CORONATION

GLOBAL HOUSEVIEW STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 30 JUNE 2019

CORONATION TRUST IS EARNED™

LONG TERM OBJECTIVE

The Coronation Global Houseview Strategy is a clean slate fully discretionary balanced portfolio, which represents our best investment view for a balanced portfolio in all major asset classes – equities, property, bonds, cash and international. The Strategy's objective is to outperform the median return of its peer group or composite benchmark over meaningful period (defined as at least 5 years). The Strategy is managed in accordance with the limits of Regulation 28 of the Pension Funds 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 underlying value (fair value) through extensive proprietary research. The Portfolio is constructed on a clean-slate basis based on the relative risk-adjusted upside to fair value of each underlying asset. 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)	4,031.7%	3,112.5%	919.2%
Since Inception p.a.	15.5%	14.4%	1.1%
Latest 20 years p.a.	14.9%	13.8%	1.1%
Latest 15 years p.a.	15.4%	14.1%	1.3%
Latest 10 years p.a.	13.5%	12.5%	1.0%
Latest 5 years p.a.	6.6%	6.7%	(0.1)%
Latest 1 year	2.4%	4.2%	(1.8)%
Year to date	8.8%	7.8%	1.0%
Month	1.4%	2.5%	(1.1)%

PERFORMANCE & RISK STATISTICS (Since inception)

	Strategy	Benchmark
Annualised Standard Deviation	11.3%	11.3%
Maximum Drawdown	(26.9)%	(27.7)%

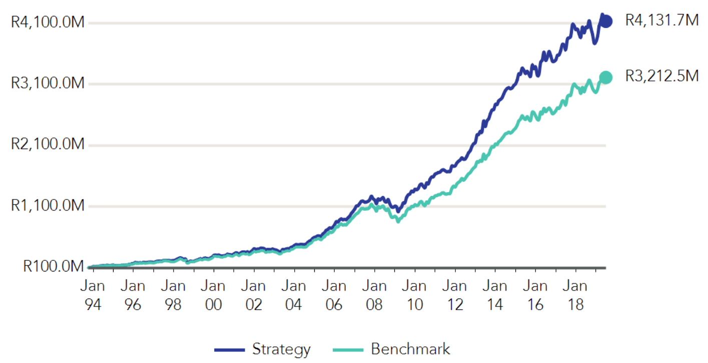
ASSET ALLOCATION

Asset Type	% Strategy
Local Equities	43.8%
Foreign Equities	24.3%
Local Bonds	17.6%
Local Property	8.9%
Cash	1.8%
Local Commodities	1.4%
Local Hedge Funds	1.3%
Foreign Property	0.5%
Foreign Bonds	0.3%
Foreign Hedge Funds	0.1%

GENERAL INFORMATION

Inception Date	01 October 1993
Strategy Size	R34.25 billion
Strategy Status	Open
Mandate Benchmark	Median of Peer Group
Dealing Frequency	Daily
Base Currency	ZAR
Regulation 28	Yes

GROWTH OF R100M INVESTMENT



Benchmark: Median of Peer Group

TOP 10 HOLDINGS

Holding	% Strategy
CORO GBL EQUITY FOF-Z	18.9%
NASPERS LIMITED	4.5%
BRITISH AMERICAN TOBACCO PLC	3.5%
FORTRESS INCOME FUND LTD	3.2%
CORO AFRICA FRONTIERS - CL Z	3.0%
ANGLO AMERICAN PLC	2.9%
CORONATION GEM EQUITY FUND	2.7%
MTN GROUP LIMITED	2.3%
NORTHAM PLATINUM LIMITED	2.1%
FIRSTRAND LIMITED	1.9%

EFFECTIVE MATURITY PROFILE*

Term	% Strategy (incl. Cash)	% Strategy (excl. Cash)
0 to 1 year	4.4%	2.1%
1 to 3 years	4.9%	5.1%
3 to 7 years	2.7%	2.8%
7 to 12 years	4.6%	4.7%
Over 12 years	4.7%	4.8%

MODIFIED DURATION*

Portfolio	0.8
Fixed Income Assets	3.6

PORTFOLIO MANAGERS

Karl Leinberger - BBusSc, CA (SA), CFA

Karl is chief investment officer (CIO) and manager of Coronation's Houseview strategies. He joined Coronation in 2000 as an equity analyst, was made head of research in 2005 and became CIO in 2008. Karl has 19 years' investment experience.

Sarah-Jane Alexander - BBusSc, CFA

Sarah-Jane manages assets within the Coronation Houseview Equity Strategy. She also co-manages Coronation's Houseview balanced strategies as well as the Industrial unit trust fund, and has research responsibilities across a range of food producers and hospital stocks, among others. Sarah-Jane joined Coronation in 2008 as an equity analyst and has 15 years' investment experience.

Adrian Zetler - BAcc, BCom (Hons), CA (SA), CFA

Adrian is co-manager across all Coronation's Houseview strategies as well as the Coronation Industrial unit trust fund. His research responsibilities span a number of industrial stocks, including media and luxury goods companies. Adrian joined Coronation in 2009 and has 9 years' investment experience.

DISCLAIMER

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

REVIEW FOR THE QUARTER

Equity markets continued to rise in the second quarter of 2019 (Q2-19) as central banks communicated a strong likelihood of rate cuts and US-China trade war tensions eased towards the end of the period. The MSCI All Country World Index rose 3.6% in US dollar terms in Q2-19, despite signs of slowing growth across many developed markets. Developed market equity markets rose 4.0% over the quarter, outperforming emerging markets, which grew by a more subdued 0.6%. The portfolio has benefited from its large exposure to global equities.

The Barclays Global Aggregate Bond Index appreciated by 3.3% in US dollars for the quarter. Global bond yields continued to rally in response to increasing evidence of a slowdown in global growth and rising expectations of interest rate cuts in the US and Europe. US 10-year bond yields have now traded down more than 100 basis points (bps) since November 2018 and the debt of several European sovereigns is trading at negative rates. Although global bonds have performed well, we remain of the view that yields are too low and the risk of capital loss to investors is considerable.

The All Bond Index (ALBI) ended the quarter strongly (+3.7%). The portfolio has a meaningful exposure to local bonds, taking advantage of the high real yields the asset class is offering. A low growth environment is impeding the ability of domestic businesses to grow earnings, increasing the relative attractiveness of bonds to equity. The weak local economy and contained inflation increase the likelihood of domestic interest rate cuts. This is further supported by anticipated US interest rate cuts. While a Moody's downgrade is likely, given muted economic growth and the precarious position of South Africa's large state-owned enterprises, bond yields appear sufficiently generous. Local bond yields already trade in line with sub-investment grade peers and at generous spreads relative to developed markets.

The outlook for local property remains constrained in a very weak economy with negative reversions and lower distribution growth. The portfolio retains selective domestic exposure via A shares (with their unique distribution structure) and high-quality property stocks. These assets should be better able to withstand challenging conditions. UK property stocks have disappointed, as Brexit and tenant failures undermine their prospects. We have retained a small exposure here given the significant discounts at which they trade relative to conservative valuations.

The JSE extended its first-quarter gains, albeit at a slower rate. The JSE Capped Shareholder Weighted All Share Index appreciated by 2.9% during Q2-19. Resources were up 2.4%, despite signs of slowing global growth, but lagged the stronger quarterly performances from the industrial (+4.0%) and financial (+5.4%) sectors. The outperformance of resources over one- and three-year periods remains considerable.

Despite the conclusion of the much-awaited South African election, domestic sentiment deteriorated during the quarter. 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 signalled its commitment to support Eskom financially, though the underlying state of the utility'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 first-quarter GDP print of -3.2% (released during Q2-19), dragged down by manufacturing and mining in particular. Results released during the quarter and the accompanying subdued rhetoric 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 weak domestic economic conditions and high structural cost inflation. We expect these headwinds to persist and remain cautious on businesses heavily exposed to the local economy. Our exposure to domestic stocks are mostly through banks and defensive counters such as food retailers. The portfolio remains underweight domestically-focused local stocks. We continue to debate whether these depressed conditions (and earnings bases) provide an opportunity to add meaningfully to domestic holdings but have made no material changes to date.

The portfolio continues to hold high weightings in the JSE-listed global stocks (British American Tobacco, Naspers, Mondi, Quilter, MTN, Bidcorp, AB InBev), all of which have attractive valuations for specific bottom-up reasons.

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 de-gearing 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 portfolio.

The resources sector (+2.4%) showed mixed performances, with Sasol's underperformance (-22.2%), offset by a strong performance from gold miners (+29.6%) and platinum (+9.5%). Iron ore (+32.9%) has been particularly strong, as supply disruptions have driven up near-term prices, supporting the portfolio's large holding in Anglo American. This position was trimmed during the quarter. The Sasol share price declined meaningfully when the company announced that its Lake Charles Chemicals Project (LCCP) would a) cost more to deliver and b) produce a lower normalised level of profitability. Disappointments in the delivery of the LCCP have meant a further reduction in the already muted returns offered by the initial projections, which carried significant risk (a fact Coronation highlighted to the board in a letter sent in 2013). The portfolio has been underweight Sasol but has added to the position on the back of the price weakness. As the project nears completion, execution risk should reduce, and the group earnings base is anticipated to increase by between 20% and 30%. However, given the heightened risks (operational and financial), we have limited Sasol's overall position size within the portfolio.

We remain meaningfully invested in platinum counters. We reduced our Anglo American Platinum position in response to its strong share price rise, reinvesting the proceeds into names that have underperformed on a relative basis. The demand outlook for platinum group metals (PGM) remains strong, buoyed by increasingly stringent emissions regulations. While we expect electric vehicles to play a role in future mobility solutions, we see a structural deficit in PGM markets over the next decade as supply remains tight after years of underinvestment. Despite the upwards move in the metals' price, PGM producers are not yet earning fair returns on their invested capital. We believe prices need to rise further to incentivise sufficient ounces.
The financial sector (+5.4%) performed strongly for the quarter, as local banks (+9.7%) have defied domestic market headwinds and are expected to deliver underlying earnings growth. This growth reflects prudent management through the cycle, with limited credit extension resulting in low credit loss ratios. The portfolio has holdings in several of the large banks, including FirstRand, Nedbank and Standard Bank.

Political turmoil continued to reign in the UK with the resignation of Prime Minister Theresa May during the quarter. The Labour Party's indecisiveness on several key issues reduced the strength of the opposition's position. High levels of uncertainty in the UK undermine the economic outlook. Despite this, compelling valuation-driven opportunities exist. Quilter remains the portfolio's largest single holding in the UK. This is a business with a structural growth opportunity stemming from pension reform in the UK market. The portfolio has built up its position in Bidcorp, a food services company that continues to benefit from consumers' desire for eating out of home and operates across many markets. While we see exciting investment opportunity in the UK market, the portfolio continues to tightly manage overall UK exposure, given the uncertainty.

Markets have remained challenging this year, with several companies reporting material earnings disappointments that have put these businesses at risk. A rigorous research process and heightened balance sheet scrutiny have protected the portfolio from several of these examples. We remain committed to building robust, diversified portfolios with a focus on risk management. We believe these efforts will protect the portfolio against unexpected outcomes and position the portfolio well to deliver inflation-beating returns over the long run.