

LONG TERM OBJECTIVE

The Coronation Aggressive Equity Strategy is our aggressive offering within our equity product range. The Strategy is constructed on a clean-slate basis with no reference to a benchmark, and seeks to outperform the equity market over meaningful periods (defined as at least 5 years).

INVESTMENT APPROACH

Coronation is a long-term, valuation-driven investment house. Our aim is to identify mispriced assets trading at discounts to their long-term underlying 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 the probability of a permanent loss of capital.

STRATEGY RETURNS GROSS OF FEES

Period	Strategy	Benchmark	Active Return
Since Inception (cumulative)	2,743.7%	1,965.0%	778.7%
Since Inception p.a.	16.2%	14.6%	1.6%
Latest 20 years p.a.	13.6%	11.8%	1.8%
Latest 15 years p.a.	12.6%	11.7%	0.9%
Latest 10 years p.a.	12.2%	9.9%	2.3%
Latest 5 years p.a.	15.1%	15.4%	(0.3)%
Latest 1 year	25.5%	34.1%	(8.6)%
Year to date	(0.7)%	(0.5)%	(0.2)%
Month	(7.1)%	(10.6)%	3.5%

TOP 10 HOLDINGS

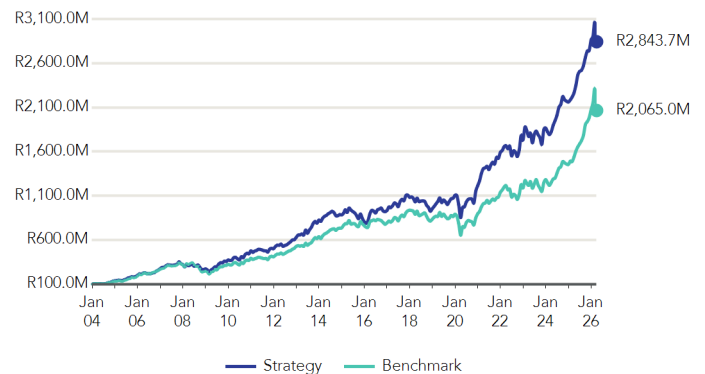
Holding	% Strategy
STANDARD BANK GROUP LTD	8.0%
NASPERS LTD	7.8%
GLENCORE PLC	6.5%
ANGLOGOLD ASHANTI PLC	5.7%
MTN GROUP LTD	5.5%
PROSUS	4.5%
NORTHAM PLATINUM HOLDINGS LTD	4.3%
QUILTER PLC	4.0%
ASPEN PHARMACARE HOLDINGS LTD	2.9%
ABSA GROUP LTD	2.8%

GENERAL INFORMATION

Inception Date	01 January 2004
Strategy Size †	R20.51 billion
Strategy Status	Open
Mandate Benchmark	FTSE/JSE Capped All Share Index (CAPI)
Dealing Frequency	Daily
Base Currency	ZAR

†Strategy assets under management as at the most recent quarter end.

GROWTH OF R100M INVESTMENT



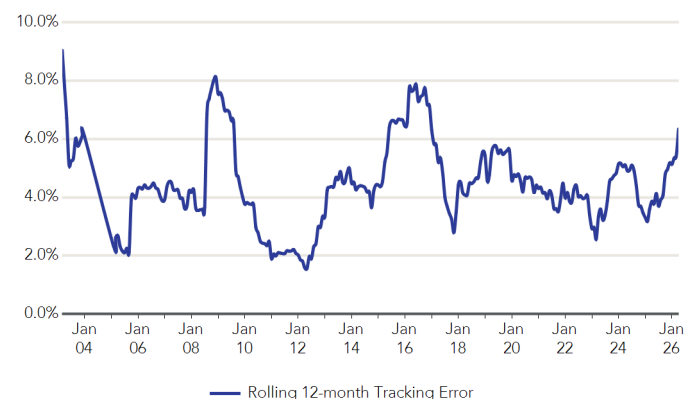
Benchmark: FTSE/JSE Capped All Share Index (CAPI)

The benchmark has changed over time; performance is shown against the benchmark in effect during each measurement period. Full details of historic benchmarks are available upon request.

PERFORMANCE & RISK STATISTICS (Since inception)

	Strategy	Benchmark
Average Annual Return	17.4%	15.8%
Tracking Error	4.7%	
Information Ratio	0.3	
Annualised Standard Deviation	14.3%	14.5%
Maximum Drawdown	(33.2)%	(37.0)%

TRACKING ERROR



SECTOR EXPOSURE

Sector	% Strategy
Financials	29.8%
Basic Materials	24.7%
Technology	15.6%
Consumer Services	13.0%
Telecommunications	5.6%

Sector	% Strategy
Consumer Goods	5.2%
Health Care	2.9%
Industrials	2.6%
Derivatives	0.5%
Interest Bearing	0.1%

PORTFOLIO MANAGERS



Neville Chester - BCom, CA (SA), CFA

Neville is a senior portfolio manager in the investment team at Coronation. He manages Coronation's Aggressive Equity and Managed Strategies along with the Top 20 and Market Plus unit trusts. He joined Coronation in 2000 and has 29 years' investment experience.



Nic Stein - BBusSc, CA (SA), CFA

Nic is an analyst and portfolio manager in the South African Equity team at Coronation. He co-manages Coronation's Aggressive Equity and Managed Strategies as well as the Multi-Strategy Arbitrage Hedge Fund. He is also responsible for analysing South African stocks. He joined Coronation in 2009 and has 17 years' investment experience.



Nicholas Hops - BBusSc, CFA

Nicholas is Head of South African Equity Research and a portfolio manager in the South African equity team at Coronation. He co-manages Coronation's Aggressive Equity and Managed Strategy, the Coronation Top 20, Market Plus, Industrial and Resources unit trusts. He joined Coronation in 2014 and has 12 years' investment experience.

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REVIEW FOR THE QUARTER

A continued strong start to the year was derailed by the US/Israeli war on Iran, which saw capital markets around the world panic as the impact of a potential energy crisis was rapidly priced into capital markets. The hope and expectation of further interest rate cuts both locally and in most markets globally were erased, as forward rate curves in most markets moved to expect rate hikes as the world tried to absorb a 60% hike in the cost of oil. The Strategy ended the quarter marginally down, roughly in line with the benchmark.

As discount rates rose with rising inflation expectations, market valuations dropped, especially for long-dated, loss-making stocks where the implied discount rate mattered most. Companies with any exposure to energy went in the opposite direction, rising on the expectation of higher prices and profits for the foreseeable future. Interestingly, the gold price, which is a traditional hedge in times of uncertainty and war, dropped by over 20% – reflecting the amount of short-term ‘hot money’ that had been chasing gold recently. Instead, the dollar strengthened as the market started to price in US interest rate hikes rather than the cuts that the current administration was aggressively pursuing. Gold mining share prices followed the gold price lower.

The Strategy benefited from a large holding in Glencore, a stock exposed to various energy markets. Glencore was one of the few diversified resource shares that rose through the March chaos. Its commodity trading business is ideally positioned to benefit from the upheaval in commodity markets; this is where businesses like this typically deliver higher-than-normal returns. This, of course, was not our reason for holding the share, but rather because we felt the market was underappreciating the value of its thermal coal business and the optionality in its copper growth Strategy, as they had laid out at their Capital Markets Day (CMD) last year.

Our largest holding, Naspers/Prosus underperformed in the quarter as stock markets struggled to assess the winners and losers from artificial intelligence (AI) in the technology space. As many speculate that AI will destroy the case for a lot of software products, the market has reacted immediately by broadly selling off a large amount of prior tech winners, including Tencent. We are, however, of the view that Tencent’s main strength, a dominant position in the Chinese online space and an enormous wealth of data, makes it uniquely positioned to be an AI winner. Given this, we have added to our holding in Naspers/Prosus, especially as the discount to their underlying holdings has widened.

The Strategy’s second-largest holding, Standard Bank, delivered an outstanding result and, at its recent CMD projected strong growth in earnings for the years ahead. The key driver is its unmatched Strategy of banking operations across the African continent. Standard Bank has been investing in Africa for over 30 years, and this is evident in the strength and breadth of their African business, which is well entrenched with many global customers, who utilise their unmatched reach to bank their operations in Africa. This is being used as their base from which to penetrate further into the unbanked on the continent. Despite a brief period of weakness during March, the share has since reached all-time highs and is now the largest bank by market capitalisation in Africa.

While this is a successful South African story, we are more concerned today than we were at the beginning of the year about the health of the South African consumer and the nascent economic turnaround in the country. Unfortunately, the interest rate cuts we had hoped would propel further growth never materialised, and with the added external shock of rising fuel and food prices, we expect the hawkish SARB to look to hike interest rates later in the year, adding further pressure to a consumer that is having to pay meaningfully more to fill up their car or for their taxi fare. As a result, we have trimmed our expectations of what consumer-facing businesses will be able to achieve in the year ahead and are wary of moving into stocks exposed to a consumer recovery, preferring the more defensive names like Shoprite, Pepkor, and Dis-Chem.

At the time of writing, the US and Iran are tentatively exploring truce talks, but whichever way these talks play out, the reality of higher energy prices will be with us for many more months to come, albeit lower than where they peaked at the height of the war. This means inflation will be higher than markets were expecting at the start of the year. This will help some businesses that have been struggling with weak topline, but will, as mentioned above, also impact real demand. We will look to position ourselves to be defensive enough to avoid being impacted by a weaker economic turnaround but still benefit from the improvement in the country’s fiscal position and fixed capital spending that is likely to come in the periods ahead.