CORONATION

GLOBAL ABSOLUTE STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 31 MARCH 2019

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LONG TERM OBJECTIVE

The Coronation Global 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 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)	1,467.3%	216.6%	1,250.7%
Since Inception p.a.	15.0%	6.0%	9.0%
Latest 15 years p.a.	14.1%	5.7%	8.4%
Latest 10 years p.a.	12.2%	5.2%	7.0%
Latest 5 years p.a.	7.2%	5.0%	2.2%
Latest 3 years p.a.	6.5%	4.9%	1.6%
Latest 1 year	8.3%	4.8%	3.5%
Year to date	6.6%	1.7%	4.9%
Month	1.7%	1.1%	0.6%

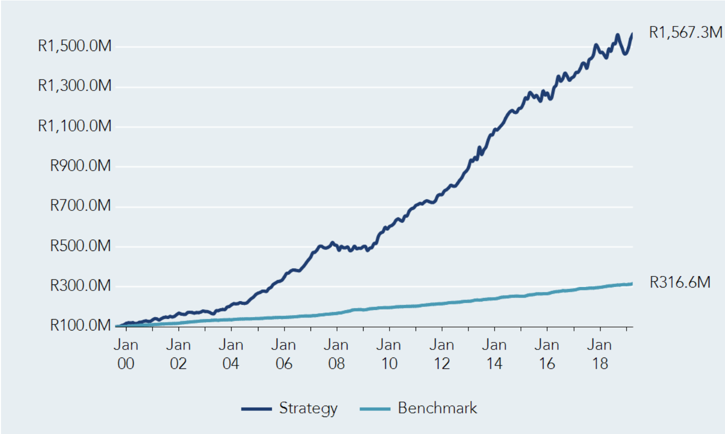
ASSET ALLOCATION

Asset Type	% Strategy
Local Equities	31.9%
Local Bonds	30.2%
Foreign Equities	14.7%
Local Property	6.2%
Cash	5.8%
Foreign Fixed Income	4.0%
Local Commodities	1.7%
Local Hedge Funds	1.6%
Local Preference Shares	1.5%
Foreign Hedge Funds	1.5%
Foreign Property	0.9%

GENERAL INFORMATION

Inception Date	01 August 1999
Strategy Size	R8.77 billion
Strategy Status	Open
Mandate Benchmark	Consumer Price Index (CPI)
Performance Target	CPI + 5% (gross of fees and taxes) over a rolling 3 year period
Dealing Frequency	Daily
Base Currency	ZAR
Regulation 28	Yes

GROWTH OF R100M INVESTMENT



Benchmark: Consumer Price Index (CPI)

TOP 10 HOLDINGS

Holding	% Strategy
CORO GBL EQUITY FOF-Z	12.2%
CORO GBL CAPITAL PLUS-Z	9.1%
NASPERS LIMITED	3.6%
RSA FIX 8.750% 310144	3.1%
BRITISH AMERICAN TOBACCO PLC	2.9%
ANGLO AMERICAN PLC	2.6%
STANDARD BANK GROUP LTD	2.0%
RSA ILB 2.750% 310122	1.9%
NEDBANK LTD FIX 9.440% 120225	1.8%
STANDARD BANK OF SA ILB 5.500% 071223	1.7%

MODIFIED DURATION*

Portfolio	1.4
Fixed Income Assets	4.2

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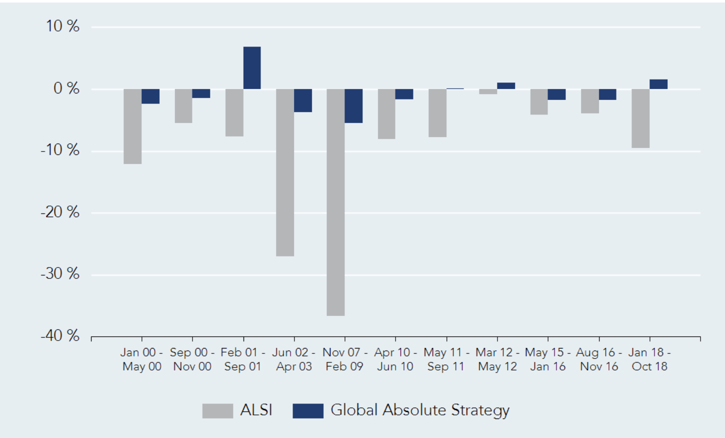
PERFORMANCE & RISK STATISTICS (Since inception)

Average Annual Return	15.3%
Annualised Standard Deviation	7.7%
Highest Monthly Return	8.8%
Lowest Monthly Return	(4.5)%
% Positive Months	70.3%
Downside Deviation	2.9%
Maximum Drawdown	(7.9)%
Sortino Ratio	2.0

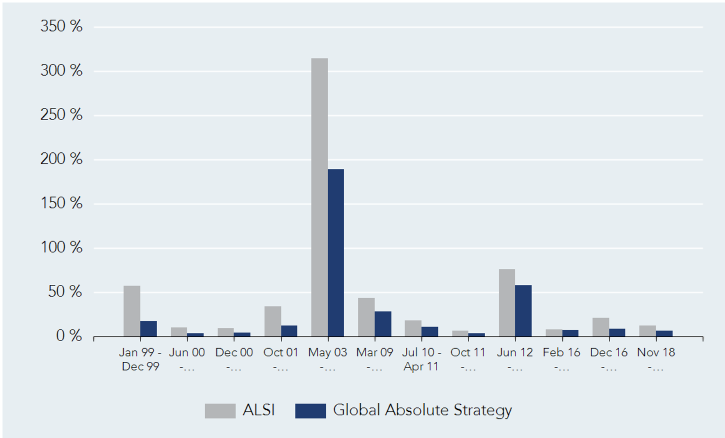
EFFECTIVE MATURITY PROFILE*

Term	% Strategy (incl. Cash)	% Strategy (excl. Cash)
0 to 1 year	0.9%	0.4%
1 to 3 years	6.5%	6.5%
3 to 7 years	10.6%	10.7%
7 to 12 years	8.5%	8.6%
Over 12 years	5.8%	5.8%

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 downswings. As evident from the second graph, the Strategy also enjoyed healthy upside participation in bull markets.

PORTFOLIO MANAGERS

Charles de Kock - BCom (Hons), MCom

Charles heads up the Absolute Return investment unit and is a portfolio manager across all strategies within the unit. He also co-manages the Coronation Balanced Defensive and Capital Plus unit trust funds. Charles has more than 30 years' investment experience, plays a leadership role in the asset allocation process and is involved in all investment discussions.

Pallavi Ambekar - BBusSc, CA (SA), CFA

Pallavi joined Coronation in 2003 and manages assets within Coronation's Absolute Return strategies. In addition, her research responsibilities include shares in the telecommunications, consumer goods, retail and hotel and leisure sectors. Pallavi has 16 years' investment experience.

DISCLAIMER

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

REVIEW FOR THE QUARTER

The first three months of 2019 saw a broad rebound in almost every asset class after a very difficult final quarter in 2018. The S&P 500 posted its strongest first quarter since 1998, gaining 13.7% year to date. Meanwhile, 10-year US Treasuries gained 2.9%, German Bund yields fell below zero and credit spreads saw broad tightening. The repricing in global bond markets was largely driven by a change in expectation for further interest rate hikes in the US to potential rate cuts over the next twelve months. The positive performance also fed through into the South African asset classes. During the quarter, the FTSE/JSE Capped Shareholder Weighted All Share Index (CAPPEDSWIX) returned 3.9%, bonds returned 3.8%, and domestic property continued to lag at 1.3%. Against this backdrop, the strategy had a decent quarter.

The generally strong asset class performances reflect higher investor risk appetite but do not necessarily come with more positivity on the longer-term growth outlook. Growth in both developed and emerging markets is still expected to slow and many key issues remain unresolved. The US and China have yet to come to a trade agreement that is satisfactory to both parties. The Brexit process continues to drag on, with no clear plan. Large emerging markets, such as Brazil and Turkey, have come out of crisis mode but still seem to hit pockets of turbulence.

In line with this, South Africa's growth outlook continues to be muted. Rising commodity prices and increased political stability should have led to a more positive picture. However, Eskom's financial and operational issues have quashed any optimistic momentum. While increased government support has temporarily settled Eskom's financial issues, solving their operational issues will present more of a challenge. We expect that load shedding will be more frequent going forward and will have a negative impact on the current productivity and profitability of South African corporates. Businesses will also delay or scrap new investments and this will negatively impact future growth.

Despite this more cautious outlook, the strategy still has a 75% position in domestic assets. Within this, the largest local allocation is to fixed-income assets and cash (32% of strategy), with a weighted average yield of approximately 9.5%. This yield meets the strategy's mandate of delivering above inflation returns. The risk of a downgrade to our sovereign rating has been delayed, with Moody's deciding not to change their credit outlook at the end of March. While bonds have reacted positively, we think this is a stay of execution rather than an absolute pardon. The risk of a downgrade may still re-emerge in the coming months, but for now the real yields on our portfolio of fixed-income assets remain attractive, given a benign inflation outlook.

We have kept our South African equity exposure fairly constant at around 32% of the portfolio, with a high weighting to rand-hedge shares. Some of our large equity positions, such as British American Tobacco and MTN posted robust recoveries. The British American Tobacco share price (+27%) recovered strongly during the quarter on the back of reporting 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 investor anxiety towards 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, British American Tobacco 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 and it remains the second biggest equity position in the strategy.

Resource counters in particular have had a big re-rating, and we took the opportunity of share price strength to sell out of our Anglo American Platinum position. We have also taken up select small exposures to domestically-focused defensive businesses.

Stocks exposed to the domestic economy came under significant pressure during the quarter as the realities of operating in a 'no-growth' economic 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%) and Dischem (-16%) all ended the period materially lower. Fortunately, the strategy had no exposure to any of these stocks but we did initiate a small position in Dischem as a result of this price action. While we are cautious about our South African growth outlook, our investment discipline is to focus on valuations. If an attractive opportunity presents itself at the right price, we will act accordingly.

South African property shares have continued to deliver a lacklustre performance. Landlords have now finalised an agreement to support Edcon, either via rental reduction or with a recapitalisation. These actions will result in muted distribution growth going forward. While yields are looking reasonable, we have marginally reduced our exposure to domestic property to approximately 6% of portfolio.

At the start of the year our international exposure was relatively low at 22.7%. We bought currency futures to take advantage of attractive exchange rates and currency exposure now sits around 25%. Our offshore exposure is still mainly allocated to global equities. All the underlying international investments have delivered good alpha in the last quarter, further assisted by the rand weakness.

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In summary, the strategy has had an encouraging start to the year. Although the strategy has been ahead of inflation over all time periods, it has only beaten its benchmark over the longer-term time horizons. While the ongoing global uncertainties create much volatility and can result in a range of positive or adverse growth outcomes, our unwavering focus is to build a diversified portfolio that can absorb unanticipated shocks. In this manner, we want to deliver on the strategy's dual mandate of beating inflation over time and protecting capital over all rolling 18-month periods.