CORONATION

AGGRESSIVE EQUITY STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 30 JUNE 2019

CORONATION TRUST IS EARNED™

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)	1,242.0%	956.1%	285.9%
Since Inception p.a.	16.1%	14.5%	1.6%
Latest 15 years p.a.	17.1%	15.6%	1.5%
Latest 10 years p.a.	13.2%	13.1%	0.1%
Latest 5 years p.a.	3.0%	4.6%	(1.6)%
Latest 1 year	1.1%	1.1%	0.0%
Year to date	10.4%	6.9%	3.5%
Month	2.9%	2.9%	0.0%

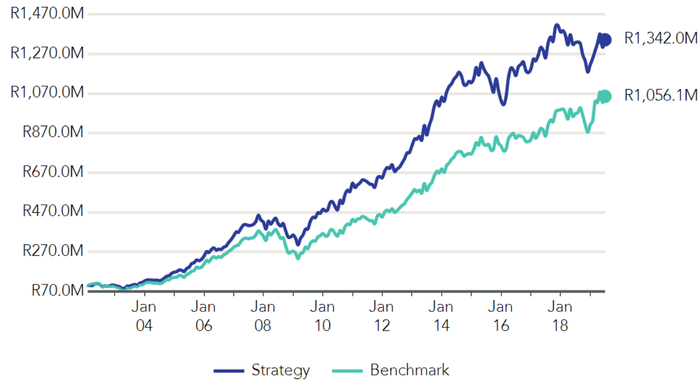
TOP 10 HOLDINGS

Holding	% Strategy
ANGLO AMERICAN PLC	10.3%
NASPERS LIMITED	10.2%
BRITISH AMERICAN TOBACCO PLC	8.0%
MTN GROUP LIMITED	7.2%
STANDARD BANK GROUP LTD	6.6%
MONDI LIMITED	4.4%
NEDBANK GROUP LIMITED	4.4%
NORTHAM PLATINUM LIMITED	3.6%
DISTELL GROUP HOLDINGS LTD	3.5%
MMI HOLDINGS LIMITED	3.2%

GENERAL INFORMATION

Inception Date	01 February 2002
Strategy Size	R18.24 billion
Strategy Status	Open
Mandate Benchmark	JSE Capped Shareholder Weighted Index (Capped SWIX*)
Dealing Frequency	Daily
Base Currency	ZAR

GROWTH OF R100M INVESTMENT



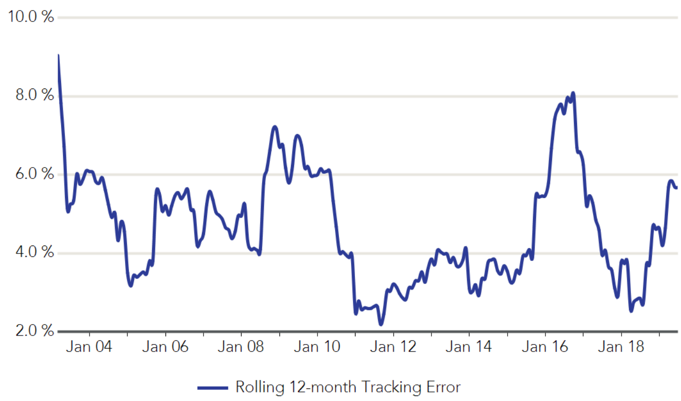
Benchmark: JSE Capped Shareholder Weighted Index (Capped SWIX*)

*FTSE/JSE Capped Shareholder Weighted Index from 01 May 2017. Previously 50 Low Resources (inception to 31 January 2002) and FTSE/JSE Shareholder Weighted Index (01 February 2002 to 30 April 2017).

PERFORMANCE & RISK STATISTICS (Since inception)

	Strategy	Benchmark
Average Annual Return	17.3%	15.2%
Tracking Error	5.2%	
Information Ratio	0.4	
Annualised Standard Deviation	14.4%	15.0%
Maximum Drawdown	(32.7)%	(38.3)%

TRACKING ERROR



SECTOR EXPOSURE

Sector	% Strategy
Basic Materials	25.0%
Financials	21.8%
Consumer Services	19.9%
Consumer Goods	16.0%
Telecommunications	7.2%

Sector	% Strategy
Health Care	4.9%
Industrials	2.2%
Technology	1.8%
Specialist Securities	1.1%
Interest Bearing	0.1%

PORTFOLIO MANAGERS

Neville Chester - BCom, CA (SA), CFA

Neville is a senior member of the investment team with 22 years' investment experience. He joined Coronation in 2000 and manages Coronation's Aggressive Equity Strategy.

Nic Stein - BBusSc, CA (SA), CFA

Nic joined the Coronation investment team in 2009 as an equity analyst and has 10 years' investment experience. He currently co-manages Coronation's Aggressive Equity Strategy and is the manager of the Coronation Resources unit trust fund. Nic also analyses a number of shares spanning the retail, mining and financial services sectors.

DISCLAIMER

REVIEW FOR THE QUARTER

Resources were up 2.4% for the quarter to end June 2019 (Q2-19), despite signs of slowing global growth and fears around trade wars. A big driver of the resource sector performance was iron ore, which continued its strong run and rose 37.3% in Q2-19 after having risen 16.3% in Q1-19. A combination of strong China-driven demand and weak supply (exacerbated by the Vale tailings dam disaster) led to the perfect storm for iron ore producers, with current prices well above incentive prices and marginal cost. What to do with the iron ore windfall will no doubt be topical in the upcoming results season for those companies with exposure to the red metal.

During the quarter, we introduced Sasol. This was largely funded by selling out of BHP Billiton, which performed strongly on the back of robust iron ore prices discussed above. The Sasol share price declined meaningfully when the company announced that its Lake Charles Chemicals Project (LCCP) would both cost more to deliver and produce a lower normalised level of profitability. We had long harboured concerns around capital allocation at Sasol in general and the LCCP project specifically. However, we now feel that these concerns are adequately discounted in the Sasol share price. As the project nears completion, execution risk should reduce, and the group earnings base is anticipated to increase by between 20% and 30%.

The British American Tobacco share price declined during the period (-15.7%) as fears relating to low nicotine regulation in the US market resurfaced. British American Tobacco has faced a slew of potential regulatory headwinds in its US business, exacerbated by volume declines in traditional tobacco as new generation products gain traction. We believe the underlying fundamentals of the business remain intact with strong pricing power, improving cost controls and degearing continuing to drive earnings. In addition, we believe new generation products are lower-risk products and present an opportunity to grow the overall market. British American Tobacco trades on 9.1 times one-year forward earnings and a 7.3% dividend yield. We believe this to be very attractive for a stock of this quality and it remains a large position in the strategy.

Despite the conclusion of the much-awaited South African election, local sentiment deteriorated during Q2-19. The election result was broadly in line with expectations, with the ANC maintaining its majority rule with a slight decline in support. The appointment of a new smaller cabinet was a positive development, reinforcing the message of fiscal discipline. However, the ruling party remains plagued by factional tensions, frustrating the ability of the president to deliver on much-needed reform. Policy uncertainty lingers, as reflected in divisive debate on land issues and South African Reserve Bank reform. Eskom's balance sheet problems remain an overhang. The government has signaled its commitment to support Eskom financially, though the underlying state of Eskom's generation and transmission assets remain unclear. These factors combined to weigh on consumer and corporate confidence levels and were reflected in a very weak Q1 GDP print of -3.2% (released during Q2), dragged down by manufacturing and mining in particular. Results released during the second quarter and the accompanying subdued tones of management reinforce how challenging the underlying economic situation is. The weak domestic economy contained inflation and favourable global rate expectations have increased the likelihood of future interest rate cuts.

In this environment, domestic stocks reported weak results, with even defensive stocks struggling to defy the pressures of several years of a weak domestic economy and high structural inflation. We expect these headwinds to persist and remain cautious on businesses heavily exposed to the domestic economy, with exposure to domestic stocks mostly through banks and defensive counters such as food retailers. The strategy remains underweight domestic SA stocks.

Political turmoil reigned on in the UK with the resignation of Prime Minister Theresa May during the quarter. The Brexit process is becoming increasingly disorderly, with the risks of a hard Brexit growing by the day.

We have reduced our Investec holdings. This is partly a function of managing overall UK exposure (primarily held via Quilter), given the Brexit comments above. Additionally, while the bank "rump" is optically cheap, we increasingly question what Investec's moat/competitive advantage is.

We are happy with current valuation levels and portfolio positioning. We believe prospective returns from this base will prove attractive.