CORONATION

MANAGED STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 30 JUNE 2021

CORONATION TRUST IS EARNED™

LONG TERM OBJECTIVE

The Coronation Managed Strategy is an aggressive, clean slate fully discretionary balanced portfolio. The Strategy's objective is to outperform its peer group or a composite benchmark over meaningful periods (defined as at least 5 years). The Strategy is managed in accordance with the limits of Regulation 28 of the Pension Funds Act.

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)	3,661.2%	2,069.1%	1,592.1%
Since Inception p.a.	15.5%	13.0%	2.5%
Latest 20 years p.a.	14.4%	13.1%	1.3%
Latest 15 years p.a.	13.0%	10.9%	2.1%
Latest 10 years p.a.	12.1%	11.2%	1.0%
Latest 5 years p.a.	8.6%	6.8%	1.9%
Latest 1 year	26.4%	17.2%	9.2%
Year to date	12.0%	9.9%	2.1%
Month	0.4%	(0.2)%	0.6%

PERFORMANCE & RISK STATISTICS (Since inception)

	Strategy	Benchmark
Annualised Standard Deviation	11.9%	11.5%
Maximum Drawdown	(23.5)%	(27.7)%

ASSET ALLOCATION

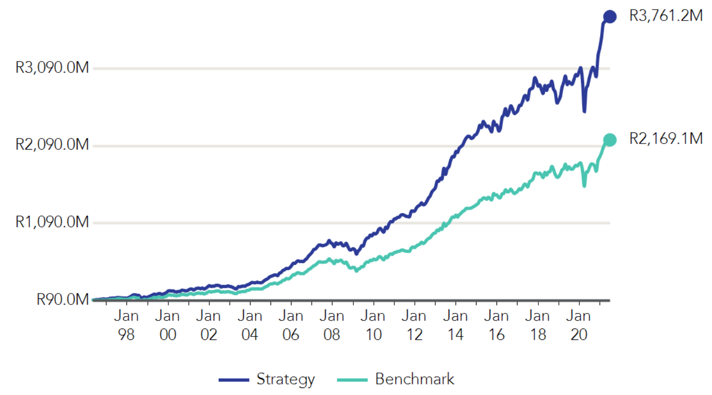
Asset Type	% Strategy
Local Equities	50.1%
Local Bonds	21.0%
Foreign Equities	19.3%
Local Real Estate	3.7%
Local Commodities	2.5%
Local Hedge	1.1%
Foreign Real Estate	0.8%
Foreign Bonds	0.8%
Cash	0.7%

GENERAL INFORMATION

Inception Date	01 May 1996
Strategy Size †	R18.99 billion
Strategy Status	Open
Mandate Benchmark	Median of Peer Group
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: Median of Peer Group

TOP 10 HOLDINGS

Holding	% Strategy
CORO GBL EQUITY FOF-Z	12.9%
RSA FIX 6.500% 280241	8.2%
NASPERS LIMITED	6.5%
ANGLO AMERICAN PLC	5.7%
CORONATION GEM EQUITY FUND	5.6%
NEDBANK GROUP LIMITED	3.5%
GLENCORE XSTRATA PLC	3.1%
RSA FIX 6.250% 310336	3.1%
BRITISH AMERICAN TOBACCO PLC	2.7%
MOMENTUM METROPOLITAN HOLDINGS	2.3%

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EFFECTIVE MATURITY PROFILE*

Term	% Strategy (incl. Cash)	% Strategy (excl. Cash)
0 to 1 year	0.4%	6.1%
1 to 3 years	1.3%	1.2%
3 to 7 years	1.4%	1.4%
7 to 12 years	1.5%	1.4%
Over 12 years	12.5%	11.8%

MODIFIED DURATION*

Portfolio	1.7
Fixed Income Assets	9.7

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

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

REVIEW FOR THE QUARTER

The end of April 2021 marked the 25th anniversary of the launch of the Strategy and which through tumultuous times, has achieved an annualised return ahead of benchmark and the peer group.

Five years after launching the Strategy, South Africa experienced a massive selloff post the 9/11 attacks, where the rand and local markets were punished. It's unbelievable to think of it now, but the rand moved from just over R8 to the dollar to peak at R13.50 (which is where it was recently trading 20 years later), only to retrace all those losses and more over the following years. Shortly thereafter, the Dot.com bubble burst, with the S&P 500 Index collapsing 37% from its highs (the losses for South African investors were much higher given the rand strengthened significantly over this period).

Then after a few years of relative stability and a strong upward trend in resource prices, the local market and the world was impacted by the near collapse of the US banking system, which quickly became called the Global Financial Crisis as the linkages from the US housing market permeated into global developed financial institutions. The S&P 500 fell by 57% peak to trough, the rand-dollar once again blew out from levels around R6.50 to R11.40, and the resource-dominant JSE All Share Index fell 47% from peak to trough.

The recovery that followed was quick and fast as global central banks introduced a term we would all come to know called QE (quantitative easing). Equity and bond markets around the world responded well to this. But in SA, it wasn't plain sailing as the Zuma decade started, and we experienced bouts of volatility, none more so than the firing of the finance minister in 2015, where the rand moved from R13 levels to R17, exacerbating a market already struggling under the weight of a commodity bear market. Global markets also had periods of volatility with the first 'taper tantrum', various forecasts of the European Union collapsing, Brexit and Donald Trump.

And then finally, the recent Covid disaster, where once again, volatility records were broken, with the S&P 500 Index falling 37% and recovering it all within six months! The rand, again a casualty of global risk appetite, moving from R14 to over R19 to the dollar, and the JSE All Share Index falling by over 23%. As global central banks worldwide printed money and cut interest rates on a scale not seen outside of world wars, markets have recovered strongly, and the rand is back at near the R14 level.

What do the next 25 years hold? After experiencing these past 25 years, it would be foolish to hazard a guess, given the surprises and shocks that we have experienced. But undoubtedly, the defining factor for the period ahead is the vast amount of debt issued by (mainly) the developed world and the record level of monetary easing implemented by central banks to deal with the impacts of the Covid-19 lockdowns. It is impossible to believe that there will not be serious repercussions; from inflation, already very evident in asset prices, higher taxes, and ultimately higher interest rates. The Covid-19 crisis has also given massive impetus to the push towards a more sustainable world, and this has very big meaningful effects on the demand for 'green' commodities that will be required for this transition.

The Strategy is positioned to deal with these two megatrends. Firstly, regarding inflation, the best asset class remains equity, in particular those equities with pricing power. The Strategy is still sitting with a relatively high weighting to equities despite the market moves because they should still deliver real growth in an era of rising inflation. We have avoided owning global bonds. Global interest rates are all still trading at artificially low levels, impacted by global central bank buying. With inflation spiking in most regions above the top end of their inflation ranges, these bonds are all yielding negative real returns. The only exception to this is South Africa (SA).

In SA, our yields are still stubbornly high, with real yields of over 6% in the longer-dated bonds. This is because the SARB is one of the few independent central banks left and has refused to manipulate the yield curve. While concerns around our debt position remain relevant, this is more than reflected in the price. Renewed fiscal discipline from the National Treasury, as evidenced through their approach to wage negotiations, as well as some unexpected windfall tax gains from the commodity sector, should be able to move us back to a sustainable debt reduction path. Although South Africa's total outstanding debt is lower than most developed nations; it is the cost of Portfolioing that debt that is the biggest problem. Should that cost come down, the recovery path becomes much more obvious, and the bonds will continue to re-rate. By buying the R214, which matures in 2041, you are locking in a return of 10.5% per annum for the next 20 years - a compelling investment opportunity.

On the trend towards a greener future, the Strategy has a significant exposure to global miners with meaningful copper production. Anglo American is the only diversified miner to have initiated the development of a new copper mine in the past few years. This production should be coming to the market in 2023, well-timed for a huge increase in demand for this metal. Glencore is the diversified miner with the largest percentage of its revenue coming from copper; it also has exposure to battery metals such as Cobalt and nickel. To drive renewable electricity production, as well as roll out electric vehicles, copper demand will increase dramatically. With a combined allocation of over 15% of our equity exposure to these two companies, the Strategy is well-positioned to benefit from this trend.

Naspers remains the largest equity position in the Portfolio. The stock declined by over 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.

An asset class with a very uncertain future is property. The slow shift from physical retail to online was given a huge boost during the lockdowns, resulting in certain retail properties no longer generating rentals. Over and above this, working from home became a reality through lockdown as technologies enabled this. Certain industries are now contemplating this being the future, even in a more normal environment. This has impacted rental tension on these two major property segments, making it difficult to forecast what yields and values these assets will trade at in future. It's too soon to tell. As society reverts to normal, we see a desire to socialise is as strong as ever, meaning certain venues will continue to attract footfall. The challenges of maintaining corporate culture and teamwork in a distributed environment will also become more evident as time goes on. As a result, the Strategy has not invested heavily into the property sector, locally or globally, but maintained a small exposure to high-quality, low geared names.

One of Coronation's core tenets is that without clients, we have no business. Indeed, without the loyal support of the investors in our Strategy, none of our achievements would have been possible. We never take our responsibility to grow our clients' capital lightly. It is a privilege that we are conscious of and strive to maintain and improve our performance every day.