CORONATION

CORE EQUITY STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 31 DECEMBER 2021

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)	1,347.3%	1,007.7%	339.6%
Since Inception p.a.	16.2%	14.4%	1.8%
Latest 15 years p.a.	11.9%	10.2%	1.7%
Latest 10 years p.a.	11.6%	10.9%	0.7%
Latest 5 years p.a.	8.8%	7.8%	1.0%
Latest 1 year	21.1%	21.1%	0.0%
Year to date	21.1%	21.1%	0.0%
Month	4.0%	4.6%	(0.6)%

TOP 10 HOLDINGS

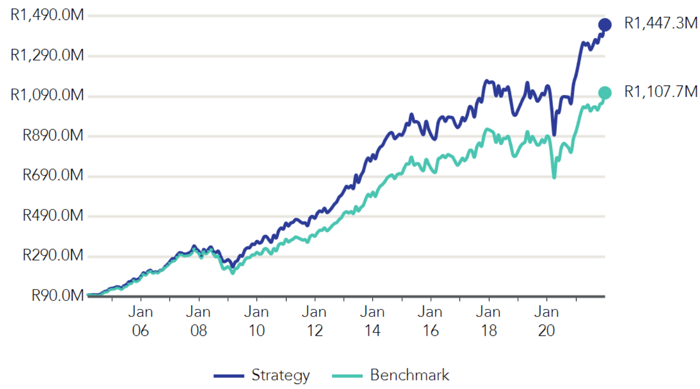
Holding	% Strategy
PROSUS	11.9%
ANGLO AMERICAN PLC	8.8%
FIRSTRAND LIMITED	5.7%
NASPERS LIMITED	5.5%
BRITISH AMERICAN TOBACCO PLC	5.4%
STANDARD BANK GROUP LTD	4.0%
ASPEN PHARMACARE HOLDINGS LTD	3.6%
GLENCORE XSTRATA PLC	3.2%
BID CORPORATION LIMITED	3.0%
SHOPRITE HOLDINGS LIMITED	2.9%

GENERAL INFORMATION

Inception Date	01 March 2004
Strategy Size *	R11.71 billion
Strategy Status	Open
Mandate Benchmark	FTSE/JSE Africa Shareholder Weighted Index (SWIX)
Dealing Frequency	Daily
Base Currency	ZAR

*Strategy assets under management as at the most recent quarter end.

GROWTH OF R100M INVESTMENT

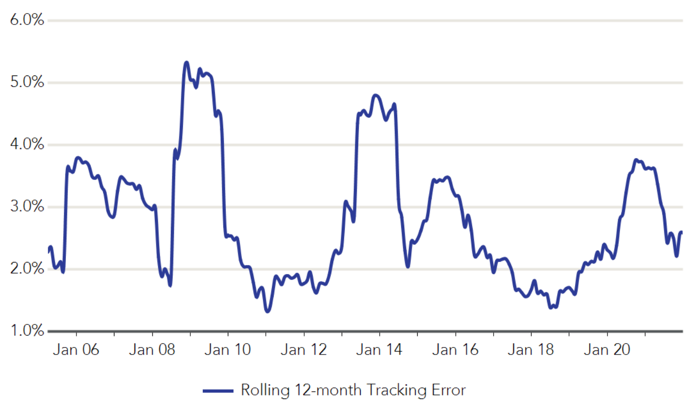


Benchmark: FTSE/JSE Africa Shareholder Weighted Index (SWIX)

PERFORMANCE & RISK STATISTICS (Since inception)

	Strategy	Benchmark
Average Annual Return	17.3%	15.6%
Tracking Error	3.0%	
Information Ratio	0.6	
Annualised Standard Deviation	14.3%	14.6%
Maximum Drawdown	(30.1)%	(37.0)%

TRACKING ERROR



SECTOR EXPOSURE

Sector	% Strategy
Financials	23.8%
Basic Materials	22.8%
Consumer Services	22.4%
Technology	11.9%
Consumer Goods	6.6%
Telecommunications	4.2%
Health Care	3.6%
Energy	1.9%
Consumer Staples	1.5%
Industrials	0.8%
Metals	0.3%
Interest Bearing	0.2%

PORTFOLIO MANAGER

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 16 years' investment experience.

REGULATORY DISCLOSURE AND DISCLAIMER

REVIEW FOR THE QUARTER

The Strategy has delivered high absolute returns over the last quarter and year but has however disappointingly lagged the benchmark. Despite this, longer term performance remains credible.

It was another strong year for global markets as the MSCI All Country World Index ended the year up 19% in USD. Markets shrugged off the rise in infections caused by the Omicron variant to deliver a 7% rise in the fourth quarter (Q4-21), including 4% in December. China fared worse, with the index declining -22% (USD) as government regulation of the economy has become increasingly intrusive and capricious. While the risks are high, Chinese technology stocks trade at extremely attractive valuations with considerable discounts to their developed market peers. The Portfolio is exposed to China through holdings in Naspers/Prosus and commodity stocks.

The South African (SA) economy is recovering after the deep recession of 2020. The economy is forecast to return to its pre-Covid levels in 2022, a year earlier than previously expected. This better economic performance, combined with improved governance and a commitment to fiscal sustainability, should be sufficient for SA to navigate its fiscal challenges for the next few years. The improved fiscal situation was reflected in the upgrade by Fitch Ratings of SA's credit rating outlook from negative to stable. Longer term, economic growth remains critical to avoid a debt trap. Challenges include unstable power supply, structurally high unemployment, a poor education system, declining productivity, and slow policy reform. High levels of social inequality and unemployment came to the fore in Q3-21 with the outbreak of looting across KwaZulu-Natal. The rand declined -8.5% against the USD for the year (-5.8% for Q4-21).

Like global markets, local markets ended the year strongly, with the JSE Capped SWIX Index delivering 9% in rands in Q4-21 to end the year up 27%. We believe SA equities are cheap, given the breadth of value across sectors, including resources, global stocks that are locally listed and domestic shares. There was broad strength, with the resource sector delivering 32% for the year (22% for the quarter), financials 30% (3% for the quarter) and industrials 26% (16% for the quarter) despite the pressure on major constituent Naspers (-18% for the year and -1% for the quarter).

The Portfolio has meaningful exposure to several within the resources sector, holdings in the diversified miners (Glencore +80% for the year and Anglo American +46% for the year) have contributed strongly to performance over the past few years. Strong demand, driven by recovering economies and decarbonisation, along with disciplined capital expenditure have supported tight markets. The diversified miners continue to offer good value with low multiples and solid free cash flow generation. During the year, proceeds from the PGM shares were recycled into gold equities (AngloGold and Goldfields) which offer upside and reasonably priced protection against stretched sovereign balance sheets and the risk of structurally higher inflation. Both have improved their production profiles and geographic diversification. We anticipate a period of increased returns to shareholders under their new leadership teams.

Global businesses that are listed in SA. These include Naspers (-18% for the year, -1% for the quarter)/Prosus (-18% for the year, +9% for the quarter), British American Tobacco (+16% for the year, +13% for the quarter), Bidcorp (+26% for the year, +2% for the quarter), Quilter (+6% for the year, +9% for the quarter), Textainer (+103% for the year, +8% for the quarter) and Aspen (+81% for the year, -17% for the quarter). Aspen is negotiating a potentially accretive disposal of its API business and a vaccine licensing deal from J&J to supply the African Union. The weaker fourth quarter return from Aspen reflects high expectations at the onset.

The Portfolio has a considerable holding in Naspers/Prosus that we believe to be materially undervalued. This is because of the low value being attributed directly to Tencent and the discounts which exist at the holding company level. The investment risk has increased with China's regulatory interventions and the threat to foreign capital. Thus far, regulations affecting technology companies are broadly consistent with what we see elsewhere, covering fintech, Antitrust law, data security, and gig employee labour protection. Tencent is a formidable company that generates good free cash flows, has a very engaged user base and is growing businesses across multiple verticals. None of the restrictions thus far are expected to meaningfully change Tencent's prospects. An investment in Naspers/Prosus offers a cheap entry point to Tencent and provides access to an attractive investment portfolio.

Detractors from returns for the quarter included underweight positions in Richemont and MTN. Richemont delivered an astounding 55% for the quarter on the back of very strong six-month results to September 2021, during which sales grew to levels in excess of those they achieved before the start of the Covid-19 pandemic and that, combined with strong cost control, saw a significant improvement in operating margins. The luxury sector has been resilient during the pandemic as wealthy buyers, unable to spend on experiences and international holidays, channelled their spend into this category. Richemont is a great company that owns very strong luxury brands with good growth prospects, particularly in the branded jewellery space. However, we believe that the current valuation already prices in these quality and growth attributes, with very little to no margin of safety.

MTN has had a strong performance (+184% for the year, +21% for the quarter) and whilst we were believers in the operational turnaround, we were very concerned about the outlook for the Nigerian economy and the regulatory risk within Nigerian Telecoms. Improved stakeholder relations and the likely conclusion of a mobile money licence in Nigeria does however support future earnings growth.

Domestic companies continued to report results ahead of our expectations throughout 2021 due to more resilient economic activity and stringent cost control. We believe attractive stock picking opportunities exist either from businesses with specific opportunities like Dis-Chem (+71% for the year, +20% for the quarter), RMI (+43% for the year, +21% for the quarter) or Transaction Capital (+83% for the year) or even in more mature industries like banking or food retail where those with strong franchises that have continued to invest should benefit from share gain. Shoprite (+54% for the year, +17% for the quarter) demonstrated this during the fourth quarter by surprising the market with the strength of their sales growth. This is a management team that has invested behind their business, building distribution centre capacity, updating systems, and embracing digitisation. Their progress in building out a data-driven business built around the consumer is impressive.

RMI has been restructuring to create a focused property and casualty insurance company. The restructuring initially announced should unlock shareholder value as the unbundling of holdings in MMI and Discovery reduces the conglomerate discount and improves investor focus on the underlying assets (specifically OUTsurance). OUTsurance is a quality business that we expect to deliver double-digit earnings growth while generating high returns. The attractiveness of the restructuring proposal was increased during the quarter when RMI received a generous offer for their stake in Hastings. The resultant cash inflow and associated degearing will enable RMI to avoid the rights issue required to achieve the initial unbundling and improve the dividend flowthrough from the very cash generative OUTsurance business. Despite the share price moves during the quarter, this remains an attractive investment with the core OUTsurance asset trading at a low look-through multiple relative to its high-quality nature and strong growth prospects, particularly in Australia.

Whilst headwinds exist in the domestic economy, we believe domestic assets are well priced for the risks and should offer attractive returns off these low starting prices.