

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)	1,224.1%	926.4%	297.7%
Since Inception p.a.	16.2%	14.5%	1.7%
Latest 15 years p.a.	16.8%	15.2%	1.6%
Latest 10 years p.a.	14.6%	13.8%	0.8%
Latest 5 years p.a.	3.7%	5.4%	(1.7)%
Latest 1 year	0.6%	(2.6)%	3.2%
Year to date	8.9%	3.9%	5.0%
Month	3.0%	(0.2)%	3.2%

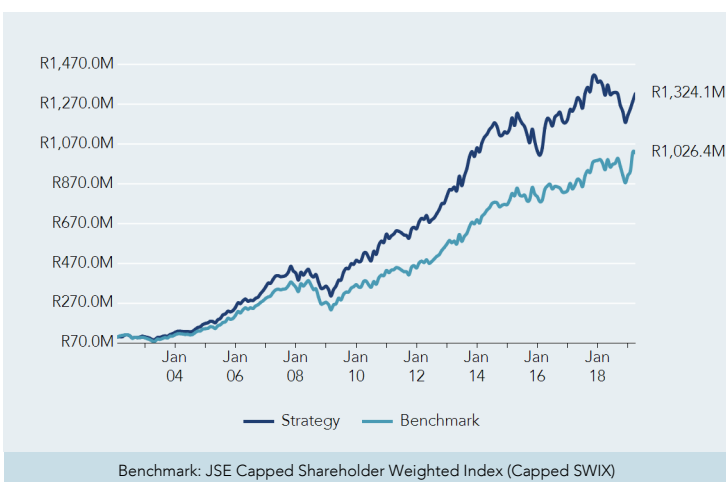
TOP 10 HOLDINGS

Holding	% Strategy
NASPERS LIMITED	10.5%
ANGLO AMERICAN PLC	9.8%
BRITISH AMERICAN TOBACCO PLC	8.3%
MTN GROUP LIMITED	7.4%
STANDARD BANK GROUP LTD	5.5%
NEDBANK GROUP LIMITED	4.2%
MONDI LIMITED	4.1%
NORTHAM PLATINUM LIMITED	3.8%
DISTELL GROUP HOLDINGS LTD	3.6%
QUILTER PLC	3.4%

GENERAL INFORMATION

Inception Date	01 February 2002
Strategy Size	R18.44 billion
Strategy Status	Open
Mandate Benchmark	JSE Capped Shareholder Weighted Index (Capped SWIX)
Dealing Frequency	Daily
Base Currency	ZAR

GROWTH OF R100M INVESTMENT



PERFORMANCE & RISK STATISTICS (Since inception)

	Strategy	Benchmark
Average Annual Return	17.4%	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	24.6%
Financials	24.3%
Consumer Services	19.9%
Consumer Goods	14.9%
Telecommunications	7.4%
Health Care	4.5%

Sector	% Strategy
Industrials	2.0%
Technology	1.4%
Specialist Securities	1.1%
Metals	0.4%
Interest Bearing	(0.5)%

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

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REVIEW FOR THE QUARTER

2018 was one of the toughest years in recent memory. Pleasingly, 2019 has got off to a very good start, with the strategy performing ahead of its benchmark. Performance over the quarter was driven by a combination of a strong mining sector, our selection of rand hedges and being underweight domestic-facing South African stocks.

All mining companies have now reported their annual or interim results for the period to end-December 2018. These results were characterised by a strong performance from bulk metals (iron ore, coking coal, thermal coal and manganese). The theme of strong cash flow, deleveraging and capital returns to shareholders continues. Shares reacted positively to results announcements and a strong commodity price environment, driven by tight supply/demand balances and an abatement of China/US trade war fears.

After a long, frustrating period, platinum group metal (PGM) shares have finally begun to rally. We feel this is a vindication of our disciplined, long-term approach to investing, where our aim is to assess information objectively and dispassionately and try to avoid being swayed by the news and sentiment of the day. Post Dieselgate, negative headlines called for the death of the internal combustion engine and, along with it, platinum demand. PGM prices dropped below marginal costs of production. At the same time, electric vehicle commodities such as lithium and cobalt were rallying strongly (up 3 times). Tesla's share price rose seven-fold in the last seven years and its market capitalisation is comparable to traditional automakers such as General Motors (GM) and Ford, despite the fact that the company has struggled to turn a profit and produces only 3% of the vehicles that GM produces. While we are long-term believers in battery electric vehicles, we expect the process to be evolutionary rather than revolutionary. In the medium term, we also expect PGM demand to surprise positively as a consequence of tightening emissions standards globally. In addition to this, material underinvestment in mine supply over the last decade means it will take many years before a sufficient supply can respond to current market deficits. We therefore expect structural PGM market deficits to persist for at least the next decade.

Over and above the resource sector, a number of the strategy's high-conviction ideas contributed meaningfully to returns during the first quarter. These include Naspers, British American Tobacco and Quilter. Firstly, Naspers benefited from a strong recovery in the Tencent share price as sentiment towards China shifted positively on the back of a reduction in trade war fears and a resumption in the licensing approval process of online games by the Chinese authorities. Naspers also surprised the market in March by announcing the offshore listing and part unbundling of its offshore internet portfolio (i.e. Tencent, Mail.ru, OLX, Food Delivery, et al.) in an effort to try and reduce the discount at which it trades relative to its underlying intrinsic value. While this is certainly no 'silver bullet' that will immediately remove the entire discount, we nevertheless view it as a very positive step in the evolution of the group into a global consumer internet powerhouse and will allow it to access a wider investor base.

The British American Tobacco (BTI) share price (+27% for the quarter) recovered strongly during the quarter on the back of good results which allayed market fears around US volume declines, its debt levels and the outlook for its next-generation products. It also appears that the regulatory headwinds faced by the US business are abating and sentiment is finally starting to turn positive on the stock. Even after this short-term price rally, BTI is still trading on only 9.5 times one-year forward earnings and a 7% dividend yield. We still believe this to be very attractive for a stock of this quality.

Quilter performed very well over the period. Its maiden full-year results materially exceeded market expectations. Quilter also provided medium-term guidance on their profit before tax margin aspirations. At 34%, this too exceeded expectations. The long-term outlook for integrated wealth managers with advice forces at scale remains very attractive. The positive outlook is driven by a combination of a decline in advisers post the implementation of the UK's Retail Distribution Review; pension freedom boosting the demand for advice and opening up the post-retirement market to wealth managers; and a shift away from defined benefit funds to defined contribution funds.

The main disappointment this quarter was Aspen. The company reported its interim results in March which were below market expectations. As a result, the share price sold off aggressively as the market became concerned about the company's high debt levels and the risk of a covenant breach should Aspen not succeed in concluding the sale of its infant milk business. The poor organic growth performance and working capital management added to investor concerns. The business is currently in a transitory phase as management reposition the portfolio to capitalise on future growth opportunities and we continue to believe that the debt load is manageable. Aspen is currently trading on 6 times our assessment of normal earnings and we have been adding to our position on the back of share price weakness.

Stocks exposed to the domestic economy came under significant pressure during the quarter as the realities of operating in a 'no-growth' environment filtered through into corporate earnings. The quarter kicked off with a string of profit warnings from the domestic retailers and the likes of Mr Price (-23%), Massmart (-22%), Truworths (-18.5%) and Dischem (-16%) all ended the quarter materially lower. Eskom remained in the headlines as it hit Stage 4 load shedding in the middle of March. Years of mismanagement, corruption and underinvestment are finally coming home to roost. Although, for now we appear to have received a temporary reprieve from the worst of load shedding, it has become clear that we are only starting to understand the true extent of the power utility's problems and that its numerous issues could indeed take years to rectify. Unfortunately, if persistent load shedding becomes the norm over the next



few years, the impact on consumer sentiment, business confidence and GDP growth will be devastating. We therefore continue to remain cautious on stocks that are heavily exposed to the domestic economy and our preferred holdings are through high-quality domestic defensive stocks that should weather the challenging environment better than their weaker economically-sensitive peers. With the exception of Shoprite, we have not been adding to our domestic exposure.

We are happy with the portfolio positioning and continue to expect to deliver meaningful outperformance over the long term.