

LONG TERM OBJECTIVE

The Coronation Houseview Equity Strategy represents our best investment view for an equity mandate. The portfolio is constructed on a clean-slate basis with no reference to a benchmark. It seeks to identify the best risk adjusted returns in the market and aims 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)	4,657.4%	2,699.7%	1,957.8%
Since Inception p.a.	15.5%	13.3%	2.3%
Latest 20 years p.a.	15.1%	12.9%	2.1%
Latest 15 years p.a.	13.6%	11.8%	1.8%
Latest 10 years p.a.	11.0%	9.6%	1.4%
Latest 5 years p.a.	1.7%	0.3%	1.4%
Latest 1 year	0.4%	(10.8)%	11.1%
Year to date	(5.4)%	(10.7)%	5.3%
Month	5.7%	7.0%	(1.3)%

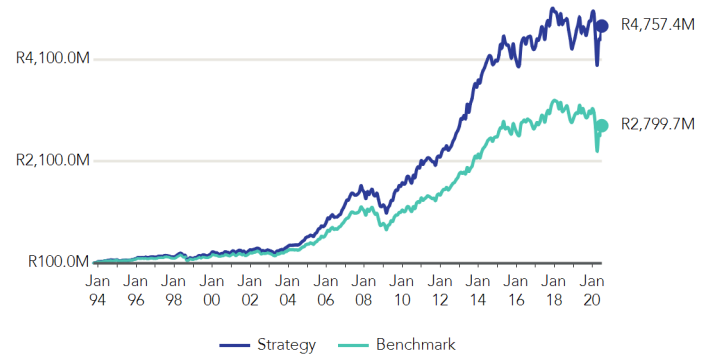
TOP 10 HOLDINGS

Holding	% Strategy
NASPERS LIMITED	17.0%
ANGLO AMERICAN PLC	9.5%
BRITISH AMERICAN TOBACCO PLC	7.1%
QUILTER PLC	5.9%
FIRSTSTRAND LIMITED	5.3%
PROSUS	5.3%
ASPEN PHARMACARE HOLDINGS LTD	4.1%
BID CORPORATION LIMITED	3.9%
IMPALA PLATINUM HOLDINGS LTD	3.7%
SHOPRITE HOLDINGS LIMITED	3.6%

GENERAL INFORMATION

Inception Date	01 October 1993
Strategy Size	R37.46 billion
Strategy Status	Open
Mandate Benchmark	JSE Capped Shareholder Weighted Index (Capped SWIX*)
Dealing Frequency	Daily
Base Currency	ZAR

GROWTH OF R100M INVESTMENT



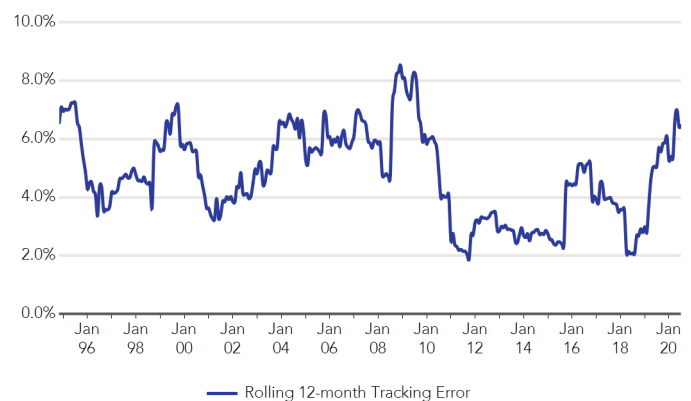
Benchmark: JSE Capped Shareholder Weighted Index (Capped SWIX*)

*FTSE/JSE Capped Shareholder Weighted Index from 01 May 2017. Previously 50 Low Resources (inception to 31 January 2002) and FTSE/JSE Shareholder Weighted Index (01 February 2002 to 30 April 2017).

PERFORMANCE & RISK STATISTICS (Since inception)

	Strategy	Benchmark
Average Annual Return	17.3%	15.0%
Tracking Error	4.4%	
Information Ratio	0.5	
Annualised Standard Deviation	17.5%	17.5%
Maximum Drawdown	(40.8)%	(41.0)%

TRACKING ERROR



SECTOR EXPOSURE

Sector	% Strategy
Consumer Services	30.9%
Basic Materials	21.9%
Financials	19.8%
Consumer Goods	12.0%
Technology	6.7%
Health Care	5.1%

Sector	% Strategy
Derivatives	1.5%
Industrials	1.4%
Telecommunications	0.1%
Interest Bearing	0.6%

PORTFOLIO MANAGERS



Karl Leinberger - BBusSc, CA (SA), CFA

Karl is Chief Investment Officer (CIO) and manager of Coronation's Houseview strategies. He joined Coronation in 2000 as an equity analyst, was made head of research in 2005 and became CIO in 2008. Karl has 20 years' investment experience.



Sarah-Jane Alexander - BBusSc, CFA

Sarah-Jane manages assets within the Coronation Houseview Equity Strategy. She also co-manages Coronation's Houseview balanced strategies and has research responsibilities across a range of food producers and hospital stocks, among others. Sarah-Jane joined Coronation in 2008 as an equity analyst and has 16 years' investment experience.



Adrian Zetler - BAcc, BCom (Hons), CA (SA), CFA

Adrian is co-manager across all Coronation's Houseview strategies as well as the Coronation Industrial unit trust fund. His research responsibilities span several industrial stocks, including media, paper and luxury goods companies. Adrian joined Coronation in 2009 and has 11 years' investment experience.

DISCLAIMER

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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 its peer group over all meaningful, longer-term periods.

Following on from the record decline in equity markets during the first quarter of 2020, the second quarter 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.

The FTSE World Government Bond Index rose (+2%) in US dollars for the quarter as markets remained indifferent to the risk that high and growing levels of government indebtedness present to bondholders.

The All Bond Index (ALBI) returned 9.9% for the quarter, bringing the year-to-date number into positive territory. SA's bonds continue to offer attractive yields in a low inflation environment. However, the deteriorating fiscal position will require meaningful issuance to strategy in the coming years and increases the risk of a debt trap. While June's supplementary budget acknowledged the challenge, it will take considerable political will to implement the level of structural reform required. We continue to watch this closely. The Covid-19-related demand shock provided the opportunity to add well-priced protection (in the form of Inflation-Linked Bonds) against the longer-term risks of a rise in inflation. The rand strengthened slightly against the US dollar (2.9%) but has still declined meaningfully year to date (-19.3%), reflecting the damage the Covid-19 economic shock has wrought on an already weak economy.

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. Resources (+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. Early in the quarter we added meaningfully to positions in Bidcorp (+33.3%) and Anheuser-Busch InBev (+9.1%), as both had 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.

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 portfolio.

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 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 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.