

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)	1,223.1%	917.6%	305.5%
Since Inception p.a.	16.1%	14.3%	1.7%
Latest 15 years p.a.	12.9%	11.0%	1.9%
Latest 10 years p.a.	11.0%	10.4%	0.6%
Latest 5 years p.a.	6.5%	5.3%	1.1%
Latest 1 year	22.9%	21.8%	1.0%
Year to date	10.7%	11.2%	(0.5)%
Month	(2.3)%	(2.8)%	0.5%

TOP 10 HOLDINGS

Holding	% Strategy
NASPERS LIMITED	22.6%
ANGLO AMERICAN PLC	8.2%
FIRSTRAND LIMITED	5.6%
BRITISH AMERICAN TOBACCO PLC	5.1%
STANDARD BANK GROUP LTD	3.6%
BID CORPORATION LIMITED	2.9%
NEDBANK GROUP LIMITED	2.8%
WOOLWORTHS HOLDINGS LIMITED	2.8%
SANLAM LIMITED	2.7%
ASPEN PHARMACARE HOLDINGS LTD	2.7%

GENERAL INFORMATION

Inception Date	01 March 2004
Strategy Size *	R11.51 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

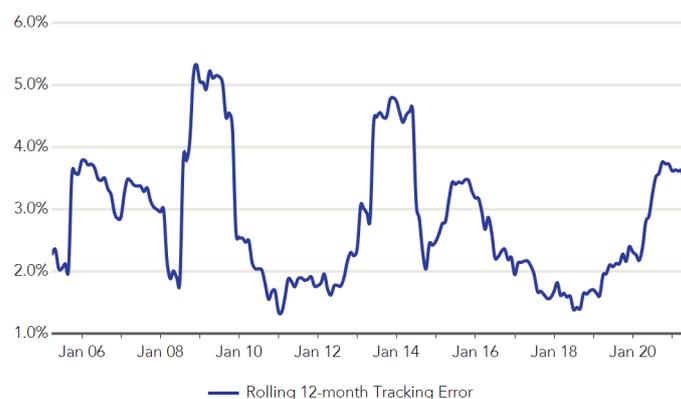


Benchmark: FTSE/JSE Africa Shareholder Weighted Index (SWIX)

PERFORMANCE & RISK STATISTICS (Since inception)

	Strategy	Benchmark
Average Annual Return	17.2%	15.5%
Tracking Error	3.0%	
Information Ratio	0.6	
Annualised Standard Deviation	14.4%	14.7%
Maximum Drawdown	(30.1)%	(37.0)%

TRACKING ERROR



SECTOR EXPOSURE

Sector	% Strategy	Sector	% Strategy
Consumer Services	38.7%	Energy	2.5%
Financials	22.0%	Technology	2.5%
Basic Materials	20.0%	Consumer Staples	1.3%
Consumer Goods	5.7%	Metals	0.3%
Health Care	3.6%	Interest Bearing	0.3%
Telecommunications	3.1%		

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.

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REVIEW FOR THE QUARTER

The Portfolio underperformed its benchmark for the quarter but has outperformed over the last 1 and 5 years.

Good returns from global markets continued with the MSCI All Country World Index returning 7.4% in US dollars for the quarter (39.3% over 12 months) as rapid vaccine rollouts allowed for a re-opening of economic activity. The vaccine rollout in emerging markets has generally lagged developed market peers. The emergence of the Delta variant in India highlighted the vaccine gap. Widespread vaccination is critical in slowing the spread of the virus and reducing the threat of further mutations. In South Africa (SA) too, vaccination has been off to a slow start. To date, c.4 million South Africans have been vaccinated, insufficient to avoid the current third wave and another round of restrictions being placed on the economy.

In SA, a more resilient domestic economy continued to exceed expectations. Reported Q1-21 GDP was up 4.6% (p/p). Constrained power and the poor state of SOEs are major headwinds to growth and fiscal sustainability. We note the positive announcements in this regard made during the quarter enabling greater private power generation and the sale of the government's majority stake in SAA. These factors are driving increased confidence in the domestic outlook. Local interest rates are expected to remain lower for longer as inflation remains relatively contained.

The breadth of value in the SA market remains attractive. We see opportunity in resources, global stocks domestically listed and domestic shares. For the quarter, the JSE All Share Index was flat (0.0%) in rands. The domestic-focused financial sector delivered strong returns (8.2%) relative to a flat return from industrials (0.8%) and a weaker performance from resources (-5.0%). Selective buying of domestic shares further narrowed the domestic underweight. Domestic companies continued to report results ahead of our expectations, due to a more resilient economic activity and stringent cost cutting. This has resulted in strong free cash flow generation.

The Portfolio has a meaningful exposure to resource shares, given their attractive valuations. Our investment case is not premised on higher commodity prices (we expect most to trend downwards) but rather on the undemanding multiples and generous free cash flow yields even after adjusting commodity prices lower. In addition, decarbonisation should support sustained demand for metals. Major diversified holdings continue to include Anglo American, Glencore and Exxaro.

We have built a position in the gold equities, which offer upside and reasonably priced protection. Given the increased risk from stretched sovereign balance sheets as well as high global market levels, the local gold counters offer a well-priced, diversified investment opportunity. Coronation has not owned gold equities for nearly two decades as they traded at extended valuations, suffered from rapidly rising costs and declining production profiles, and offered poor returns to shareholders. For the two former "SA" gold producers, AngloGold and Goldfields, the risks have meaningfully changed. Today these businesses have more geographical diversification, reduced exposure to SA's deep complex gold mines, better cost control, healthier production profiles and restored balance sheets. At spot gold prices, we see a margin of safety in valuation and expect better returns to shareholders going forward. These positions were funded from selling down PGM shares, which have performed strongly.

The Portfolio continues to have considerable exposure to several of the global businesses listed domestically. These are attractive for a variety of stock-specific reasons. Major holdings include Naspers (-15.1%), British American Tobacco (-1.3%), Quilter (-7.0%), Bidcorp (+8.3%), and Aspen (+12.3%). The Naspers share price decline reflected underlying price pressure on Tencent as the regulatory environment for technology companies in China intensified. This is consistent with global trends where regulators have increased their scrutiny of technology businesses. Current areas of Chinese regulatory focus include anti-competitive practices and data security. The Tencent ecosystem is extensive but we believe this powerful platform is leveraged to the economic benefit of both Tencent and its partners. As a Chinese company, Tencent's data is retained within China. While we acknowledge the increased regulatory scrutiny, Naspers and Prosus continue to offer exposure to an exciting growth asset in Tencent, which is meaningfully under-priced. Naspers/Prosus management are focused on this discount and aligned with shareholders through their remuneration. The announced share swap deal between Prosus and Naspers is unlikely to be sufficient to unwind the discount but is a first step.

Distell rose strongly during the quarter (+43%) on the news of a potential offer from Heineken. We have long been admirers of Distell's quality portfolio of branded beverages as well as its long runway for growth as it expands on the African continent. As such, we believe a sizeable premium for the business can be justified.

Within the financial sector, banks (9.6%) and property (12.1%) outperformed the life sector (5.8%). The banks raised significant provisions related to Covid-19 during 2020. Actual defaults are proving to be lower than expected, supporting a faster recovery in earnings for the sector. Further, a resumption in dividend payments by the banks improves returns to shareholders. We increased the domestic banks' exposure during the quarter. Life companies continue to face headwinds, both from lower new business volumes and higher mortality risks related to Covid-19 infections. We have focused our exposure where the balance sheet is sufficiently strong to withstand these shorter-term headwinds, and where there is potential for additional shareholder returns. The Portfolio's major exposure is through Sanlam and Momentum Metropolitan.

Transaction Capital is a new holding in the Portfolio. This entrepreneurially run business recently acquired a controlling stake in We Buy Cars at what we believe to be a very attractive price. Transaction Capital has demonstrated a strong track record of delivery in

their traditional businesses. The addition of We Buy Cars adds an exciting growth vector going forward. We Buy Cars brings convenience, trust, competitive vehicle pricing (backed by proprietary market transactional data) and scale to a fragmented second-hand car market. This superior offer has enabled We Buy Cars to grow its share of the second-hand vehicle market to 10%. We are excited about the prospects of the business over the long term and expect it to make a meaningful contribution to Transaction Capital.

While the past 18 months have seen a huge amount of volatility and fluctuating outlooks, our focus remains on seeking out opportunities where the longer-term prospects of assets are being mispriced by the market. We continue to believe that this patience will be rewarded.