MANAGED STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 30 JUNE 2019

CORONATION
TRUST IS EARNED™

LONG TERM OBJECTIVE

The Coronation Managed Strategy is an aggressive, clean slate fully discretionary balanced portfolio. The Strategy's objective is to outperform its peer group or a composite benchmark over meaningful periods (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 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)	2,821.0%	1,731.8%	1,089.2%
Since Inception p.a.	15.7%	13.4%	2.3%
Latest 20 years p.a.	15.0%	13.8%	1.2%
Latest 15 years p.a.	15.8%	14.1%	1.7%
Latest 10 years p.a.	13.8%	12.5%	1.3%
Latest 5 years p.a.	5.9%	6.7%	(0.8)%
Latest 1 year	1.7%	4.2%	(2.5)%
Year to date	9.0%	7.8%	1.2%
Month	1.2%	2.5%	(1.3)%

PERFORMANCE & RISK STATISTICS (Since inception)

	Strategy	Benchmark
Annualised Standard Deviation	11.6%	11.3%
Maximum Drawdown	(23.5)%	(27.7)%

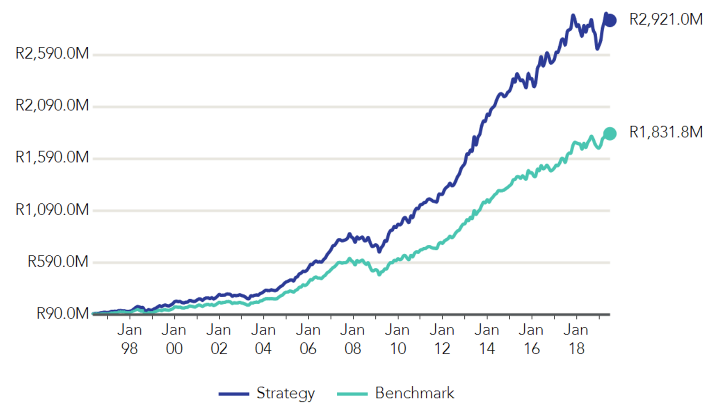
ASSET ALLOCATION

Asset Type	% Strategy
Local Equities	46.8%
Foreign Equities	21.6%
Local Bonds	16.8%
Local Real Estate	8.2%
Local Commodities	1.4%
Local Hedge	1.3%
Foreign Bonds	1.2%
Foreign Real Estate	1.1%
Cash	0.8%
Local Preference Shares	0.8%

GENERAL INFORMATION

Inception Date	01 May 1996
Strategy Size	R16.48 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	14.8%
CORONATION GEM EQUITY FUND	6.3%
NASPERS LIMITED	4.7%
ANGLO AMERICAN PLC	4.6%
BRITISH AMERICAN TOBACCO PLC	3.6%
MTN GROUP LIMITED	3.3%
STANDARD BANK GROUP LTD	3.1%
NEDBANK GROUP LIMITED	2.1%
LIBERTY TWO DEGREES	2.1%
MONDI LIMITED	2.0%

EFFECTIVE MATURITY PROFILE*

Term	% Strategy (incl. Cash)	% Strategy (excl. Cash)
0 to 1 year	(2.9)%	0.4%
1 to 3 years	6.0%	5.8%
3 to 7 years	4.4%	4.3%
7 to 12 years	5.7%	5.5%
Over 12 years	1.0%	0.9%

MODIFIED DURATION*

Portfolio	0.6
Fixed Income Assets	4.5

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

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

REVIEW FOR THE QUARTER

It continues to be an extraordinary period in markets, as global leadership appears to be seriously adrift. In the US, the sitting president is browbeating the head of the central bank to cut interest rates, even as the economy hits record low levels of unemployment and maintains reasonable levels of economic growth. This, in turn, has once again spurred the search for yield and benefited emerging markets, where yields and currencies have rallied, despite the same US president fighting a trade war with all of its trading partners, mainly emerging markets. European interest rates continue to plummet as the European Central Bank has turned equally dovish and negative yields across the yield curve are once again prevalent. Nationalism remains in ascendency in a large number of Western economies and is being increasingly accepted in emerging economies. This trend raises the stakes in trade wars and increasingly the prospect of real wars in the Middle East. Despite this backdrop, equity markets are generally hitting, or getting close to, all-time highs, while volatility (the market standard for measuring risk) is at all-time lows. What a recipe for a disruption! Bull markets in bonds, which imply low growth and low inflation, and bull markets in equities, which generally correlates with high growth and higher inflation, should not be coterminous. Yet, here we are again, with two major capital markets sending conflicting signals, and many pundits proclaiming which is right and which is wrong.

In our offshore exposure, we have generally been well positioned, with a high exposure to emerging markets. These markets have responded well to the decline in interest rates in developed markets and are again enjoying an inflow of money, resulting in strengthening currencies and improving ratings in their equity markets. The S&P in the US, and most European markets, have also done well this year, if not as well as the emerging markets. Where we have detracted over the quarter, is not having any allocation to global bonds. With yields at low levels, we felt it didn't offer sufficient return for the risk being taken (return-free risk). However, the yields have managed to move even lower, with the 10-year US Treasury below 2% again and the German yield curve printing solidly negative yields across most points. Despite these ultra-low rates, the market remains sceptical on property. We have been invested in a number of European and US retail real estate investment trusts (REITs) and the yield differentials have continued to widen as bond yields have tightened. With blue -chip European retail REITs trading on 8% yields, we believe that the value will ultimately emerge.
Our local equity portfolio has continued to perform ahead of the market. We have maintained a solid weighting to resources, which have continued to perform well, particularly more recently on the back of significant price increases in iron ore (which we think are unsustainable). Our very low exposure to Sasol has proved highly beneficial as the share price has collapsed on the disclosure that the Lake Charles Chemicals Project in Louisiana has gone even further over budget and is unlikely ever to make a decent return on the vast capital injected to date. With the share price now below R350, we think the risk-reward has moved in our favour and we are starting to add to our position.

The poor performance of the South African economy remains a very worrying trend and has resulted in us maintaining an overweight position in rand-hedge shares, as well as being exposed to mainly defensive South African businesses. The disappointing State of the Nation Address by the recently-reappointed president Cyril Ramaphosa has left the country directionless, with no policy certainty and no tangible plans on how state-owned enterprises and vast public debts will be managed. It has also further exacerbated the low confidence in the outlook from consumers as well as businesses. While share prices and earnings have collapsed in most sectors, the lack of identifiable growth opportunities leaves us extremely cautious on moving too quickly to invest in a local turnaround.
An area that does look compelling, is the real yields available in the local bond market. Our real yields of circa 4% are the highest globally and above a number of other emerging markets that are already rated sub investment grade. We think the concerns over the potential downgrade by Moody's are overdone, and we doubt that the markets would move much should this happen.
Our local property sector has largely missed the rerating that has occurred in bonds this year. Still weighed down by some of the shenanigans that have played out over the last few years, the market is sceptical of sustainable yields and valuations. Add to this the pressure that retailers are under as well as negative reversions in the office and, increasingly, the retail space, investors have not rewarded the sector with an improved rating. For the careful investor, we think this is an opportune time to pick up some of the better-quality property names on attractive yields, and we have been doing so in the strategy.

Given the uncertainty alluded to in the opening paragraphs, I am sure that the second half of the year will be eventful. We will hopefully start to see some policy decisions in South Africa, the warm-up for the US presidential elections next year, and the choosing of the Democratic Party contender. Should the market start to see signs of a possible loss for President Trump, he will likely respond with more poorly thought-through rhetoric and policies, the impact of which could be significant. As always, a multi-asset strategy such as this portfolio is the perfect vehicle for protecting and growing capital in these uncertain times.