CORONATION

CORE EQUITY STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 30 JUNE 2020

CORONATION
TRUST IS EARNED™

LONG TERM OBJECTIVE

The Coronation Core Equity Strategy is our benchmark cognisant offering within our equity product range. The Strategy is constructed with 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 with reference to a benchmark based on the relative risk-adjusted upside to fair value of each underlying security.

STRATEGY RETURNS GROSS OF FEES

Period	Strategy	Benchmark	Active Return
Since Inception (cumulative)	976.9%	735.3%	241.6%
Since Inception p.a.	15.7%	13.9%	1.8%
Latest 15 years p.a.	14.0%	12.5%	1.5%
Latest 10 years p.a.	11.5%	10.6%	0.9%
Latest 5 years p.a.	2.2%	2.1%	0.2%
Latest 1 year	(3.6)%	(6.1)%	2.5%
Year to date	(5.6)%	(6.3)%	0.7%
Month	6.5%	8.1%	(1.6)%

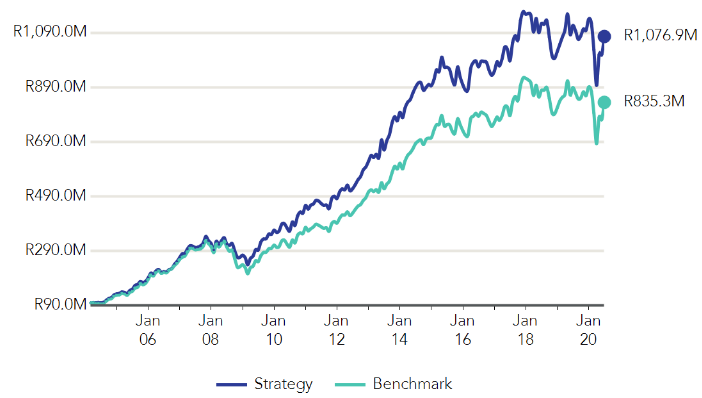
TOP 10 HOLDINGS

Holding	% Strategy
NASPERS LIMITED	28.1%
BRITISH AMERICAN TOBACCO PLC	7.3%
ANGLO AMERICAN PLC	5.3%
PROSUS	5.3%
NORTHAM PLATINUM LIMITED	4.3%
ASPEN PHARMACARE HOLDINGS LTD	3.6%
FIRSTRAND LIMITED	3.6%
STANDARD BANK GROUP LTD	3.0%
WOOLWORTHS HOLDINGS LIMITED	2.6%
SPAR GROUP	2.5%

GENERAL INFORMATION

Inception Date	01 March 2004
Strategy Size	R10.16 billion
Strategy Status	Open
Mandate Benchmark	FTSE/JSE Africa Shareholder Weighted Index (SWIX)
Dealing Frequency	Daily
Base Currency	ZAR

GROWTH OF R100M INVESTMENT

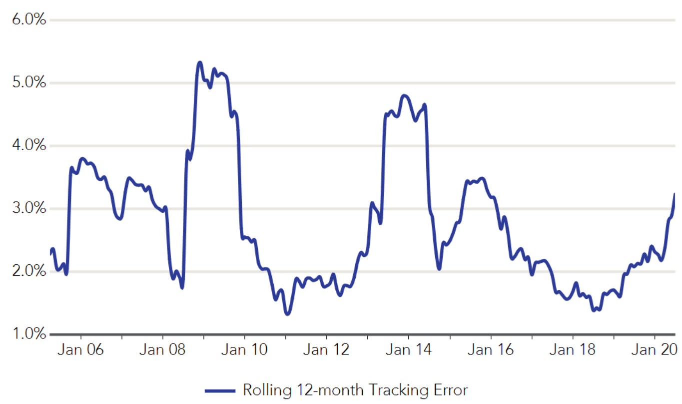


Benchmark: FTSE/JSE Africa Shareholder Weighted Index (SWIX)

PERFORMANCE & RISK STATISTICS (Since inception)

	Strategy	Benchmark
Average Annual Return	16.9%	15.1%
Tracking Error	3.0%	
Information Ratio	0.6	
Annualised Standard Deviation	14.6%	14.9%
Maximum Drawdown	(30.1)%	(37.0)%

TRACKING ERROR



SECTOR EXPOSURE

Sector	% Strategy	Sector	% Strategy
Consumer Services	39.9%	Health Care	4.1%
Financials	18.8%	Telecommunications	2.3%
Basic Materials	17.1%	Metals	1.7%
Consumer Goods	10.4%	Industrials	0.1%
Technology	5.4%	Interest Bearing	0.2%

PORTFOLIO MANAGERS

Quinton Ivan - BBusSc, Bcom (Hons), CA (SA), CFA

Quinton is head of SA Equity research and co-manages Coronation's Core Equity Strategy and the Presidio Hedge Fund. He also has research responsibilities for a number of retail, pharmaceutical and construction stocks. Quinton joined Coronation in 2005 and has 15 years' investment experience.

Neill Young - BBusSc, CA (SA), CFA

Neill joined Coronation in 1998 and co-manages Coronation's Core Equity Strategy and the Coronation Financial unit trust fund. His research responsibilities extend to the banking sector as well as a number of financial stocks. Neill has 22 years' investment experience.

DISCLAIMER

REVIEW FOR THE QUARTER

This was a strong period for asset class returns, with the Portfolio returning strong double digit returns for the second quarter of the year (Q2-20). The Portfolio has performed well against equity indices over meaningful, longer-term periods.

Following on from the record decline in equity markets during the first quarter of 2020, Q2-20 saw a rapid recovery. The MSCI All Country World Index recovered 19.2% in US dollars during the quarter, reflecting the huge amounts of fiscal and monetary stimulus being injected into the global economy. The MSCI Emerging Markets Index was up 18.1% in US dollars for the quarter, but still declined (-3.4%) over twelve months. We remain concerned about the ability of lower-income emerging markets to withstand the economic shock, given their limited ability to provide financial support to businesses and households.

Along with its global counterparts, the JSE Capped Shareholder Weighted Index experienced a significant rebound during the quarter (+21.6%), but remains down (-10.7%) for the year to date. All sectors saw rising returns. The resources sector (+41.2%), with its high offshore exposure, outperformed industrials (+16.6), financials (+12.9%) and property (+20.4%).

The portfolio remains skewed to rand hedge stocks, which are attractive for stock-specific reasons and should also benefit from exposure to economies that are expected to rebound more rapidly. We added to Anheuser-Busch InBev (+9.1%) after it sold off meaningfully. Buying was largely funded by a reduction in the size of Naspers and British American Tobacco holdings, both of which have performed well and remain considerable holdings for the portfolio.

In the case of Anheuser-Busch InBev, poor results, growing concerns around Covid-19-related weaker beer consumption and high debt levels saw the share sell off markedly towards the end of the first quarter. We were able to acquire shares at a price of less than 10 times our assessment of normal earnings. Subsequent clearance by Australia's competition authority to dispose of an Australian subsidiary will assist in the de-gearing process. The stock is attractively priced for a global staples business, benefitting from the compelling economics of the brewing industry.

Domestic holdings remain concentrated in the higher-quality South African (SA) stocks such as the food retailers (Shoprite, Spar), whose more resilient business models are best placed to weather the very tough SA macroeconomic environment. Having held up well during the first quarter's sell-off, many of these underperformed during the second quarter, with the food and drug retail sector declining -2.0%.

During the quarter we added to our position in Woolworths. In Woolworths Food, you have one of SA's best businesses, making up around 40% of our assessment of normal earnings and fair value. It is defensive and continues to gain market share, with its high levels of product innovation. The remaining businesses consist of Clothing & Home SA, Country Road and David Jones. All three divisions are operating well below normal and offer upside in revenue and profitability. The opportunity to take out costs in David Jones is a material underpin to this, and, up to this point, the market has taken a very dim view of management's ability to execute on this aspect. We are more constructive on this and, for investors willing to take a longer-term view, we see an attractive risk-versus-reward opportunity from a business that trades on 7 times earnings three years out, offering a 7.5% dividend yield three years out.

We acknowledge that many of the more cyclical domestic businesses look cheap, but we are concerned that the long-term headwinds they face are considerable and strengthening. Weak revenue prospects due to an already weak economy are now expected to be compounded by rising retrenchments, which will ultimately feed through to consumer demand. An underweight in domestic stocks continued to benefit the portfolio.

Aspen shares delivered a 55% return for the quarter. Aspen demonstrated good FCF generation at its interim result. This, coupled with the disposal of its Japanese business, which was approved this year, has allayed investor fears over its levels of debt. Despite initial fears, demand for Aspen's products has remained robust throughout the Covid-19 pandemic. Two avenues provide interesting upside optionality. There is evidence of increased blood clotting in some Covid-19 patients. Anti-coagulants, a key product line for Aspen, is able to assist in this regard. Secondly, early evidence from a UK trial testing the drug Dexamethasone on Covid-19 patients has displayed promising results. Aspen owns the rights to manufacture and distribute the drug in a number of countries. Despite the share price having recovered from its 2019 lows, it still only trades on 8 times our assessment of normal earnings, which do not factor in any upside optionality discussed. We consider this attractive.

Resources rebounded strongly during the quarter (+41.2%) as the demand outlook for commodities improved due to a resurgent Chinese economy and the easing of restrictions elsewhere. Covid-19-related supply disruptions also tightened markets. This benefitted the portfolio's increased exposure to resources, with sizeable positions in Anglo American (+31.9%) and the platinum shares. Platinum miners rose as concerns over weak automotive demand subsided and major markets reaffirmed their commitment to a reduction in emissions. The portfolio remains invested in Impala Platinum (+53.2%) and Northam Platinum (+67.4%).

The gold price continued its upwards trajectory (+12.9% Q2-20 /+26.4% over twelve months), given investor concerns around building risks in the financial system and monetary debasement. While the portfolio benefits from some direct exposure to gold, we do not hold a position in the producers, whose capital intensity and high-cost mines have resulted in lacklustre returns to shareholders over time.

The market correction began at a point when investors were still being bombarded daily with negative news flow on the extent of the pandemic's economic shockwave. The massive sell-off had created a value opportunity. We retain our commitment to look through the short-term noise and use valuation as our anchor point when investing; selecting assets where we believe the market is mispricing the long-term fundamentals.