CORONATION

INFLATION PLUS STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 30 JUNE 2021

CORONATION
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LONG TERM OBJECTIVE

The Coronation Inflation Plus 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. The Strategy can invest up to 40% in Domestic and Foreign Equities.

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)	210.0%	74.9%	135.1%
Since Inception p.a.	10.1%	4.9%	5.2%
Latest 10 years p.a.	9.5%	5.0%	4.6%
Latest 5 years p.a.	8.0%	4.2%	3.8%
Latest 3 years p.a.	8.4%	3.9%	4.6%
Latest 1 year	15.2%	4.9%	10.3%
Year to date	7.1%	2.8%	4.3%
Month	0.9%	0.3%	0.6%

ASSET ALLOCATION

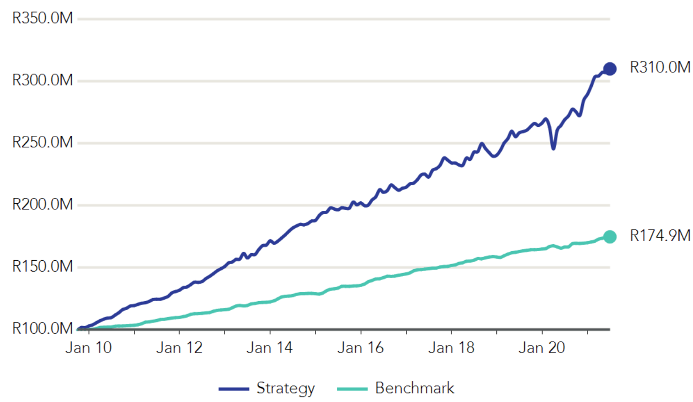
Asset Type	% Strategy
Local Bonds	43.0%
Local Equities	25.8%
Foreign Equities	14.5%
Cash	6.4%
Foreign Bonds	4.2%
Local Property	2.2%
Local Hedge Funds	1.9%
Local Commodities	1.6%
Foreign Commodities	0.3%
Foreign Property	0.1%

GENERAL INFORMATION

Inception Date	01 October 2009
Strategy Size †	R5.61 billion
Strategy Status	Open
Mandate Benchmark	Consumer Price Index (CPI)
Performance Target	CPI + 3% (gross of fees and taxes) over a rolling 3 year period
Dealing Frequency	Daily
Base Currency	ZAR
Regulation 28	Yes

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

GROWTH OF R100M INVESTMENT



Benchmark: Consumer Price Index (CPI)

TOP 10 HOLDINGS

Holding	% Strategy
CORO GBL EQUITY FOF-Z	12.0%
RSA FIX 6.250% 310336	5.8%
CORO GBL CAPITAL PLUS-Z	4.5%
STANDARD BANK OF SA ILB 5.500% 071223	3.5%
FIRSTRAND BANK LTD ILB 5.500% 071223	3.1%
NASPERS LIMITED	2.8%
ABSA BANK LTD ILB 5.500% 071223	2.7%
RSA FIX 8.750% 310144	2.5%
ANGLO AMERICAN PLC	2.5%
BRITISH AMERICAN TOBACCO PLC	2.0%

MODIFIED DURATION*

Portfolio	1.9
Fixed Income Assets	4.2

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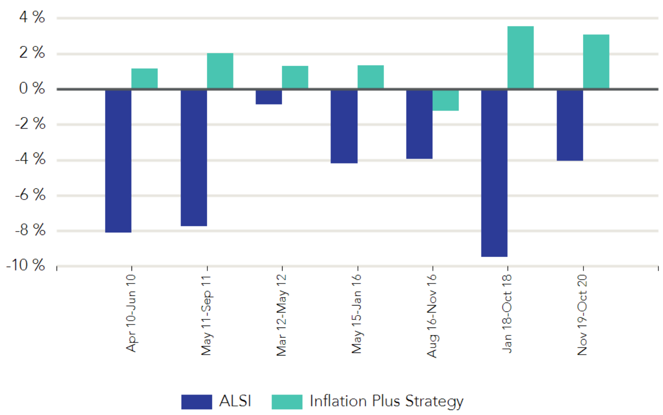
PERFORMANCE & RISK STATISTICS (Since inception)

Average Annual Return	10.2%
Annualised Standard Deviation	4.8%
Highest Monthly Return	5.9%
Lowest Monthly Return	(6.7)%
% Positive Months	78.7%
Downside Deviation	2.4%
Maximum Drawdown	(8.9)%
Sortino Ratio	1.6

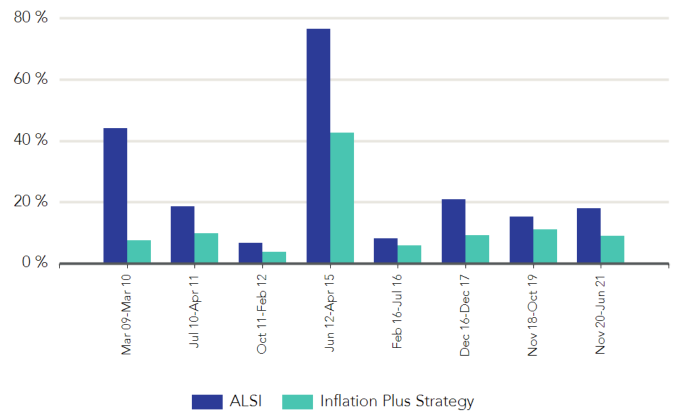
EFFECTIVE MATURITY PROFILE*

Term	% Strategy (incl. Cash)	% Strategy (excl. Cash)
0 to 1 year	4.3%	3.3%
1 to 3 years	11.5%	11.6%
3 to 7 years	11.5%	11.6%
7 to 12 years	7.9%	8.0%
Over 12 years	11.0%	11.1%

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. With more than 30 years' investment experience, he plays a leadership role in the asset allocation process.

Pallavi Ambekar - BBusSc, CA (SA), CFA

Pallavi is co-head of Absolute Return investment unit and a portfolio manager across all strategies in the unit. She co-manages the Coronation Balanced Defensive and Capital Plus unit trust funds. With 18 years' investment experience, she also has research responsibility for certain large capitalisation shares listed on the JSE.

Neill Young - BBusSc, CA (SA), CFA

Neill joined Coronation in 1998 and is co-manager of the Coronation Absolute Return Strategies. He also co-manages the Coronation Financial unit trust fund and has research responsibilities that extend to the banking sector as well as a number of financial stocks. Neill has 23 years' investment experience.

DISCLAIMER

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

REVIEW FOR THE QUARTER

Despite setbacks associated with the spread of the Covid-19 virus's new Delta variant, the global economic recovery remains on track. Vaccinations in developed nations have progressed well in most countries and the route to a more normal world is looking increasingly likely. The rollout of vaccines in the emerging world, including South Africa (SA), has been far slower and normalisation of these societies and economies will consequently take longer.

The strong performance of commodities and the positive impact on SA's terms of trade have kept the current account in a substantial surplus and has supported the rand. Measured against the US dollar or the euro, the rand is now back to levels last seen in 2016 - five years ago. The firmer rand has also had a beneficial effect on expected inflation, giving the SA Reserve Bank enough room to keep interest rates at the current low levels for longer.

A number of positive political developments also marked the past quarter. The sale of the majority stake in SAA, the commitment to give independent private producers the right to generate power of up to 100 megawatts and the cancellation of the Turkish powerships on environmental grounds are signs that practical measures rather than ideology is winning these battles. 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. These significant steps bode well for the future of a cleaner government.

The JSE took a breather over the past quarter following the strong recovery seen since the end of March last year. The Capped SWIX returned only 0.6% over the last three months, but the one-year return is still a very healthy 27.6% coming off the low base of a year ago.

The stronger-than-expected domestic economy and, especially, the profitability of the mining sector will boost tax revenues for government, bringing some welcome relief to the precarious fiscal situation. This improved outlook was reflected in declining yields on government bonds, leading to a strong 6.9% performance for the All Bond Index over the quarter and 13.7% over the past year. Developed market equities continued their upward run and although we believe valuations are no longer cheap, continued very low interest rates have kept the positive momentum going. The MSCI All Country World Index posted a total return of 7.4% in US dollars over the quarter, but this reduces to only 3.7% in rand terms due to the appreciation of the local currency.

The Portfolio posted a return of almost 2%% over the quarter and just above 15% over the past year, well ahead of its inflation plus target. The strong recovery over the past has resulted in real returns over longer periods are all ahead of inflation.

From an asset allocation point of view, we added exposure to equities after the big pandemic-induced sell-off in early 2020. The higher equity exposure and consequent strong price recovery contributed the most to the Portfolio's one-year performance. Within equities, Anglo American, Altron, Northam Platinum, Impala Platinum and FirstRand contributed most to returns, while British American Tobacco, gold shares and Naspers detracted marginally.

Over the past year, we were very active in Richemont, the luxury goods company and owner of jewelry brands such as Cartier and Van Cleef and Arpels. The Portfolio sold its entire holding in early 2020 on the view that the pandemic-induced travel restrictions affecting China in particular would be very negative for the sales of luxury goods. However, towards the end of the third quarter, we took the view that the pandemic will most likely be controlled through global vaccinations, leading to a strong rebound in the sale of luxury goods. We therefore re-established a sizable position in Richemont. The share price has since recovered well. Although quite highly rated now, its prospects for when global travel resumes, and its exceptionally strong balance sheet are valid reasons to maintain it as one of the Portfolio's top 10 holdings.

A detractor for the portfolio was Naspers which declined nearly 15% over the last quarter. This 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.

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At the time of writing, SA is in the midst of the third wave of the Covid-19 pandemic and the vaccine rollout has been far too slow. One can easily succumb to emotions of despair or anger when confronted by this pandemic, but when making investment decisions one should try to put these emotions aside in order to remain measured, analytical and objective. Our analysis continues to show very good value in many JSE-listed stocks. Our investment approach of looking through the cycle and focusing on normal earnings leads us to remain fully invested in equities at this time. After the selloff of early 2020, we added to our overall equity exposure and whereas we have trimmed our global equities somewhat on valuation concerns, we maintain our higher SA listed stock exposure where we see good value across many sectors and companies.

It is in the global investment universe where we have more concerns. Global government bonds offer very poor value in our view and the valuation of equities does not leave much room for disappointment either. The Portfolio consequently holds approximately 25% in offshore assets which is well below its permissible maximum limit.

We remain encouraged by the risk-adjusted opportunities we see and believe returns in excess of inflation is achievable with the combination of assets currently held within the Portfolio.