CORONATION

INFLATION PLUS STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 31 MARCH 2021

CORONATION
TRUST IS EARNED™

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)	204.4%	73.1%	131.3%
Since Inception p.a.	10.2%	4.9%	5.3%
Latest 10 years p.a.	9.6%	5.0%	4.6%
Latest 5 years p.a.	8.3%	4.4%	3.9%
Latest 3 years p.a.	9.4%	4.0%	5.5%
Latest 1 year	23.9%	3.2%	20.6%
Year to date	5.1%	1.7%	3.4%
Month	0.3%	0.7%	(0.4)%

ASSET ALLOCATION

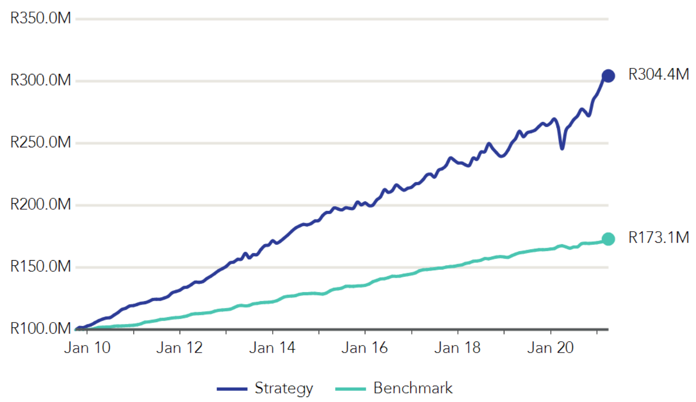
Asset Type	% Strategy
Local Bonds	40.5%
Local Equities	25.0%
Foreign Equities	16.1%
Cash	8.3%
Foreign Bonds	4.9%
Local Hedge Funds	1.9%
Local Commodities	1.8%
Local Property	1.1%
Foreign Commodities	0.3%
Foreign Property	0.1%

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	14.3%
CORO GBL CAPITAL PLUS-Z	4.6%
STANDARD BANK OF SA ILB 5.500% 071223	3.9%
RSA FIX 6.250% 310336	3.6%
NASPERS LIMITED	3.4%
FIRSTRAND BANK LTD ILB 5.500% 071223	3.1%
RSA FIX 8.750% 310144	2.9%
ABSA BANK LTD ILB 5.500% 071223	2.7%
ANGLO AMERICAN PLC	2.7%
INVESTEC ILB 2.750% 310122	2.3%

MODIFIED DURATION*

Portfolio	1.7
Fixed Income Assets	3.8

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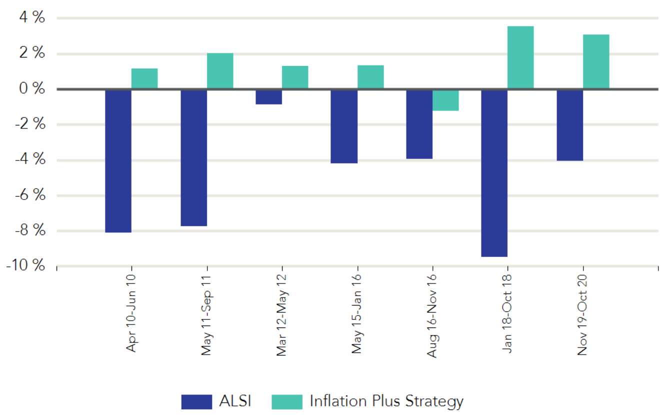
PERFORMANCE & RISK STATISTICS (Since inception)

Average Annual Return	10.3%
Annualised Standard Deviation	4.8%
Highest Monthly Return	5.9%
Lowest Monthly Return	(6.7)%
% Positive Months	79.0%
Downside Deviation	2.4%
Maximum Drawdown	(8.9)%
Sortino Ratio	1.6

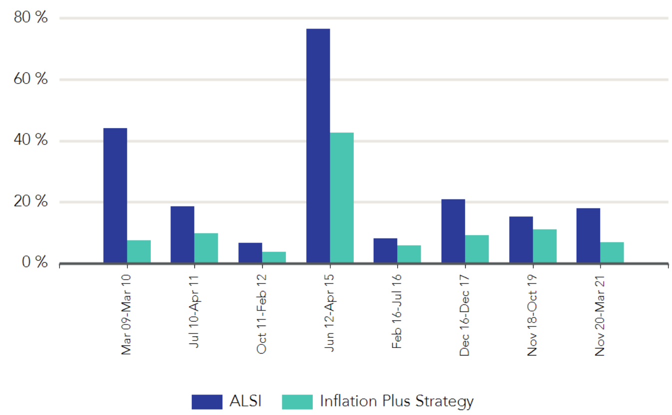
EFFECTIVE MATURITY PROFILE*

Term	% Strategy (incl. Cash)	% Strategy (excl. Cash)
0 to 1 year	7.4%	5.2%
1 to 3 years	12.2%	12.5%
3 to 7 years	10.2%	10.5%
7 to 12 years	6.1%	6.2%
Over 12 years	9.9%	10.1%

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.

DISCLAIMER

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

REVIEW FOR THE QUARTER

The Strategy has had a successful start to 2021, with a 5% return for the quarter. The strong showing over the past 12 months has lifted the one-year return to almost 24% thus far exceeding its benchmark return of inflation (CPI).

Risk assets have had a significant rebound, off a very low base this time last year, and have been the main contributor to the Strategy's performance. We used the Covid-19 sell-off to judiciously step up our risk asset exposure within the Strategy, starting with global and emerging market equities and followed by South African (SA) equities. For the quarter, both global and local equity asset classes delivered good alpha over and above robust underlying market performances.

In our local equity markets, we saw compelling long-term valuations across many counters even after incorporating severe near-term earnings cuts due to Covid-19 and a slow path to earnings normalisation. While this gave us the confidence to increase our SA equity exposure, we were very selective in the counters we bought. Our focus was on building positions in businesses that not only offered a large margin of safety but also had robust balance sheets and the ability to generate good cash flows. Given these criteria, we did not add to our domestic property exposure as we found better risk-adjusted return potential in equities.

Consider Quilter, one of the largest integrated wealth managers in the UK and a share we have been buying. The UK is an attractive wealth management market due to increasing regulatory compliance burdens on advisers and a growing defined contribution market. Quilter is well placed within this market, with an integrated value chain from a large, owned adviser force and a well-invested platform offering its own, as well as third-party asset management solutions. The business is shareholder-friendly and trades on 13 times our assessment of normal earnings. We ascribe three things to Quilter's low current rating: 1) a recent spin-off that wasn't well covered by the market; 2) Brexit fears; and 3) Quilter re-platforming their retail advised platform to a new technology provider. All three of these factors are largely in the rear-view mirror, and we expect strong net flows to drive a rerating in its share price.

There are still many uncertainties and risks as to how the world will emerge from this Covid-19 crisis. However, large amounts of stimulus, relatively low interest rates and lifting of lockdowns will all lead to a positive backdrop of increased economic activity. With this in mind, we still see attractive investment opportunities in equity markets, with our bottom-up valuations indicating healthy inflation-beating potential returns over the next three years.

The Portfolio benefited from its position in the diversified miners, Anglo American and BHP Billiton. 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.

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.

Our domestic holdings are centred around the food retailers (Shoprite and Spar), banks (predominantly FirstRand, Nedbank and Standard Bank) and the life insurers (Sanlam). 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.

While we are encouraged by recent ANC NEC announcements that suggest continued progress by the President, our defensive stance is informed by the slow pace of delivery, poor electricity availability, lagging pace of vaccine rollout and worries that consumer stress will pick up rather than decrease this year. More importantly, we feel valuations of the Rand hedges that happen to be listed here are very compelling.

Given the strength of market performance, we have trimmed some equity exposure in the first quarter of this year but still maintain an allocation of 40% to local and global equities. There are tail risks to this expected economic recovery, and as the Strategy also has a capital protection mandate, we have increased our protection on our equity exposure by buying local and global equity puts.

Our overall risk asset exposure is prudently balanced, with an almost 45% exposure to SA fixed income instruments. The Budget presented by National Treasury in February was broadly better than expected, with higher tax receipts and conservative expenditure allocation. Government still has a high and increasing debt burden, and a combination of growth initiatives and continued fiscal constraint will be necessary to keep this in check. Many investors are sceptical that this can be delivered, and hence our far-dated domestic bond yields continue to trade at a premium to other emerging markets. We have exposure to these attractive yielding SA government bonds but are also managing risk by spreading exposure across corporate and inflation-linked bonds. Our fixed income carve-out delivered a small positive return for the quarter, outperforming the All Bond Index.

While the overall Strategy returns over the past 12 months have been pleasing, we would not expect a repeat of this strong performance. The past year has demonstrated the value that can be added by employing active asset and instrument selection to take advantage of investment opportunities. We think our current asset selection can still deliver on the CPI + 3% mandate over the medium term, with a sensible mix of growth and income assets to meet both the return and capital protection mandate of the Strategy.