CORONATION

AGGRESSIVE EQUITY STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 30 SEPTEMBER 2021

CORONATION TRUST IS EARNED™

LONG TERM OBJECTIVE

The Coronation Aggressive Equity Strategy is our aggressive offering within our equity product range. The Strategy is constructed on a clean-slate basis with no 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 on a clean-slate 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 the probability of a permanent loss of capital.

STRATEGY RETURNS GROSS OF FEES

Period	Strategy	Benchmark	Active Return
Since Inception (cumulative)	1,765.7%	1,140.7%	625.0%
Since Inception p.a.	16.0%	13.7%	2.3%
Latest 15 years p.a.	12.9%	10.5%	2.4%
Latest 10 years p.a.	12.1%	10.7%	1.4%
Latest 5 years p.a.	8.7%	5.0%	3.7%
Latest 1 year	37.5%	30.3%	7.2%
Year to date	20.1%	16.9%	3.2%
Month	(1.3)%	(1.4)%	0.1%

TOP 10 HOLDINGS

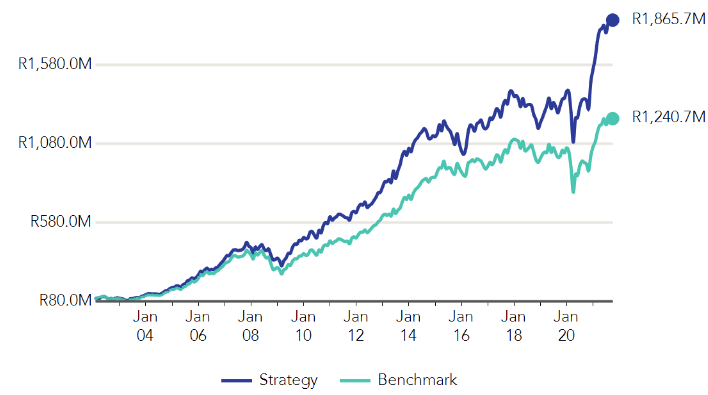
Holding	% Strategy
ANGLO AMERICAN PLC	11.1%
PROSUS	9.6%
NEDBANK GROUP LIMITED	7.9%
GLENCORE XSTRATA PLC	6.5%
STANDARD BANK GROUP LTD	5.3%
BRITISH AMERICAN TOBACCO PLC	4.6%
MOMENTUM METROPOLITAN HOLDINGS	4.1%
QUILTER PLC	4.1%
NASPERS LIMITED	3.9%
ASPEN PHARMACARE HOLDINGS LTD	3.2%

GENERAL INFORMATION

Inception Date	01 February 2002
Strategy Size †	R18.88 billion
Strategy Status	Open
Mandate Benchmark	JSE Capped Shareholder Weighted Index (Capped SWIX*)
Dealing Frequency	Daily
Base Currency	ZAR

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

GROWTH OF R100M INVESTMENT



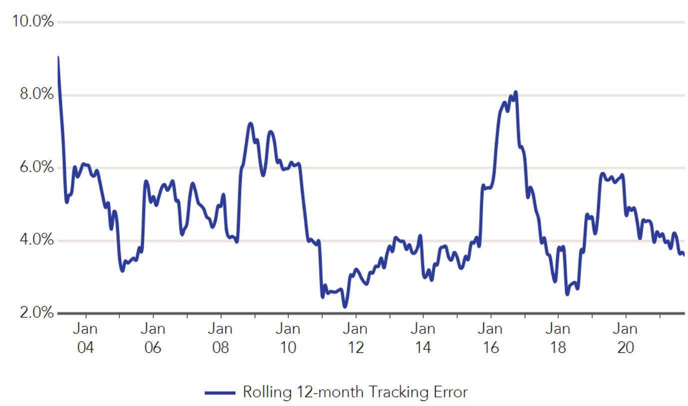
Benchmark: JSE Capped Shareholder Weighted Index (Capped SWIX*)

*FTSE/JSE Capped Shareholder Weighted Index from 01 May 2017. Previously 50 Low Resources (inception to 31 January 2002) and FTSE/JSE Shareholder Weighted Index (01 February 2002 to 30 April 2017).

PERFORMANCE & RISK STATISTICS (Since inception)

	Strategy	Benchmark
Average Annual Return	17.3%	14.9%
Tracking Error	4.5%	
Information Ratio	0.5	
Annualised Standard Deviation	15.0%	15.1%
Maximum Drawdown	(32.7)%	(37.0)%

TRACKING ERROR



SECTOR EXPOSURE

Sector	% Strategy
Financials	29.6%
Basic Materials	28.5%
Consumer Services	15.9%
Technology	10.5%
Consumer Goods	6.1%
Health Care	3.2%

Sector	% Strategy
Energy	2.8%
Consumer Staples	2.3%
Industrials	1.1%
Derivatives	0.3%
Interest Bearing	(0.3)%

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.

REGULATORY DISCLOSURE AND DISCLAIMER

REVIEW FOR THE QUARTER

The Strategy generated pleasing returns over the quarter while longer term performance continues to be well ahead of the benchmark.

The commodity space experienced very divergent fortunes over the last quarter. Energy prices (particularly coal) rose sharply, while iron ore and Platinum Group Metals (PGMs) came under pressure.

While we have been bullish on thermal coal, the price spike from $80/t at the start of the year to over $200/t at the time of writing was unexpected. We have written before about the underinvestment in thermal coal supply and the potential this creates for robust prices. Added to this, we have seen a warm Northern Hemisphere summer, Chinese bans on Australian coal imports, lower Russian gas supply into Europe, lower EU renewable power production and SA coal export issues all contributing to the current price. Our holdings in Glencore and Exxaro were beneficiaries of this price increase over the quarter.

Iron ore prices came under pressure as Chinese authorities sought to cap domestic steel production. Prices fell from over $200/t towards the $100/t level. This coincided with a slowing Chinese economy, particularly in property demand in the wake of property developer Evergrande's debt issues.

The continued global semi-conductor shortage has dramatically impacted automotive production and, with it, PGM demand. An estimated 11 million cars have not been produced this year because of these shutdowns, 13% of production estimates at the beginning of the year. Spot PGM demand has declined materially, and, combined with Amplats releasing their refined inventory, we have seen the industry revenue basket decline by 38% since the peak in April. We expect PGM markets to reenter into deficits next year as the chip shortage is resolved and automotive production ramps back up.

We assumed prices would be materially lower than the spot prices in our forecasts and thus get attractive upside in the equities in all three commodities. In the earlier part of the quarter, we rotated some of our PGM holdings into the diversified miners. We also added to our gold position in AngloGold.

On the global front, the news was dominated by multiple regulatory announcements from the Chinese authorities. Chinese authorities are seeking to introduce or tighten regulations spanning anti-trust, data privacy, online platforms, gig work protections, among others. Authorities are also focusing on practices in the housing, education and healthcare sectors. In most cases, mooted regulations are reasonable and in line with what developed markets want to implement. The uncertainty caused by the various regulations and some regulations that lack clarity saw investors sell many Chinese stocks lower. This includes Naspers/Prosus owned Tencent, which led to Naspers/Prosus shares being down 17%/15% respectively for the quarter. Our view is that the Chinese government still embraces local tech champions like Tencent. The regulations will also result in winners and losers. We would expect Tencent to emerge as a winner, given its more open platform versus peers, its conservative approach to monetising its various verticals, and its conservative regulatory/government approach. While it is likely that Tencent's growth rate will be lower than we expected at the start of the year, we still expect above-average rates of growth to persist for many years to come.

Furthermore, Tencent's investment portfolio accounts for approximately 40% of its market cap, reducing the core business PE multiple. In addition, Naspers/Prosus also have underappreciated assets outside China, spanning classifieds, food delivery and online education. We added marginally to our Naspers/Prosus position during the quarter.

Aspen performed very strongly over the quarter. With its elevated debt now firmly under control, the focus shifted to its vaccine manufacturing capability. Aspen stands to benefit from the increased production of Covid vaccines. Should it successfully negotiate an agreement with Johnson & Johnson to produce its vaccine on a first party basis, rather than as a contract manufacturer, this will add material upside to its manufacturing profitability. Aspen is also in talks to sell its Heparin API business, which should improve its working capital position going forward.

We added to the Anheuser Busch position we started building in 2Q21. The share has been weak, and the valuation now offers attractive upside. Anheuser Busch has a new CEO in Michel Doukeris. Doukeris previously held the role of CEO of North America at the group. He is credited with improving the region's fortunes, in part by investing in new brands and driving premiumisation. This is something the broader group has been accused of lacking and, we believe, will be a focal point for him. We believe the market is placing undue focus on short-term headwinds, such as input cost pressures from higher soft commodity and can prices. We believe Anheuser is a group with pricing power and will be able to claw back any lost margin over time.

On the domestic front, the news was mixed. As is often the case in South Africa, what the one hand gives, the other takes away. We saw very favourable policy announcements early in the quarter. Firstly, the announced sale of South African Airways (SAA) to a credible player which should see it no longer being a continued drain on the fiscus. Telkom provides a shining example of the potential success of an SOE being well run, in private hands. Secondly, the President's announcement lifting the limit for companies to generate electricity without a license from 1MW to 100MW has the potential to generate meaningful investment into the energy sector, help with South Africa's carbon transition and help stave off load shedding, which has been a massive headwind to sustained growth. In both cases, execution will be key, but it is pleasing to see government shift its stance on so-called "red lines".

Sadly, the above two announcements were overshadowed by the looting that took place in KZN and Gauteng in the wake of our former President's imprisonment. The cost has been substantial, and the impact will be felt for some time. Aside from the direct cost to business and employment, the longer-term impact is likely to be felt by lower investment into South Africa. It also increases pressure on the Treasury for higher wages and a Basic Income Grant. This comes at a time when Treasury was making headway in reining in government spending and debt quantum.

This, coupled with the slow pace of reform (spectrum; challenging the court ruling on Once Empowered) and the decline in key commodity prices (PGMs, iron ore), poses headwinds to SA growth and consumer spend.

The Strategy remains relatively defensively positioned in South African economically exposed counters. Our holdings span the banks, life insurers and food retailers. During the quarter, we sold out of FirstRand as its margin of safety reduced and added to our position in Dis-Chem.

Many independent pharmacies dominate the pharmacy market. Over time, this has been shifting towards the formal pharmacy players, led by Clicks and Dis-Chem. We expect this trend to continue, providing the formal pharmacy players with many years of strong store rollout opportunities. This is expected to drive continued strong topline growth. In addition, we believe Dis-Chem's operating margin is currently at a depressed level owing to meaningful investment into the business, which should pay off in years to come. The combination of strong topline growth and margin improvement should drive earnings growth in the teens for years to come.

We continue to find attractive opportunities across the breadth of the market – mining stocks, global businesses that happen to be listed here, and pure SA-exposed stocks. We believe this sets the Strategy up well for prospective returns in the coming years.