CORE EQUITY STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 30 SEPTEMBER 2021

CORONATION
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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)	1,256.9%	922.8%	334.1%
Since Inception p.a.	16.0%	14.1%	1.9%
Latest 15 years p.a.	12.7%	10.6%	2.1%
Latest 10 years p.a.	11.8%	10.9%	0.9%
Latest 5 years p.a.	6.7%	5.4%	1.3%
Latest 1 year	25.1%	22.9%	2.2%
Year to date	13.5%	11.8%	1.7%
Month	(1.2)%	(1.4)%	0.2%

TOP 10 HOLDINGS

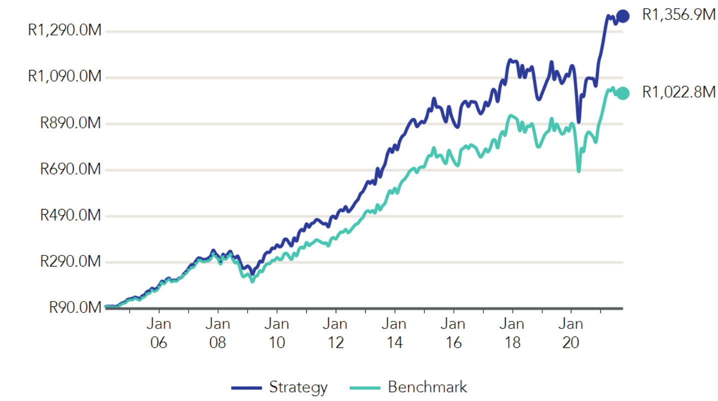
Holding	% Strategy
PROSUS	12.5%
ANGLO AMERICAN PLC	7.7%
FIRSTRAND LIMITED	6.5%
NASPERS LIMITED	5.8%
BRITISH AMERICAN TOBACCO PLC	5.0%
ASPEN PHARMACARE HOLDINGS LTD	4.7%
STANDARD BANK GROUP LTD	4.1%
BID CORPORATION LIMITED	3.1%
WOOLWORTHS HOLDINGS LIMITED	3.1%
GLENCORE XSTRATA PLC	3.0%

GENERAL INFORMATION

Inception Date	01 March 2004
Strategy Size *	R11.35 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

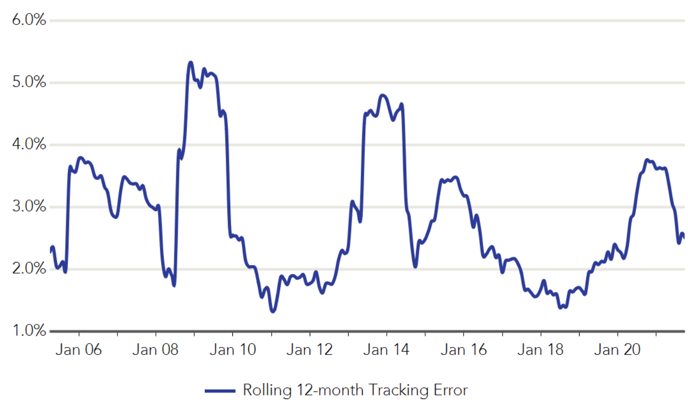


Benchmark: FTSE/JSE Africa Shareholder Weighted Index (SWIX)

PERFORMANCE & RISK STATISTICS (Since inception)

	Strategy	Benchmark
Average Annual Return	17.2%	15.3%
Tracking Error	3.0%	
Information Ratio	0.6	
Annualised Standard Deviation	14.3%	14.6%
Maximum Drawdown	(30.1)%	(37.0)%

TRACKING ERROR



SECTOR EXPOSURE

Sector	% Strategy
Financials	24.4%
Consumer Services	23.8%
Basic Materials	19.0%
Technology	12.5%
Consumer Goods	6.0%
Health Care	5.6%

Sector	% Strategy
Telecommunications	3.8%
Energy	2.4%
Consumer Staples	1.4%
Industrials	0.8%
Metals	0.3%

PORTFOLIO MANAGER

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.

REGULATORY DISCLOSURE AND DISCLAIMER

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REVIEW FOR THE QUARTER

The Strategy generated pleasing outperformance for the quarter taking the one-year return to 25% and now ahead of the benchmark over all periods.

The global recovery continued, supported by high vaccination rates in developed markets and easing economic restrictions. Markets were weaker, reflecting fears that growth would not live up to the high expectations priced in. The MSCI All Country World Index declined -1% in US dollars for the quarter (27% over 12 months). Developed markets (MSCI World index 0%) were broadly flat, although they fell in September (-4%) as concerns on growth increased. Emerging markets underperformed their developed market counterparts (MSCI Emerging Markets [EM] -8%). Brazil (Bovespa -20%) and China (MSCI China -18%) both had a particularly weak quarter.

Investor confidence in China was shaken by a raft of new regulations across multiple sectors that were invoked swiftly and largely without consultation. While China's authoritarian political system has always posed a risk, recent actions have heightened this. The remit of government interventions widened to include a drive for common prosperity and wealth redistribution, as well as social engineering. These policies are in direct conflict with the economic opening that has taken place over the past few decades. The role that foreign capital will be permitted to play is less certain. Evidence of slower Chinese growth also emerged after a very rapid recovery earlier in the pandemic.

South African (SA) investor confidence was dealt a blow early in the quarter with the rioting and looting in KwaZulu-Natal. Social inequality and high unemployment (worsened by the pandemic and associated economic restrictions) remain a major concern. An additional special COVID-19 social relief of distress grant has been extended to those most in need. The additional grant, ongoing SOE support and a higher than anticipated public sector wage agreement further strained the fiscus. SA needs sustained economic growth to heal its fiscal woes. The decline in prices of some of SA's key export commodities (iron ore -28% in Q3-21 in US dollars and PGMs) is a threat to the current account surpluses that have supported the rand. The local currency declined -5% against the US dollars for the quarter. While the quarter heralded a disappointing number of setbacks to the fiscal outlook, the government remains committed to fiscal discipline. The new Minister of Finance is not expected to make any major changes.

SA's vaccine rollout has been slow to ramp up, with 20% of the adult population now fully vaccinated. Easing Covid-19 infection numbers have supported a lowering of restrictions, with the country moving to level 1 at the end of the quarter. The risk of further waves remains given low levels of vaccination.

For the quarter, the JSE Capped SWIX Index delivered 3% in rands. The financials index returned 12% as the improvement in banking earnings continued, fuelled by a faster than expected recovery in bad debts. Industrials declined -4% as major constituent Naspers (-17%) dragged down the index return. The resource index also declined (-4%) as global growth concerns and commodity price pressures weighed on several stocks.

The Strategy has long had considerable exposure to several global businesses that are listed in SA. Major holdings include Naspers (-17%) /Prosus (-15%), Aspen (69%), Bidcorp (4%), British American Tobacco (-1%), Quilter (0%) and Textainer (13%). All are attractive for stock-specific reasons.

Naspers came under considerable pressure during the quarter as regulatory intervention in China intensified. Within the technology sector, much of the regulation is consistent with what is seen elsewhere, including governing fintech, Antitrust, competition law, data security, protection of personal information and gig employee labour protection. More specifically, for Tencent, government attempts to protect minors means increasing restrictions on time spent gaming. Thus far, none of the restrictions are expected to change Tencent's prospects meaningfully. However, the breadth and depth of Chinese regulatory intervention and the amplified threat to foreign capital have increased the risk of any Chinese investment. Valuations now look extremely attractive, with Chinese technology businesses trading at considerable discounts to their developed market peers. Tencent is a formidable company that generates good free cash flows, has a very engaged user base and is growing businesses across multiple verticals. At the Naspers/Prosus level, investors benefit from an undervalued rump where management has been achieving good returns on recent Strategy actions.

Aspen delivered strong returns for the quarter (+69%), bringing 12-month returns to 130%. While organic delivery has been pleasing, the more recent share price performance stems from two specific opportunities. Aspen is under cautionary related to the potential disposal of its API business, which is expected to be accretive. More materially, Aspen could potentially benefit from a vaccine licensing deal from J&J, which would materially increase its revenues.

Domestic companies continued to report results ahead of our expectations due to more resilient economic activity and stringent cost-cutting. We are concerned about the secondary effects of this cost-cutting and the ongoing weak employment numbers.

The Strategy has a meaningful exposure to diversified miners. Holdings in Glencore and Anglo American have contributed strongly to performance over the past few years, but we believe they continue to offer good value. They trade on low multiples with solid free cash flow generation and attractive upside. We are not bullish on all commodities but expect an accelerating global drive to decarbonise to create increasing demand and tight markets in commodities like copper, cobalt, and nickel. Glencore is particularly well exposed.

The Strategy's exposure to gold equities offers upside and reasonably priced protection against stretched sovereign balance sheets and high global market levels. Both AngloGold and Goldfields have improved their production profiles and geographic diversification. We anticipate a period of increased returns to shareholders under their new leadership teams. These positions have been funded by taking profits in the PGM shares.

Markets are ever-changing. The significant disturbance wrought on the world by Covid-19 has accelerated disruption in many industries while placing significant pressure on sovereign balance sheets. The sweeping changes effected by the pandemic has created opportunities where longer-term consequences are being mispriced. We constantly challenge our beliefs to enable us to take advantage of these opportunities.