CORONATION

AGGRESSIVE EQUITY STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 30 JUNE 2021

CORONATION TRUST IS EARNED™

LONG TERM OBJECTIVE

The Coronation Aggressive Equity Strategy is our aggressive offering within our equity product range. The Strategy is constructed on a clean-slate basis with no 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 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)	1,685.9%	1,102.3%	583.5%
Since Inception p.a.	16.0%	13.7%	2.3%
Latest 15 years p.a.	13.0%	10.7%	2.3%
Latest 10 years p.a.	11.1%	9.9%	1.2%
Latest 5 years p.a.	9.0%	4.4%	4.5%
Latest 1 year	35.5%	27.6%	8.0%
Year to date	15.0%	13.3%	1.7%
Month	(2.5)%	(3.0)%	0.5%

TOP 10 HOLDINGS

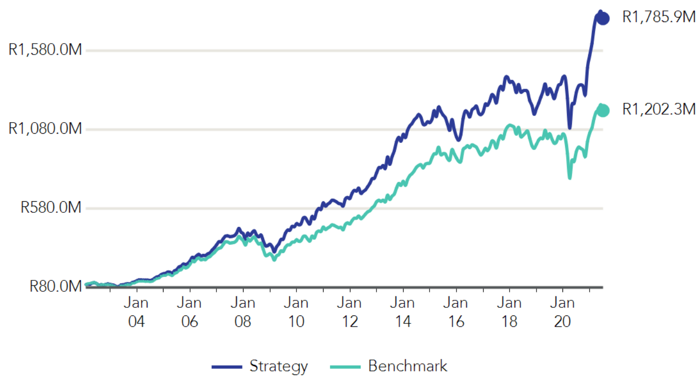
Holding	% Strategy
NASPERS LIMITED	13.4%
ANGLO AMERICAN PLC	12.0%
NEDBANK GROUP LIMITED	7.8%
GLENCORE XSTRATA PLC	6.5%
BRITISH AMERICAN TOBACCO PLC	5.5%
MOMENTUM METROPOLITAN HOLDINGS	5.1%
STANDARD BANK GROUP LTD	5.1%
QUILTER PLC	4.6%
EXXARO RESOURCES LTD	3.8%
IMPALA PLATINUM HOLDINGS LTD	2.8%

GENERAL INFORMATION

Inception Date	01 February 2002
Strategy Size †	R17.85 billion
Strategy Status	Open
Mandate Benchmark	JSE Capped Shareholder Weighted Index (Capped SWIX*)
Dealing Frequency	Daily
Base Currency	ZAR

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

GROWTH OF R100M INVESTMENT



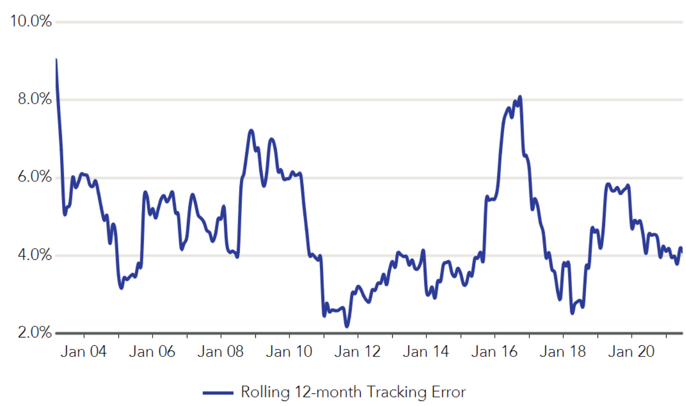
Benchmark: JSE Capped Shareholder Weighted Index (Capped SWIX*)

*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	4.5%	
Information Ratio	0.5	
Annualised Standard Deviation	15.1%	15.2%
Maximum Drawdown	(32.7)%	(37.0)%

TRACKING ERROR



SECTOR EXPOSURE

Sector	% Strategy
Financials	31.3%
Basic Materials	31.0%
Consumer Services	23.2%
Consumer Goods	7.0%
Energy	3.8%
Health Care	2.1%
Technology	0.7%
Consumer Staples	0.6%
Industrials	0.1%
Interest Bearing	0.2%

PORTFOLIO MANAGERS

Neville Chester - BCom, CA (SA), CFA

Neville is a senior member of the investment team with 24 years' investment experience. He joined Coronation in 2000 and manages Coronation's Aggressive Equity Strategy. He also co-manages the Coronation Top 20 and Market Plus unit trust funds.

Nic Stein - BBusSc, CA (SA), CFA

Nic joined the Coronation investment team in 2009 as an equity analyst and has 11 years' investment experience. He currently co-manages Coronation's Aggressive Equity Strategy and the Coronation Resources unit trust fund. Nic also analyses a number of shares spanning mining and the financial services sectors.

DISCLAIMER

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REVIEW FOR THE QUARTER

For the first half of 2021, the Strategy performed ahead of benchmark and was able to achieve meaningful alpha. For the quarter, the Strategy benefited from being overweight certain SA Inc holdings such as Nedbank and Momentum Metropolitan however being underweight SA Inc stocks overall detracted. Naspers also detracted from performance.

On the domestic front, news flow has been meaningfully positive. The fight against corruption has also moved forward with several bold steps, including the suspension of ANC secretary general Ace Magashule, the placement on special leave of Health Minister Zweli Mkhize and, finally, the jail sentence handed down to former President Jacob Zuma by the highest court in the country.

Tied to the above, meaningful economic reform has been announced that seemed so unlikely only a short time ago, given the ideological barriers being crossed. President Cyril Ramaphosa's announcement lifting the threshold for companies to produce their own electricity without a licence to 100MW has the potential to materially transform power generation in a relatively short space of time and help with crippling loadshedding. The sale of SAA to a consortium run by the former CEO of Comair, should it conclude, is a positive. This will see a reduced call on the fiscus going forward, with Telkom serving as a good example of a company run well in private hands with limited government interference. High commodity prices provide a tailwind to revenue collection, which will, in turn, assist with public sector wage austerity and help deal with our high government debt levels.

All these factors drove up the share prices of SA Inc assets over the quarter. We were net buyers of SA Inc shares over the quarter, increasing our exposure to Sanlam and the banks. Given the strong turnaround in the banking sector operating performances and yet the poor performance in their share prices, we increased our exposure to the sector. Given our meaningful positions in Nedbank and Standard Bank, we chose to increase the exposure through a new position in FirstRand.

We remain underweight SA Inc stocks as we do see the need to temper some of the enthusiasm around local markets. The slow pace of our vaccine rollout puts us at a disadvantage compared to other nations, who are seeing returns to normalisation and a more meaningful economic rebound. The tourism, leisure and hospitality sectors employ many workers, but these sectors remain depressed with a long, drawn-out recovery ahead. SA also faces numerous structural challenges including failing infrastructure and failing municipalities. High unemployment and dismal schooling outcomes both require high growth rates and a long-time frame to fix. While the reform news has been positive, the pace remains slow given the magnitude of the country's challenges.

As always, we seek to build portfolios that can withstand a range of outcomes. Our SA Inc holdings sit alongside great global businesses, growing strongly at attractive valuations; and mining shares, which also have attractive valuations and material free cash flow yields.

On the commodity front, recent news flow has been dominated by the Chinese government's attempts to cool commodity prices. High iron ore, steel and coal prices benefit producers of those minerals but lead to inflation and other imbalances that China is attempting to manage. The two main levers they have used is to

a) talk down commodity prices by cracking down on "excessive" financial speculation in commodity markets and
b) sell strategic stockpiles of certain metals.

Prices of most metals and minerals have corrected over the quarter, suggesting they have had some success. On point a) Our views are that the financial speculation introduces price noise, with prices overshooting and undershooting "the real price", i.e. the one set by underlying supply and demand factors. To this end, demand has remained robust (if slowing a bit off a strong base), and supply discipline remains intact. As such, we expect China's attempts to show only moderate and short-term success. To truly cool prices, China would need to demand fewer metals and minerals. This requires lower growth, with growth being sacrosanct to the Chinese government. On point b) stockpile sales have been small. Ultimately, they would need to be replaced in future, resulting in "excess" demand then.

Even though we view commodity prices as high, we don't view the share prices as high. The market has taken quite a sceptical approach to this cycle, with share prices lagging commodity prices, resulting in shares trading on undemanding multiples. Put differently, the share prices are discounting commodity prices well below spot (and in many cases below our base case for where they settle). Supply discipline and generous free cash flow yields add to the appeal of the investment cases.

Our diversified mining positioning remains anchored by:

- Anglo American (good assets in good commodities, good cost position, good volume growth),
- Exxaro (extremely cheap, limited investment in thermal coal supply should support prices) and
- Glencore (improving ESG, good commodities exposed to decarbonisation).

During the quarter, we rotated some of our Exxaro position into Glencore. We approve of Glencore's stance to manage and responsibly run down its coal assets over time. This contrasts with Anglo American's stance to spin off their SA coal assets (which we voted against) as more thermal coal will be produced by Thungela than would have been produced had Anglo American elected to retain the assets. We continued adding to our gold position. We view gold as cheap insurance in a time of heightened risk and find valuations compelling. We had long seen gold equities trade at multiples of NPV. We now see them at discounts using spot prices and see upside risks to the gold price.

Naspers declined nearly 19% over the last quarter. This 19% decline followed a strong run in Q1, which left Naspers flat for the first six months of the year. Two factors have been the dominant contributors to this underperformance; the first is the Naspers/Prosus share swap announced in May and the second the Chinese authorities putting in place tighter controls on technology firms when it comes to deemed monopolistic behaviour and data security. There is a concern in the market that the Naspers/Prosus share swap creates added complexity and may orphan the Naspers asset. We believe that it will not be the final iteration and that down the line, more steps will be taken specifically to unlock the discount at the Naspers level should it persist.

While there has been no direct action by the Chinese regulators on Tencent, some subsidiary companies have been reviewed, and the risk remains that, at some point, Tencent receives similar attention. We do not dismiss this risk but believe that the impact on Tencent's three key business verticals is unlikely to materially reduce the asset's long-term value, especially when bought at a large discount through Naspers/Prosus. In the gaming business, the Chinese government has already tightened regulations, and Tencent are compliant; they also have a strong international component to this business. Stringent consumer data protection within Weixin and the open nature of this platform reduce the likelihood that the advertising business is targeted. We see the risk of regulatory intervention as highest in the fintech business; here, we gain comfort that payments, which carry a lower regulatory risk than other financial products, make up 70% of the business and the non-payments business is in line with new regulation. There is a lot of uncertainty, but our analysis leads us to believe that Tencent is on the right side of the regulatory bodies.

We remain encouraged by the risk-adjusted opportunities we see and the upside potential in the Strategy. The current upside remains high relative to history and suggests compelling future returns from the portfolio.