Robust revenue in tough environment



	September 2018	September 2017	Change
Revenue (from fund management)	R3 848m	R3 919m	(2%)
Profit (from fund management)	R1 955m	R2 013m	(3%)
Profit after tax	R1 471m	R1 523m	(3%)
Cost to income ratio	50.1%	49.3%	

100% of DHEPS declared



Dividend declared reflects cash earnings

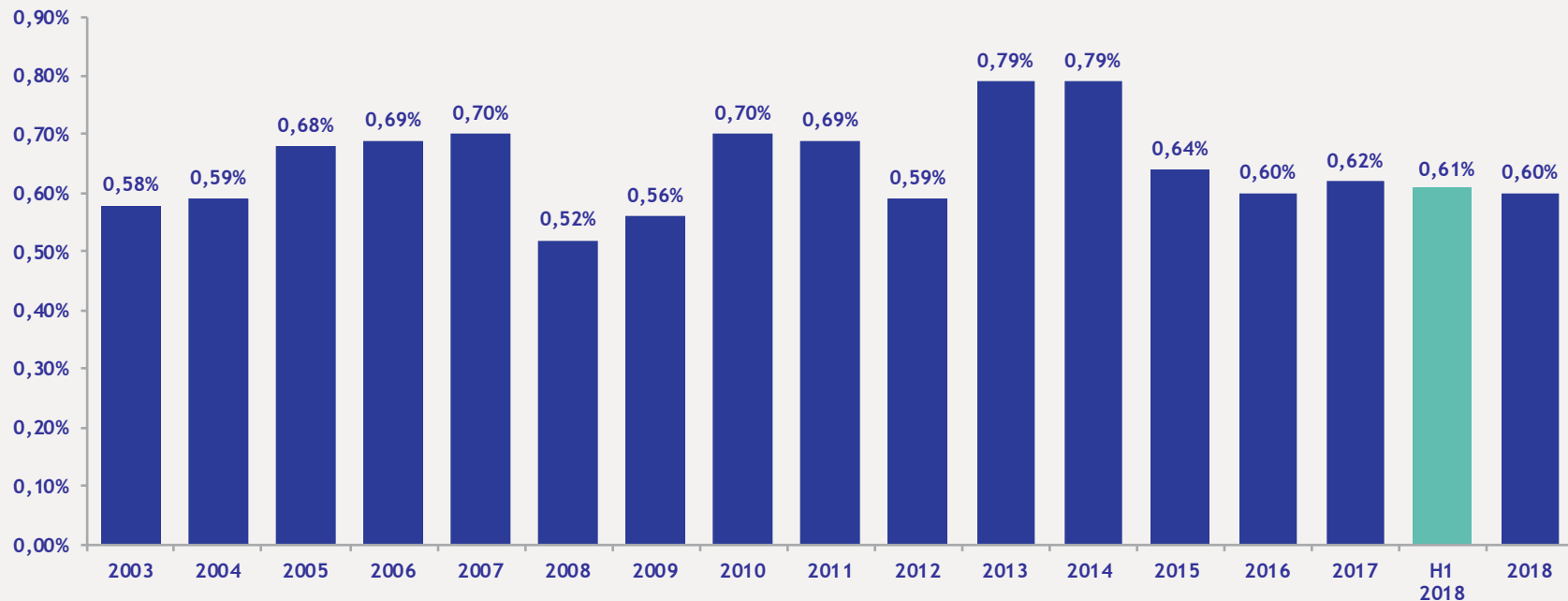
	Change	September 2018	September 2017
Diluted HEPS (cents)	(4%)	420.7	437.5
Interim dividend per share (cents)	1%	223.0	220.0
Final dividend per share (cents)	(9%)	197.0	217.0
Actual shares in issue		349 799 102	349 799 102

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Total net fee

As at 30 September 2018



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Variable cost model

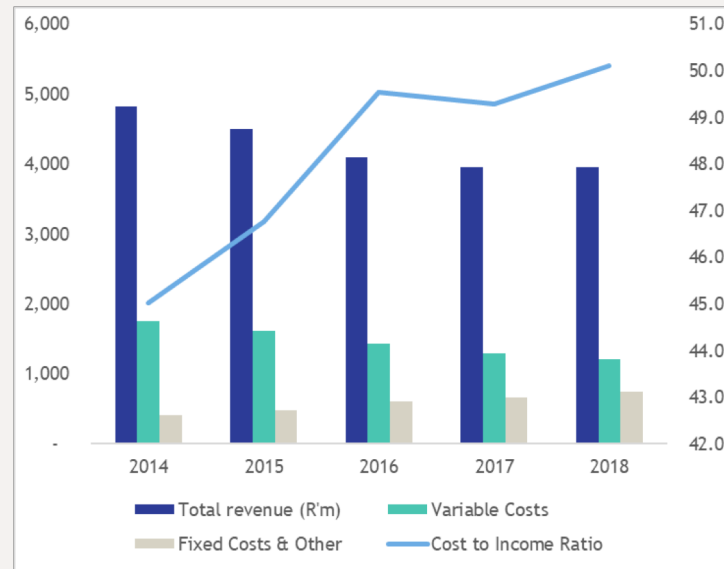


Continues to contribute to effective management of total costs

	Change	September 2018 Rm	September 2017 Rm
Fixed costs	(11%)	703	635
Variable costs - including distribution costs	6%	1 211	1 293
Operating expenses	1%	1 914	1 928
Other expenses*		19	6
Total operating expenses**	0%	1 933	1 934

* Share based payments and discount on loans shown under other expenses

** Excludes finance expense



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Fixed costs



Increase due to continued investment in business

	Change	September 2018 (Rm)	September 2017 (Rm)
Total fixed costs	(11%)	703	635
- Employee costs	(15%)	309	268
- Information systems	(15%)	141	123
- Professional fees*	(67%)	65	39
- Marketing	(26%)	98	78
Employee complement		331	302

* Includes MiFD Research Costs

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Closing comments



Ongoing focus and commitment to investment excellence for our clients

- SA economy remains beset with difficulties but we are encouraged by the actions taken by the current leadership of the country
- As good corporate citizen we continue to play our role as a business and custodian of our clients' savings to support much-needed economic growth
- Long-term investment performance remains excellent
 - Short-term investment performance below our own expectations and that of our clients; we are working hard to rectify this
 - Remain confident in our investment approach and optimistic that the current positioning of our strategies will generate long-term returns for our clients
- Continue to manage the business for the long term and focus on our clients



Questions

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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 A:

Market & selected strategy performance

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Local market indicators



Periods ending 30 September 2018

	3 years (p.a.)	5 years (p.a.)	10 years (p.a.)
All Share	6.7%	8.0%	12.1%
All Bond	7.7%	7.2%	8.6%
Listed Property	(1.4%)	6.8%	13.5%
AF Money Market	7.3%	6.8%	6.8%
MSCI World (ZAR)	14.4%	17.1%	14.6%
Global Bonds (ZAR)	2.8%	7.9%	8.6%
CPI	5.4%	5.3%	5.2%
USD/ZAR	(0.8%)	(6.7%)	(5.3%)

Source: IRESS

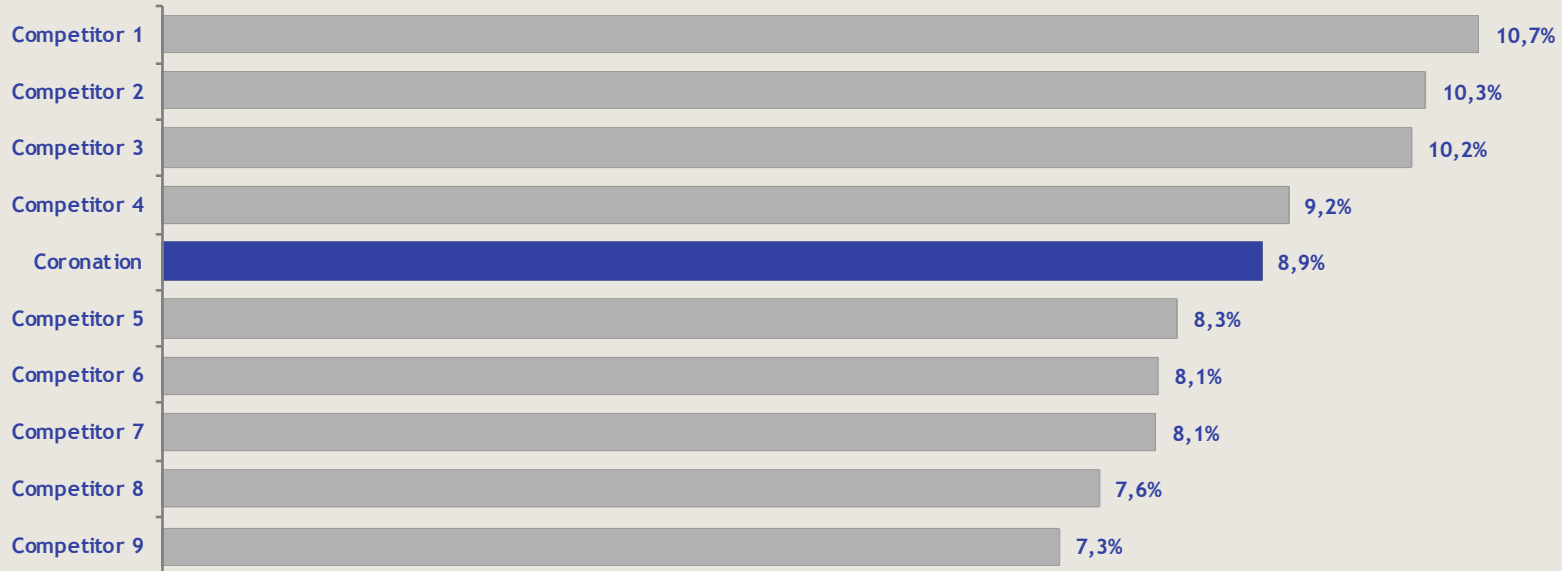
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Global Houseview Strategy



Compelling long-term performance (5 years)



Source: Alexander Forbes Global Large Manager Watch™ Survey to 30 September 2018

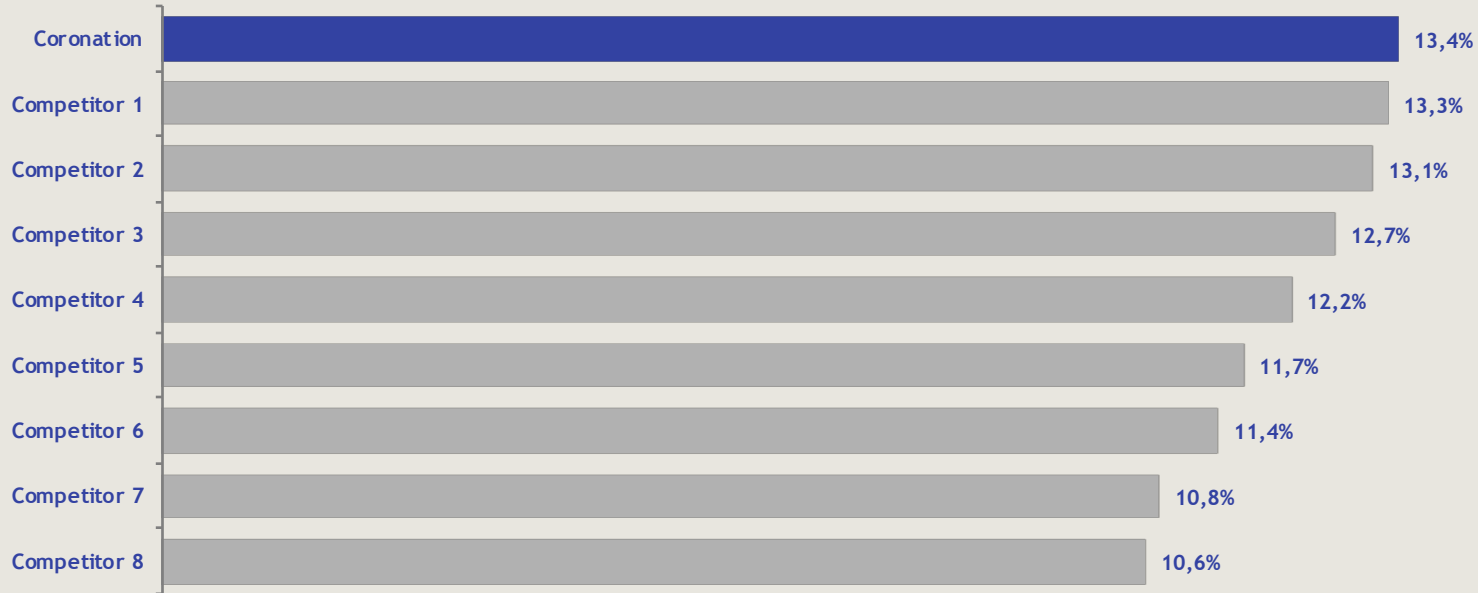
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Global Houseview Strategy



Compelling long-term performance (10 years)



Source: Alexander Forbes Global Large Manager Watch™ Survey to 30 September 2018

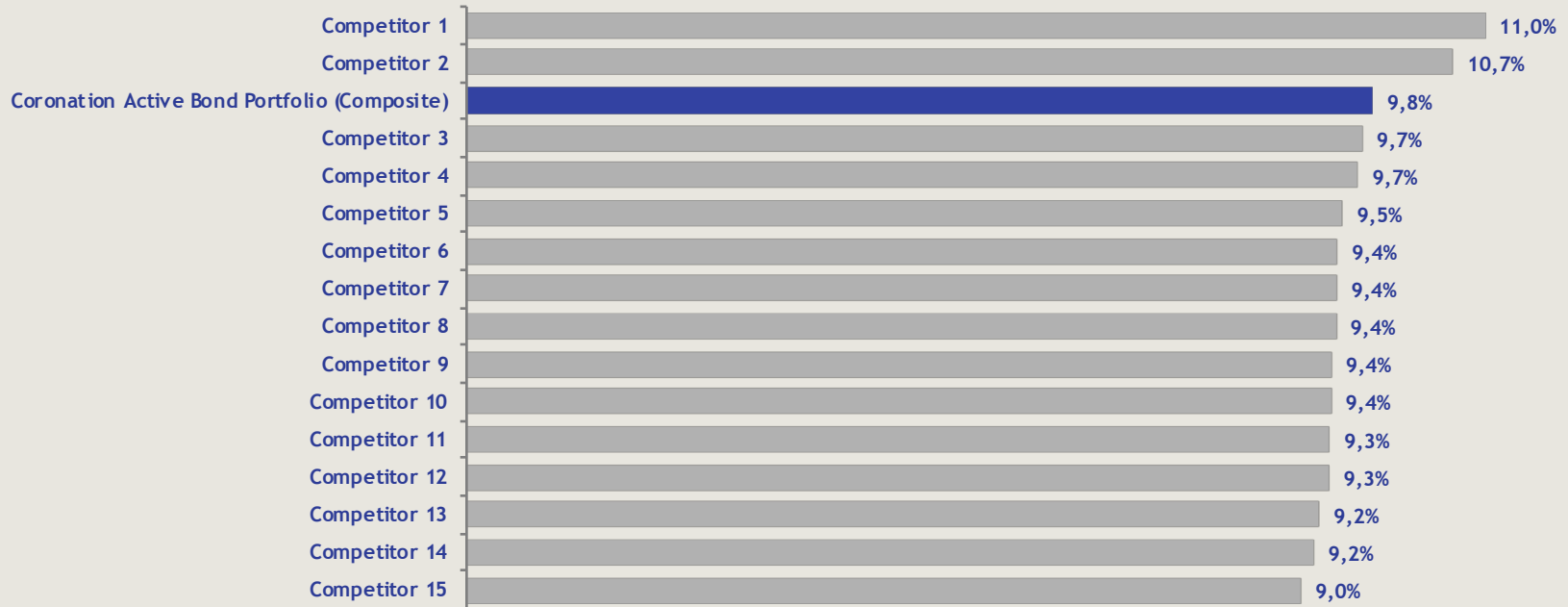
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Fixed Income Strategies



Compelling long-term performance (10 years)



Source: SA Bond Manager Watch™ to 30 September 2018

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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	5.9%	13.3%	16.6%
FTSE/JSE Africa Capped All Share Index	8.0%	12.3%	14.3%
Active return	-2.1%	1.0%	2.3%

*Since Inception - October 1993

Source: Independent Retirement Fund Survey as at 30 September 2018

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Global Absolute



Consistent delivery of real returns over significant periods

	5 years (p.a.)	10 years (p.a.)	*Since inception (p.a.)
Global Absolute	8.1%	12.0%	15.3%
CPI	5.3%	5.2%	6.1%

*Since Inception - August 1999

Source: Independent Retirement Fund Survey as at 30 September 2018

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Global Emerging Markets Equity (USD)



A highly compelling track record of alpha generation

	5 Years (p.a.)	10 Years (p.a.)	*Since inception (p.a.)
Global Emerging Markets Equity Strategy	1.3%	8.0%	6.1%
MSCI Daily TR Net Emerging Markets USD	3.8%	5.6%	2.7%
Active Return	(2.5%)	2.4%	3.4%

*Since Inception - 14 July 2008
Returns quoted in USD

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Coronation Africa Frontiers Portfolio



Performance in USD - Periods ending 30 September 2018

	1 year	2 years (p.a.)	3 years (p.a.)	5 years (p.a.)	* Since inception (p.a.)
Coronation Africa Frontiers Portfolio	11.4%	14.5%	6.5%	2.5%	9.5%
JSE Africa Index - ex SA 30	(1.4%)	7.4%	1.1%	(0.6%)	(1.4%)
Outperformance	12.8%	7.1%	5.4%	3.1%	10.9%
USD Libor + 5%	7.1%	6.6%	6.3%	5.9%	5.7%

* Since Inception - November 2008 (Composite)

Source: Micropal & Bloomberg

Gross Returns Annualised

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Strong international track record



US dollar returns since their respective launch dates

Offshore USD Funds	*Active return	Launch date
Global Equity Fund of Funds	1.9%	01-Jul-00
Global Emerging Markets Equity Strategy	3.4%	14-Jul-08
Global Bond	1.6%	01-Oct-09
Coronation Africa Frontiers Strategy	8.8%	01-Oct-08
Global Capital Plus	6.9%	01-Sep-09
Coronation Global Managed Strategy	1.4%	01-Nov-09

*Annualised active return for Institutional portfolios (gross of fees) since launch to 30 September 2018

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Investment performance - Retail



Domestic flagship funds as at 30 September 2018

	Fund	5-year ranking	10-year ranking	Since inception ranking
Long-term Growth (equity only)	Top 20	3rd Quartile	1st Quartile	1st Quartile
Long-term Growth (multi asset)	Balanced Plus	2nd Quartile	1st Quartile	1st Quartile
Income & Growth	Capital Plus	4th Quartile	1st Quartile	1st Quartile
	Balanced Defensive	2nd Quartile	1st Quartile	1st Quartile
Income only	Strategic Income	1st Quartile	1st Quartile	1st Quartile

Source: Morningstar as at 30 September 2018

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Investment performance - Retail



International flagship funds as at 30 September 2018

		5-year ranking	10-year ranking	Since inception ranking
LT Growth (equity only)	Global Emerging Markets	4th Quartile	1st Quartile	1st Quartile
	Global Opportunities Equity	2nd Quartile	1st Quartile	1st Quartile
LT Growth (multi asset)	Global Managed	2nd Quartile	-	1st Quartile
Preservation & growth	Global Capital Plus	2nd Quartile	-	1st Quartile

Source: For GEM [USD]: Bloomberg as September 2018 / For GCP and GM [USD]: Morningstar as at 30 September 2018 - custom peer groups based on funds available for sale on South African platforms / For all other funds [Rand-denominated]: Morningstar as at 30 September 2018 based on ASISA categories excluding Coronation funds in that category

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