CORONATION

GLOBAL ABSOLUTE STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 30 JUNE 2020

CORONATION TRUST IS EARNED™

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)	1,533.4%	226.7%	1,306.7%
Since Inception p.a.	14.3%	5.8%	8.5%
Latest 20 years p.a.	13.8%	5.7%	8.1%
Latest 15 years p.a.	12.0%	5.6%	6.4%
Latest 10 years p.a.	10.0%	5.0%	5.0%
Latest 5 years p.a.	5.5%	4.5%	1.0%
Latest 3 years p.a.	5.4%	3.7%	1.7%
Latest 1 year	2.6%	2.2%	0.4%
Year to date	(0.4)%	0.9%	(1.3)%
Month	2.1%	0.0%	2.2%

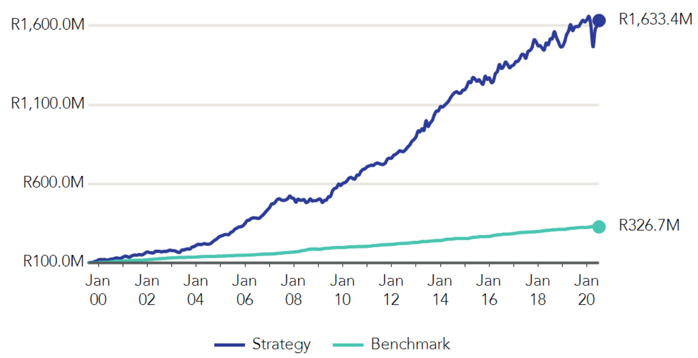
ASSET ALLOCATION

Asset Type	% Strategy
Local Bonds	36.2%
Local Equities	29.5%
Foreign Equities	17.2%
Cash	7.7%
Local Commodities	2.9%
Local Property	2.3%
Local Hedge Funds	2.0%
Foreign Fixed Income	1.9%
Local Preference Shares	0.2%
Foreign Property	0.1%

GENERAL INFORMATION

Inception Date	01 August 1999
Strategy Size	R7.07 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	16.9%
RSA FIX 8.875% 280235	5.3%
CORO GBL CAPITAL PLUS-Z	4.9%
NASPERS LIMITED	3.6%
BRITISH AMERICAN TOBACCO PLC	3.1%
STANDARD BANK OF SA ILB 5.500% 071223	2.5%
ANGLO AMERICAN PLC	2.4%
RSA FIX 8.750% 310144	2.2%
FIRSTRAND BANK LTD ILB 5.500% 071223	2.0%
CORONATION GEM EQUITY FUND	1.8%

MODIFIED DURATION*

Portfolio	1.6
Fixed Income Assets	4.2

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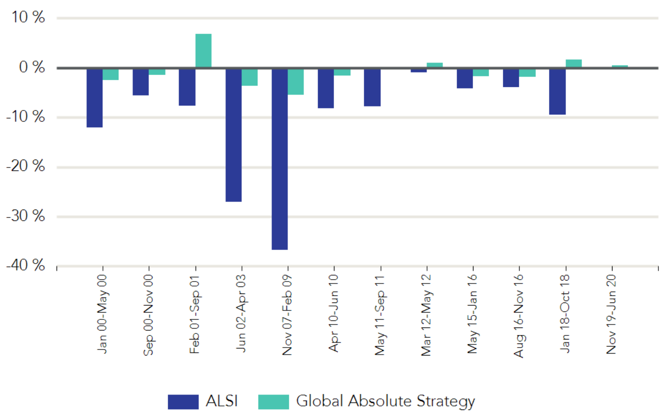
PERFORMANCE & RISK STATISTICS (Since inception)

Average Annual Return	14.6%
Annualised Standard Deviation	7.9%
Highest Monthly Return	8.8%
Lowest Monthly Return	(8.1)%
% Positive Months	70.5%
Downside Deviation	3.4%
Maximum Drawdown	(11.5)%
Sortino Ratio	1.6

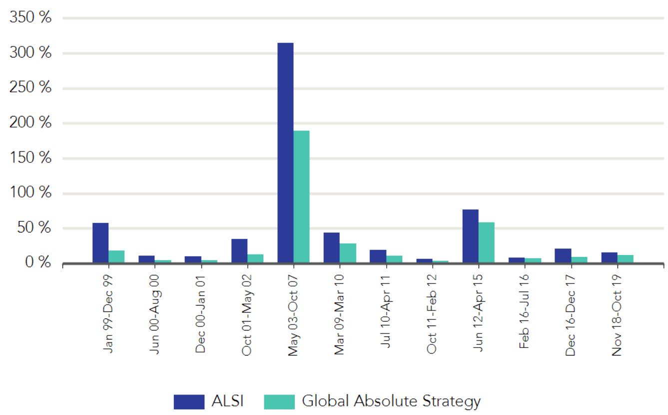
EFFECTIVE MATURITY PROFILE*

Term	% Strategy (incl. Cash)	% Strategy (excl. Cash)
0 to 1 year	2.6%	3.0%
1 to 3 years	5.5%	5.5%
3 to 7 years	12.8%	12.8%
7 to 12 years	7.7%	7.7%
Over 12 years	9.9%	9.9%

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 is co-head of the Absolute Return investment unit and 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 is co-head of the Absolute Return investment unit and a portfolio manager across all strategies within the unit. She also co-manages the Coronation Balanced Defensive and Capital Plus unit trust funds. Pallavi has 17 years' investment experience. She also has research responsibility for certain large capitalisation shares listed on the JSE.

DISCLAIMER

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

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REVIEW FOR THE QUARTER

The Covid-19 pandemic remains the dominant feature on the global and domestic newsfront. There are now more than 10 million cases of infection reported worldwide and over half a million deaths globally. The numbers will continue to rise, although in some regions, such as China, most of Europe, Japan, Australasia and the rest of Asia, the rate of new infections seem to have been brought well under control. Those economies are re-opening and life is getting back to normal. In most of the emerging world and in the US, the situation is worse. Poor adherence to lockdown regulations or a lack of strict rules on social distancing seems to be to blame. The result is that these economies are going to take far longer to return to normality.

The monetary and fiscal response to this crisis has been massive in just about all regions of the world. Financial markets have consequently shown a remarkable rebound from the devastation of the first quarter. The MSCI rebounded 19.2% in the quarter, measured in US dollars and the emerging markets followed with a 18.1% surge. The JSE was also very strong and the Capped Swix showed a return of 21.6% measured in rands. Our bonds also staged a robust recovery after the South African Reserve Bank (SARB) stepped in to provide liquidity to the market in addition to its aggressive rate cuts. The All Bond Index (ALBI) returned 9.9% for the quarter, bringing the year-to-date number into positive territory.

The strategy therefore showed a strong rebound with a return of over 11% for the quarter. The 1-year return is also positive, reversing the negative 12-month return reported at the end of March 2020. The 3-year and 5-year returns are ahead of inflation but unfortunately not yet at the targeted level.

The strongest performance in our portfolio this quarter came from the platinum-group metals (PGM) miners. Last quarter, we were surprised at the divergence between PGM share prices and the underlying fundamentals, with producers Northam Platinum and Impala Platinum having fallen 44% and 46% respectively. This reversed in the second quarter, with the shares rising 69% and 54% respectively. South Africa is the largest source of primary mine supply. While the lockdown will hurt near-term earnings, shutting mines kept supply/demand balances in check and supply tight. We continue to forecast meaningful deficits in the coming years, which underpins our expectations of strong PGM pricing. We switched some Northam Platinum into Impala Platinum but retain a sizeable position in Northam.

The diversified miners also performed strongly over the quarter. Anglo American and Exxaro increased by over 30%. China accounts for over 50% of demand for many of the commodities supplied by these diversified majors. China's recovery in economic activity as they emerged from lockdown was sharper and faster than most expected. For example, Chinese steel demand is up year to date. This coupled with their announced stimulus plans, buoyed commodity prices. On the supply side, curtailments assisted across many commodities. None more so than iron ore, where strong demand, coupled with poor shipments from Brazil's Vale, saw iron ore prices exceed $100/t.

Other trades implemented within domestic equities included adding to our Bidcorp and Anheuser-Busch InBev positions. These two companies operate in the global space and should reap some benefits of the recovering global economy.

Bidcorp is a well-run food services business with a long-term growth opportunity. It has grown through international expansion but also in-country by expanding product ranges and getting closer to customers. Bidcorp's investments in local distribution centres and focus on small, profitable customers enable it to distinguish itself with high levels of service. While the Covid-19 pandemic has restricted out-of-home food consumption, we believe the long-term aspiration remains intact. This was evident in the rapid resumption that Bidcorp has witnessed in its Chinese operations. Bidcorp is expected to continue its growth trajectory and trades on 15 times earnings three years out.

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 stocks such as the food retailers (Shoprite, Spar), whose more resilient business models are best placed to weather the very tough South African 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%.

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 strategy.

The gold price continued its upward trajectory (+12.9% Q2-20 / +26.3% over twelve months) given investor concerns around building risks in the financial system and monetary debasement. While the strategy benefits from some direct exposure to gold (approximately 1.5% of portfolio), 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.

Listed property has been the 'ground zero' of the economic impact of the global lockdowns. Impacting retail centres and office blocks as shelter-in-place instructions have seen massively changed behaviour. While it is too soon to be able to call how quickly life returns to normal, and to what extent work-from-home and online purchasing becomes the new normal, one has been able to identify some of the winners and losers from these levels. Companies with sufficiently strong balance sheets or defensively positioned assets with defendable levels of rental will survive. This is a sector in which many more opportunities will present themselves over time as stressed balance sheets result in distressed selling of quality assets. We continue to assess these opportunities on a case-by-case basis.

The All Bond Index (ALBI) returned 9.9% for the quarter, bringing the year-to-date number into positive territory. After adding to bonds during the crisis in March, we reversed some of those purchases during this quarter as long-term bond rates recovered, however bond exposure still makes up over a 1/3rd of the portfolio. The South African fiscal situation has deteriorated alarmingly and a budget deficit of near 15% of GDP is now expected this financial year. The additional bond issuance will keep pressure on the market, and we are concerned about the possibility of entering a debt trap. Although real yields appear very attractive, the risk has also increased, and we will not add more duration risk at this point.

In the global portion of the strategy, we were also very active, adding to global equities and then, later in the quarter, we bought some put protection on the view that the markets had raced up too fast and a second wave of the pandemic was not priced in. On the global bond side, we remain very underweight government bonds. Currently 90% of the world's developed market bonds by value are trading with yields below 1%, a truly staggering statistic. Should any inflation return to the system (always a risk given the unprecedented money printing we have seen), there will be significant losses in this asset class.

The outlook in the midst of this unfolding pandemic remains murky. However, the unprecedented stimulus and massive liquidity provided is positive for the markets. In addition, inflation is far lower than expected over the near term and the SARB has acted aggressively to cut interest rates to the lowest level we have seen in many years. This is supportive of risk assets. Returns on cash will likely be below 4% for the next few years, a rate unlikely to exceed inflation. In order to reach our targeted return, a reasonable exposure to risk assets will therefore be required.

Over the longer term, we are watchful of a resurgence in inflation globally as well as locally, as there will eventually have to be a cost of the massive monetary and fiscal stimulus provided in attempts to limit the devastating impacts of the lockdown on economies around the world.