HOUSEVIEW EQUITY STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 30 SEPTEMBER 2021

CORONATION
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LONG TERM OBJECTIVE

The Coronation Houseview Equity Strategy represents our best investment view for an equity mandate. The portfolio is constructed on a clean-slate basis with no reference to a benchmark. It seeks to identify the best risk adjusted returns in the market and aims 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)	6,618.2%	3,586.1%	3,032.1%
Since Inception p.a.	16.2%	13.7%	2.5%
Latest 20 years p.a.	16.9%	14.5%	2.4%
Latest 15 years p.a.	13.1%	10.5%	2.6%
Latest 10 years p.a.	12.7%	10.7%	2.0%
Latest 5 years p.a.	8.1%	5.0%	3.1%
Latest 1 year	38.2%	30.3%	7.9%
Year to date	21.2%	16.9%	4.3%
Month	0.4%	(1.4)%	1.8%

TOP 10 HOLDINGS

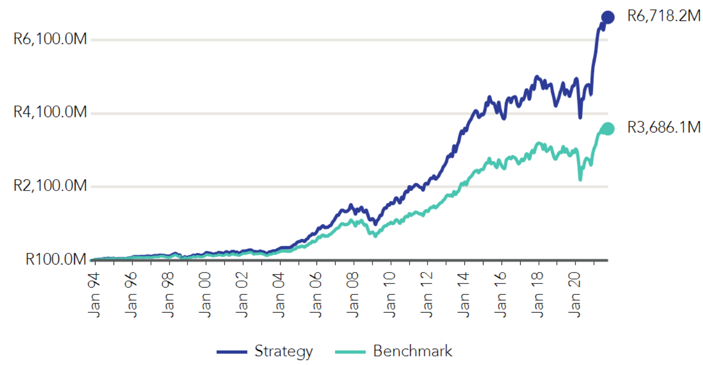
Holding	% Strategy
PROSUS	13.9%
ANGLO AMERICAN PLC	9.7%
FIRSTRAND LIMITED	8.1%
GLENCORE XSTRATA PLC	7.0%
ASPEN PHARMACARE HOLDINGS LTD	4.3%
QUILTER PLC	3.9%
BRITISH AMERICAN TOBACCO PLC	3.7%
BID CORPORATION LIMITED	3.6%
MOMENTUM METROPOLITAN HOLDINGS	3.1%
SHOPRITE HOLDINGS LIMITED	2.7%

GENERAL INFORMATION

Inception Date	01 October 1993
Strategy Size †	R38.37 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



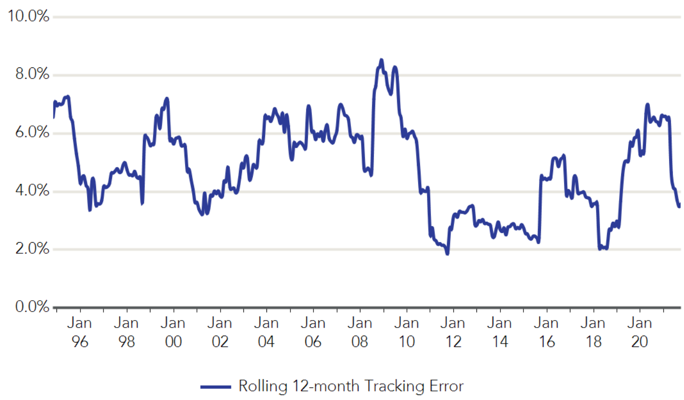
Benchmark: JSE Capped Shareholder Weighted Index (Capped SWIX*)

*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	18.0%	15.5%
Tracking Error	4.4%	
Information Ratio	0.6	
Annualised Standard Deviation	17.4%	17.4%
Maximum Drawdown	(40.8)%	(41.0)%

TRACKING ERROR



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SECTOR EXPOSURE

Sector	% Strategy
Financials	26.0%
Basic Materials	22.7%
Consumer Services	18.4%
Technology	14.6%
Consumer Goods	5.3%
Health Care	4.3%
Industrials	2.7%

Sector	% Strategy
Energy	2.6%
Consumer Staples	1.8%
Derivatives	1.4%
Interest Bearing	0.2%

PORTFOLIO MANAGERS

Karl Leinberger - BBusSc, CA (SA), CFA

Karl is Chief Investment Officer (CIO) and manager of Coronation's Houseview strategies. He joined Coronation in 2000 as an equity analyst, was made head of research in 2005 and became CIO in 2008. Karl has 20 years' investment experience.

Sarah-Jane Alexander - BBusSc, CFA

Sarah-Jane manages assets within the Coronation Houseview Equity Strategy. She also co-manages Coronation's Houseview balanced strategies and has research responsibilities across a range of food producers and hospital stocks, among others. Sarah-Jane joined Coronation in 2008 as an equity analyst and has 16 years' investment experience.

REGULATORY DISCLOSURE AND DISCLAIMER

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REVIEW FOR THE QUARTER

The Strategy had a good quarter generating alpha against most indices. The Strategy also performed well against its benchmark over all meaningful time periods.

The global recovery has continued during this quarter, supported by high vaccination rates in developed markets and easing economic restrictions. Global markets have been weaker, reflecting fears that growth would not live up to the high expectations priced in. The MSCI All Country World Index has declined -1% in US dollars for the quarter (27% over 12 months).

South African (SA) investor confidence has been dealt a blow early in the quarter with the rioting and looting in KwaZulu-Natal. These events have highlighted that social inequality and high unemployment (worsened by the pandemic and associated economic restrictions) remain major concerns. An additional Covid-19 Social Relief of Distress Grant has been extended to those most in need. The additional grant, ongoing support for State-Owned Enterprises and a higher than anticipated public sector wage agreement have 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 platinum group minerals) is a threat to the current account surpluses that have supported the rand. The local currency declined -5% against the US dollar for the quarter. While the quarter has heralded a disappointing number of setbacks to the fiscal outlook, the government remains committed to fiscal discipline.

The JSE Capped All Share Index was up +3.2% in Q3-21 and has gained over +30% over the last 12 months. Domestic companies have 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 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 index return. The resource index declined too (-4%) as global growth concerns and commodity price pressures weighed on several stocks.

The Strategy has long had considerable exposure to several global businesses 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 has come under considerable pressure during the quarter as regulatory intervention in China intensified. Within the technology sector, much of the regulation is consistent with what has been seen elsewhere, including governance of fintech, Antitrust, competition law, data security, protection of personal information and gig employee labour protection. More specifically for Tencent, government attempts to protect minors has meant increased 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 achieved good returns on recent Strategy actions.

Aspen has 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.

Like many holding companies, RMI (+20%) has seen the discount at which it trades to the value of its underlying parts widen over the last few years. We believe this undervalues some of the attractive assets it owns, including OUTsurance, an unlisted short-term insurer with a strong history of delivering earnings growth while achieving high levels of cash flow conversion. We have had many engagements with RMI management over the years about how this value could be unlocked and were pleased to note the restructuring announced in September. RMI intends to unbundle its holdings in Metropolitan Momentum and Discovery to shareholders, leaving a smaller, more focused company with its major holdings in short-term insurance (OUTsurance and Hastings). RMI has also committed to paying out 50% of free cash flow to shareholders. Although a capital raise in the form of a rights issue will be required to achieve this, the restructuring and higher pay-out are undoubtedly positive. We hope that these are the first steps on a journey to further improve shareholder returns by passing through more of the underlying dividends.

The Strategy has a small overweight in resource shares, which comes from the holdings in the 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 has continued to increase its holding in gold equities, which offer 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.