

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)	3,595.5%	2,015.9%	1,579.6%
Since Inception p.a.	15.6%	13.0%	2.6%
Latest 20 years p.a.	14.9%	13.6%	1.3%
Latest 15 years p.a.	13.0%	10.9%	2.0%
Latest 10 years p.a.	12.2%	11.0%	1.1%
Latest 5 years p.a.	8.5%	6.8%	1.7%
Latest 1 year	45.6%	30.7%	14.9%
Year to date	10.1%	7.8%	2.2%
Month	0.9%	1.3%	(0.5)%

PERFORMANCE & RISK STATISTICS (Since inception)

	Strategy	Benchmark
Annualised Standard Deviation	12.0%	11.5%
Maximum Drawdown	(23.5)%	(27.7)%

ASSET ALLOCATION

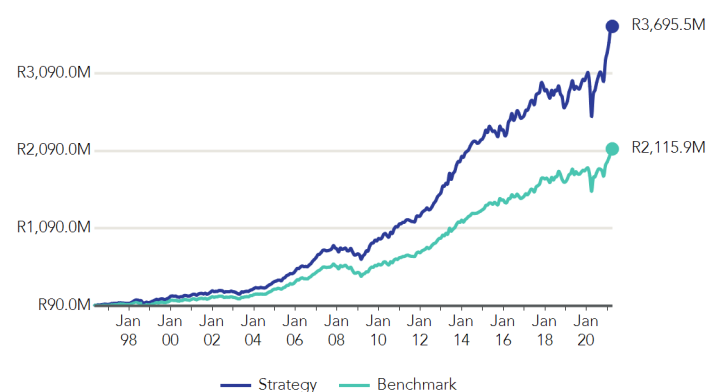
Asset Type	% Strategy
Local Equities	49.4%
Local Bonds	20.1%
Foreign Equities	19.7%
Local Real Estate	4.2%
Local Commodities	3.0%
Local Hedge	1.3%
Foreign Bonds	1.0%
Foreign Real Estate	0.7%
Cash	0.4%
Foreign Commodities	0.2%

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	13.1%
NASPERS LIMITED	7.2%
CORONATION GEM EQUITY FUND	5.9%
ANGLO AMERICAN PLC	5.9%
RSA FIX 6.500% 280241	5.7%
BRITISH AMERICAN TOBACCO PLC	2.9%
NEDBANK GROUP LIMITED	2.9%
RSA FIX 6.250% 310336	2.7%
QUILTER PLC	2.7%
GLENCORE XSTRATA PLC	2.5%

EFFECTIVE MATURITY PROFILE*

Term	% Strategy (incl. Cash)	% Strategy (excl. Cash)
0 to 1 year	2.5%	6.1%
1 to 3 years	2.2%	2.1%
3 to 7 years	1.6%	1.5%
7 to 12 years	1.6%	1.5%
Over 12 years	9.6%	9.3%

MODIFIED DURATION*

Portfolio	1.3
Fixed Income Assets	7.6

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

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

REVIEW FOR THE QUARTER

The Strategy had an excellent start to the year, delivering double digit returns for the first quarter (Q1-21). This marks the first 12-month period since the collapse of most markets due to the Covid-19 crisis and pleasingly, the Strategy has delivered high double-digit returns. This return is well ahead of the benchmark, showing how the active allocation and investment decisions made during this tumultuous period have paid off for investors.

The key driver of the returns for Q1-21 has been an overweight position in equities and very good alpha generated within the equity portfolio. We have been steadily reducing this overweight position into the very strong markets, especially the offshore component, where markets have been exceptionally robust, and valuations are starting to look stretched. We have not reduced the domestic equity allocation as much, as we continue to see significant value in the domestic market.

Within our domestic equity allocation, our positive alpha has continued to be driven by a meaningful position in resources shares. In Q1-21, in particular, our holdings of the platinum group metal (PGM) shares and Exxaro made a big contribution to the Strategy return. All the PGM shares have reported financial results, and all showed prodigious cash generation and de-gearing. With a general commitment to maintaining a disciplined approach to investing new capital, the majority of this cash is being returned to shareholders. Our investment in Royal Bafokeng Platinum was a standout in this regard, declaring an enormous maiden dividend. After many years of supporting this mine through equity and bond raises, it is a fantastic conclusion to see it generating meaningful returns, having created jobs, having a positive impact on the surrounding communities and now returning cash to shareholders.

Exxaro has also shown exemplary capital allocation. In this period, it disposed of its remaining holding in Tronox, the US-listed mining business, at a very attractive price. They have subsequently announced that the majority of these proceeds will be returned to shareholders by means of a special dividend.

The other driver of our alpha in this period was our holding in Naspers. While historically the share price has just tracked its main underlying holding, TenCent, it significantly outperformed in Q1-21, driven by the announced share repurchases being conducted by Prosus as a means to reduce the substantial discount that Naspers trades to its underlying holdings.

The Strategy is still underweight pure domestic SA businesses, though we continue to add to the high-quality names that we think can continue to grow in a tough domestic environment. We added to a couple of smaller industrial businesses, such as KAP and Metair and Alexander Forbes, the financial services business that should still benefit from higher market levels, even though formal employed numbers are down.

Our offshore equity holdings are overweight emerging markets versus developed markets. The investment thesis that the rampant printing of US dollars will result in a weaker dollar and much stronger economic growth for the more industrialised emerging markets still holds. While global emerging markets (GEM) were a beneficiary of this last year, we have seen a small reversal this year as the dollar has stabilised as the yields on longer-dated US bonds have ticked up. We don't expect this to last, and still believe the relative valuation gap justifies a much bigger investment in the GEM universe.

Our stance not to hold any global government bonds has paid off. The big kick up in yields on US government bonds saw that sector deliver the first meaningful negative quarter in many years. The expectation of a strong return to growth, coupled with high commodity prices, exacerbated by supply chain issues, should all lead to much higher inflation. The market is starting to price some of this in. We still think the risk is further to the downside and continue to avoid any meaningful holding in global bonds.

We have supplemented our holding in gold by adding a position in the platinum exchange traded fund (ETF). While we held some last year, we had sold out when the rand price spiked in 2020. With the rand strength and an earlier pullback in platinum prices, we have added a small position as we believe the metal is likely to head into deficits as the pace at which platinum substitutes the more expensive palladium gathers steam.

We have added to our holdings of South African government bonds. The finance minister delivered a second solid, and as fiscally conservative as the trying times allow, Budget for the year ahead. We have seen better revenue collection as well, reducing the projected overall deficits for the years ahead. With much more conservative forecasts by the National Treasury team, we expect these baseline numbers to be beaten in the period ahead. Continued good metal prices and agricultural conditions will see better revenue outcomes for the year ahead. This makes the potential debt burden more sustainable, and our significant outlier yields on bonds that much more attractive. Inflation continues to be well controlled, meaning the real yields on the government bonds are very attractive for long-term savers.

Finally, we have added some small property positions, being very careful to ensure exposure only to quality properties with strong enough balance sheets to ride out the uncertain times ahead. In the short term, they have delivered a nice bounce-back, although they are still trading on very deeply discounted levels.

The Strategy has endured the most exceptionally volatile 12 months and came through with a gratifyingly strong result. We believe the great investments made during the depths of the crisis will continue to deliver solid results over the medium to long term.