CORONATION

CORE EQUITY STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 31 MARCH 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)	1,257.5%	936.5%	321.0%
Since Inception p.a.	16.5%	14.7%	1.8%
Latest 15 years p.a.	13.0%	11.1%	1.9%
Latest 10 years p.a.	11.4%	10.6%	0.8%
Latest 5 years p.a.	7.2%	6.0%	1.2%
Latest 1 year	51.2%	51.5%	(0.3)%
Year to date	13.5%	13.3%	0.3%
Month	3.5%	3.2%	0.4%

TOP 10 HOLDINGS

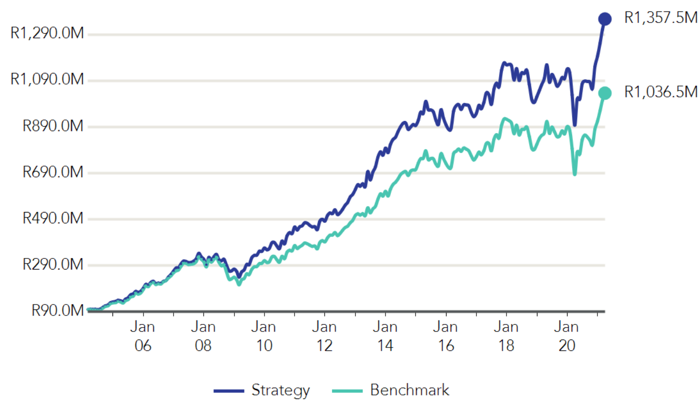
Holding	% Strategy
NASPERS LIMITED	27.7%
ANGLO AMERICAN PLC	10.2%
FIRSTRAND LIMITED	5.4%
BRITISH AMERICAN TOBACCO PLC	4.9%
NORTHAM PLATINUM LIMITED	4.1%
EXXARO RESOURCES LTD	3.5%
STANDARD BANK GROUP LTD	3.5%
IMPALA PLATINUM HOLDINGS LTD	3.4%
WOOLWORTHS HOLDINGS LIMITED	2.9%
ASPEN PHARMACARE HOLDINGS LTD	2.6%

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

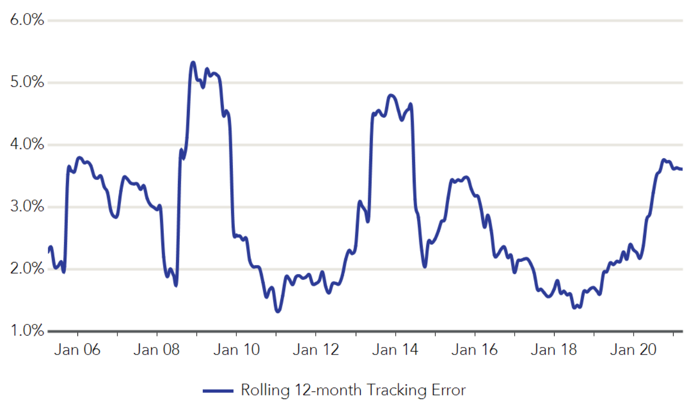


Benchmark: FTSE/JSE Africa Shareholder Weighted Index (SWIX)

PERFORMANCE & RISK STATISTICS (Since inception)

	Strategy	Benchmark
Average Annual Return	17.7%	15.9%
Tracking Error	3.0%	
Information Ratio	0.6	
Annualised Standard Deviation	14.5%	14.8%
Maximum Drawdown	(30.1)%	(37.0)%

TRACKING ERROR



SECTOR EXPOSURE

Sector	% Strategy
Consumer Services	40.9%
Basic Materials	22.6%
Financials	19.5%
Consumer Goods	5.7%
Energy	3.5%
Health Care	2.6%
Telecommunications	2.2%
Technology	1.6%
Consumer Staples	0.9%
Metals	0.3%
Interest Bearing	0.2%

PORTFOLIO MANAGERS

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.

Neill Young - BBusSc, CA (SA), CFA

Neill joined Coronation in 1998 and co-manages Coronation's Core Equity Strategy and the Coronation Financial unit trust fund. His research responsibilities extend to the banking sector as well as a number of financial stocks. Neill has 22 years' investment experience.

DISCLAIMER

REVIEW FOR THE QUARTER

The Strategy had a good quarter, with a return of 13.5%, relative to the benchmark return of 13.3%. The Strategy has also performed pleasingly over more meaningful longer-term periods and since its inception.

The Covid-19 pandemic continued to impact markets. Despite severe second and third waves in many parts of the world, global markets delivered a strong first-quarter (Q1-21) performance. Investors are anticipating a return to more normal economic activity as vaccine rollout strategies gained momentum. Virus mutations, vaccine efficacy and the duration of immunity remain risks to markets that have already priced in a recovery.

After a marked deterioration in South Africa's (SA) fiscal metrics during 2020, Q1-21 brought improved news flow. The current account delivered a healthy surplus backed by mining cash flows and a robust agricultural sector. Tax collection efforts exceeded expectations. The February Budget was encouraging, with a commitment to rein in expenditure, specifically the public sector wage bill, which has compounded above inflation for many years. Implementation of the Budget plans will require a sustained commitment to austerity. Much needed economic growth is frustrated by load shedding, policy uncertainty and a lack of investor confidence. While the projected debt-to-GDP ratio has come in lower than expected, it remains high. The risk of a debt trap is not immaterial.

The JSE Capped All Share Index was up strongly (+12.8%) in Q1-21 and has gained +55.6% since its March lows a year ago. Despite these moves, SA equities continue to offer good value. Resource shares delivered 18.7% for Q1-21, followed by industrials (+13.0%) and then financials (+3.8%). The Portfolio benefited from its large holding in resources and continues to have considerable exposure to rand hedge names that remain attractive for various stock-specific reasons. Major holdings include Naspers (+17%), British American Tobacco (+4.9%), Quilter (5.5%), %), Bidcorp (+8.7%) and Aspen (+15.1%).

The Portfolio reduced the extent of the domestic underweight during 2020 as domestic counters underperformed the rand hedge names that are locally listed. Despite reduced medium-term prospects, domestic counters offer attractive upside to fair value. In keeping with the second half of 2020, earnings results from domestic shares have exceeded our expectations in Q1-21. We believe exciting stock-picking opportunities exist as strong players use the crisis to become even stronger. This was evident in the results of a business such as Shoprite (+12.2% for Q1-21), which delivered strong topline growth and resilient gross profit margins despite economic headwinds.

SA's banks have navigated the crisis well. Books appear well provided as borrowers resume debt repayments and low interest rates improve affordability. Capital ratios remain healthy, and future earnings should be well supported given the level of provisioning. Despite sector earnings roughly halving over 2020, Standard Bank and FirstRand returned to paying dividends. The outlook for advances growth is muted given constrained economic growth. Slow vaccine rollout and possible retrenchments pose additional risks to economic recovery.

Life insurers were forced to take additional Covid-19 provisions as a second wave drove a spike in mortality. As with the banks, life insurer balance sheets remain well capitalised. Sanlam, Momentum Metropolitan Holdings and Old Mutual declared dividends. Momentum Metropolitan (+12.1%) remains an attractive investment trading at a meaningful discount to embedded value. While additional Covid-19 provisions detracted from results, we believe management's actions are delivering underlying operational improvement. Despite the selloff in property shares, we have not built up the position, given concerns over the long-term outlook for rentals and weak balance sheets.

Within the resources sector, the Portfolio benefited from its overweight position in the diversified miners and underweight holdings in gold. Anglo American and Glencore rose 22% and 24%, respectively. Resource shares remain a meaningful part of equity exposure despite their outperformance. Our investment thesis is unchanged, namely undemanding valuations, solid free cash flow (FCF) and tight markets.

Commodity demand is expected to remain robust given Asian resilience and a recovery in the rest of the world. Joe Biden's presidency should strengthen the US's commitment to transitioning away from fossil fuels. Battery metals have an important role to play in decarbonising the world's energy mix. We expect copper and cobalt to be particularly tight as this shift accelerates. Glencore (+24%) should be a key beneficiary.

The platinum group metals holdings in the Portfolio (Northam +22.8% for Q1-21, Impala Platinum +40.7% for Q1-21) performed well. Metal prices remain high given growing demand, supply disruptions and a decade of underinvestment. We have trimmed the positions but remain invested, given anticipated high levels of cash return.

Equity markets have rebounded strongly off the lows of a year ago. Despite this, we continue to see exciting investment opportunities for stock pickers. We believe that these positions will deliver compelling returns for investors in the coming years.