

LONG TERM OBJECTIVE

The Coronation Medical Absolute Strategy targets positive real returns with an overriding focus on limiting downside returns or portfolio losses. Therefore, capital preservation in real terms is equally important to return optimisation. The Strategy is managed in accordance with the limits of Annexure B of Regulation 30 of the Medical Schemes Act.

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 business 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 cleanslate 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 a permanent loss of capital.

STRATEGY RETURNS GROSS OF FEES

Period	Strategy	Benchmark	Active Return
Since Inception (cumulative)	1,007.4%	208.6%	798.8%
Since Inception p.a.	11.6%	5.3%	6.3%
Latest 20 years p.a.	10.1%	5.4%	4.7%
Latest 15 years p.a.	9.1%	4.9%	4.2%
Latest 10 years p.a.	9.0%	4.6%	4.4%
Latest 5 years p.a.	11.6%	4.8%	6.8%
Latest 3 years p.a.	13.3%	3.7%	9.6%
Latest 1 year	16.2%	3.0%	13.2%
Year to date	(0.5)%	1.0%	(1.5)%
Month	(3.9)%	0.4%	(4.3)%

ASSET ALLOCATION

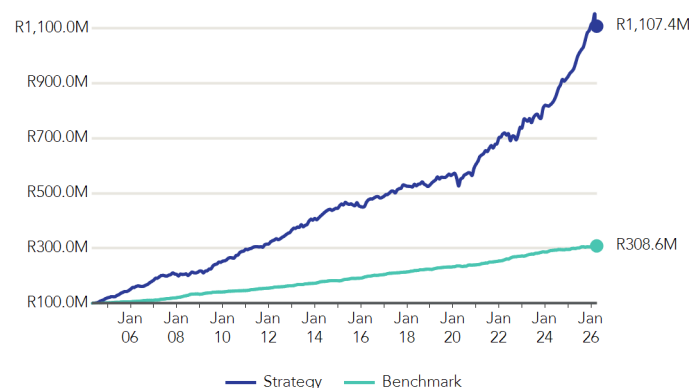
Asset Type	% Strategy
Local Equities	40.0%
Local Bonds	32.4%
Cash	17.9%
Local Property	4.1%
Foreign Bonds	3.6%
Local Commodities	2.0%

GENERAL INFORMATION

Inception Date	01 May 2004
Strategy Size †	R2.06 billion
Strategy Status	Open
Mandate Benchmark	Consumer Price Index (CPI)
Performance Target	CPI + 3% (gross of fees and taxes) over a rolling 3 year period
Dealing Frequency	Daily
Base Currency	ZAR
Regulation 30	Yes

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

GROWTH OF R100M INVESTMENT



Benchmark: Consumer Price Index (CPI)

TOP 10 HOLDINGS

Holding	% Strategy
ABSA BANK LTD FIX 7.300% 221026	6.8%
STANDARD BANK OF SA FIX 7.250% 041226	3.9%
RSA ILB 4.250% 310131	2.8%
RSA ILB 1.875% 310329	2.7%
RSA ILB 1.875% 280233	2.6%
RSA FIX 8.250% 310332	2.6%
STANDARD BANK GROUP LTD	2.4%
GLENCORE PLC	2.4%
RSA FIX 8.000% 310130	2.4%
NASPERS LTD	2.3%

MODIFIED DURATION*

Portfolio	1.6
Fixed Income Assets	3.4

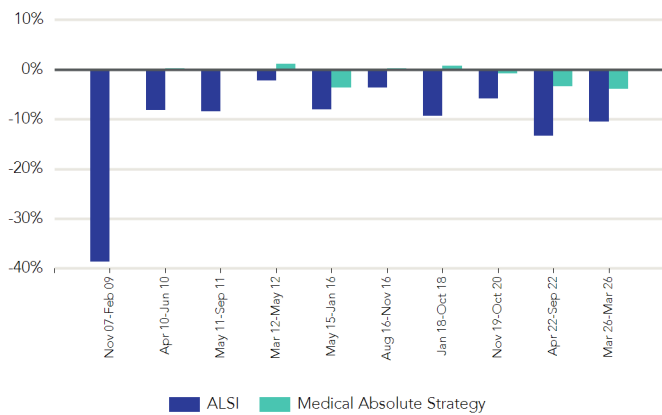
PERFORMANCE & RISK STATISTICS (Since inception)

Average Annual Return	11.8%
Annualised Standard Deviation	5.4%
Highest Monthly Return	4.9%
Lowest Monthly Return	(5.1)%
% Positive Months	72.6%
Downside Deviation	2.3%
Maximum Drawdown	(7.9)%
Sortino Ratio	2.2

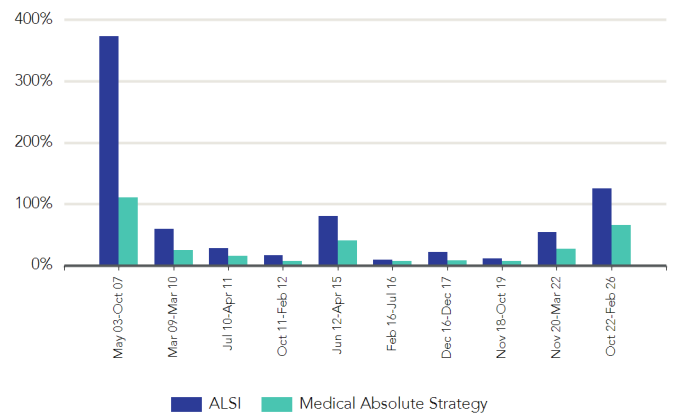
EFFECTIVE MATURITY PROFILE*

Term	% Strategy (incl. Cash)	% Strategy (excl. Cash)
0 to 1 year	22.9%	29.2%
1 to 3 years	8.2%	7.6%
3 to 7 years	12.9%	11.8%
7 to 12 years	3.4%	3.2%

BEAR MARKETS



BULL MARKETS



In the bar graphs above, we have divided the period since inception of our Strategy into bull and bear markets. The Strategy's returns are measured against the FTSE/JSE All Share index. The bear market graph clearly demonstrates how the Strategy has protected capital; its losses were much more shallow than the market during downturns. As evident from the second graph, the Strategy also enjoyed healthy upside participation in bull markets.

PORTFOLIO MANAGERS



Pallavi Ambekar - BBusSc, CA (SA), CFA

Pallavi is Coronation's Head of Absolute Return and a portfolio manager in the South African equity team at Coronation. She is also responsible for analysing South African stocks. She joined Coronation in 2003 and has 23 years' investment experience.



Charles de Kock - BCom (Hons), MCom

Charles is a portfolio manager in the South African equity team at Coronation. He co-manages all Absolute Return Strategies. Charles joined Coronation in 2005 and has 40 years' investment experience.



Neill Young - BBusSc, CA (SA), CFA

Neill is an analyst and portfolio manager in the South African equity team at Coronation. He co-manages Coronation's Absolute Return Strategies along with the Financial Unit Trust and is responsible for analysing South African stocks. He joined Coronation in 1998 and has 28 years' investment experience.

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* For SA Fixed Income investments only. Excludes international investments, equities, property and preference shares.

REVIEW FOR THE QUARTER

The first quarter of 2026 was marked by a dramatic shift in global market sentiment, driven by an escalation in conflict in the Middle East, and the subsequent closure of the Strait of Hormuz in early March. What had been a constructive start to the year – with equity markets broadly positive in January and February – gave way to a sharp risk-off move as the geopolitical and economic consequences of the conflict became apparent.

The closure of the Strait of Hormuz, through which roughly 20% of global oil supply flows, pushed Brent crude past \$100 per barrel for the first time since 2022. The oil shock revived fears of persistent inflation, forcing central banks across the developed world to temper expectations for rate cuts.

The MSCI All Country World Index ended the quarter down 3.2%, with the sell-off concentrated in March. The S&P 500 fell 4.3%, its worst start to a year since 2022, dragged lower by large-cap technology stocks, which bore the brunt of a rotation away from momentum and growth. International developed markets outperformed the US for a second consecutive quarter, although March proved challenging for all regions. The MSCI Emerging Markets Index was marginally negative for the quarter, with strength in Latin America (supported by higher energy prices) offsetting weakness in Asia and EMEA (Europe, Middle East and Africa).

The US dollar strengthened materially during the quarter as a preferred safe-haven asset, creating a headwind for gold. Gold, which reached an all-time high above \$5 400 per ounce in late January, subsequently pulled back sharply amid higher yields and a firmer dollar. By quarter-end, gold prices had fallen approximately 15% from their January peak, a somewhat counterintuitive outcome in a period of elevated geopolitical risk but consistent with the repricing of interest rate expectations and central bank selling by Russia and Turkey in particular.

Global bonds sold off as yields rose in response to higher oil prices and the changed inflation outlook. The FTSE World Government Bond Index declined 1% for the quarter.

Domestically, the South African equity market followed the global trajectory. After reaching a record high in February, the Capped All Share Index fell sharply in March, ending the quarter marginally down. The breadth of domestic returns narrowed considerably, with precious metals miners – which had been strong contributors in 2025 – giving back gains as gold and PGM (platinum group metals) prices retreated. Sasol surged, but Naspers/Prosus declined alongside the broader technology sell-off. Richemont was another notable decliner.

South African bonds weakened during the quarter, with the yield on the R2037 government bond rising to 9.5% by the end of March. The sell-off reflected a combination of global risk aversion and domestic concerns about the inflationary impact of higher oil prices on a net energy-importing economy. The SARB held the repo rate unchanged at 6.75% at both the January and March MPC meetings. Headline CPI declined to 3.0% in February – matching the new inflation target – but the central bank raised its 2026 inflation forecast to 3.7%, which dampens the case for further rate cuts.

The rand weakened approximately 6% against the US dollar during March, further compounding the inflationary pass-through from higher oil prices.

The Strategy experienced a challenging quarter against this backdrop generating a -0.5% return. However, over the past 12 months the Strategy has comfortably outperformed both its benchmark and target with a 16% return. Strong positive real returns have been generated over all meaningful time periods and returns are ahead of target over more recent periods as well as since inception.

Therefore, most domestic assets detracted from performance over the quarter. Equities, bonds, and property all delivered similarly small negative contributions, somewhat offset by a positive contribution from the Strategy's holding in precious metals ETFs. During the quarter we added significantly to domestic government bonds, principally the R2037 as yields sold off from c. 8.1% at the lows to well above 9%. Despite signs of some stabilisation in SA macro conditions and a somewhat improved fiscal outlook, the situation remains finely balanced, and the effects of the intensifying conflict in the Middle East could derail much of this if it were to drag on. We continue to actively manage duration risk. Total domestic bond exposure sits at 32% at end-March, consisting of a combination of nominal and inflation-linked bonds.

We took advantage of price strength to reduce exposure to gold and platinum equities as well as ETFs during the quarter, in favour of other more attractively valued existing positions in the Strategy particularly in rand-hedged companies such as Naspers/Prosus. We also made additions to domestic equity in the sell-off, as well as to domestic property. Naspers was particularly weak in the quarter (declining -22%), reflecting concerns over whether Tencent was lagging on AI deployment. Tencent has recently signalled increased AI investment. This will impact near-term earnings. Longer term, we believe that Tencent is well-positioned to win as it deploys AI to leverage its moat and deepen user engagement. Tencent has a massive data advantage from its 1.4bn monthly active users and integration across the Chinese economy in sectors spanning gaming, advertising, and fintech.

The Strategy benefited from a reasonable 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.

The prospect of three more years of a Trump presidency strongly suggests three more years of heightened geopolitical unpredictability and market volatility. At the time of writing, a fragile ceasefire has been agreed, resulting in a broad risk-on market rally. But it is already showing signs of strain. We face uncertain months ahead and anticipate more volatility in response to short-term news flow. Times like these are undoubtedly uncomfortable, but present opportunities for long-term investors and asset allocators. In the previous selloffs (Covid in 2020, rate hikes in 2022, and Liberation Day tariffs in 2025) we were particularly active in the Strategy, capitalising to good effect on opportunities where valuation was compelling and our conviction high. We have been similarly active in the current period and would expect our actions to benefit investors in the fullness of time. We are at the same time mindful of the importance of achieving target returns while mitigating volatility which we seek to achieve through Strategy diversification across asset classes and instruments as well as the use of additional tools at our disposal, such as put protection.

The Strategy has generated returns over recent periods well in excess of its target, benefiting from strong asset markets generally. We would caution investors not to anticipate the same extent of outperformance in future periods. However, we remain confident in the prospects of the Strategy and its ability to achieve targeted returns over the medium to long term.