

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)	2,131.1%	1,307.9%	823.2%
Since Inception p.a.	16.0%	13.5%	2.5%
Latest 20 years p.a.	16.7%	14.2%	2.5%
Latest 15 years p.a.	11.8%	9.2%	2.6%
Latest 10 years p.a.	10.7%	8.5%	2.2%
Latest 5 years p.a.	10.1%	4.9%	5.2%
Latest 1 year	9.8%	4.4%	5.4%
Year to date	9.8%	4.4%	5.4%
Month	(2.6)%	(2.8)%	0.2%

TOP 10 HOLDINGS

Holding	% Strategy
PROSUS	11.9%
STANDARD BANK GROUP LTD	8.3%
ANGLO AMERICAN PLC	7.9%
NEDBANK GROUP LIMITED	7.2%
MTN GROUP LIMITED	5.0%
MOMENTUM METROPOLITAN HOLDINGS	4.4%
IMPALA PLATINUM HOLDINGS LTD	4.4%
COMPAGNIE FINANCIERE RICHEMONT SA	4.4%
ANHEUSER-BUSCH INBEV SA/NV	3.9%
SASOL LIMITED	3.9%

GENERAL INFORMATION

Inception Date	01 February 2002
Strategy Size †	R14.04 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 April 2022. Previously FTSE/JSE Africa Shareholder Weighted Index, excluding real estate (inception to 30 November 2006) and FTSE/JSE Africa Shareholder Weighted Index (01 December 2006 to 31 March 2022).

PERFORMANCE & RISK STATISTICS (Since inception)

	Strategy	Benchmark
Average Annual Return	17.3%	14.8%
Tracking Error	4.4%	
Information Ratio	0.6	
Annualised Standard Deviation	15.0%	15.1%
Maximum Drawdown	(32.7)%	(37.0)%

TRACKING ERROR



SECTOR EXPOSURE

Sector	% Strategy	Sector	% Strategy
Financials	28.6%	Telecommunications	5.4%
Basic Materials	27.2%	Industrials	1.6%
Technology	15.9%	Health Care	0.6%
Consumer Goods	12.5%	Interest Bearing	0.2%
Consumer Services	8.0%		

PORTFOLIO MANAGERS



Neville Chester - BCom, CA (SA), CFA

Neville is a senior member of the investment team with 25 years' investment experience. He manages Coronation's Aggressive Equity Strategy and is co-manager of the Coronation Top 20 and Market Plus unit trust funds.



Nic Stein - BBusSc, CA (SA), CFA

Nic is a portfolio manager and analyst within the Coronation investment team with 13 years' investment experience. He co-manages the Coronation Aggressive Equity and Managed strategies as well as the Coronation Resources, Top 20 and Market Plus unit trust funds.

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REVIEW FOR THE QUARTER

The Strategy returned 12.3% for the quarter and 9.8% for the last 12 months. The long-term performance of the Strategy remains pleasing against the benchmark.

To quote Vladimir Lenin: "There are decades where nothing happens; and there are weeks where decades happen". While not a week, 2022 certainly felt like the quote! We lived through 1) inflation levels last seen decades ago; 2) which was aggravated by the deadliest war in Europe since World War 2, with Russia's invasion of Ukraine; 3) reworking supply chains given anti-Russia and Chinese sentiment; 4) strongly positive real interest rates as central banks started the fightback against inflation; 5) popping of speculative bubbles like Crypto and NFTs, largely related to point 4; 6) very muted Chinese economic activity, in part due to their zero-Covid policy; and 7) locally, ever deteriorating loadshedding and infrastructure decay, alongside tragic flooding in KwaZulu-Natal.

Given the above context, as well as a very high starting PE, it is perhaps unsurprising that the MSCI World Index sold off c.20% over 2022. SA fared better, with the FTSE/JSE Capped Shareholder Weighted Index only falling 2.2% in US dollars.

For the final quarter of the year (Q4-22), the Strategy benefited from improved Chinese sentiment and reopening prospects, which drove good performance from the miners, Naspers and Richemont. Positions in Nedbank, Dis-Chem and Sasol detracted.

The Strategy retains a healthy exposure to commodities. Within the sector, we have reduced our weighting in Glencore as the share price performed well and the margin of safety reduced. With the proceeds, we have been buying Sasol. The oil price is currently around \$80/barrel. It is worth noting that it is at this level when 1) consumer demand is under pressure owing to high electricity/gas bills; 2) the US has been releasing strategic oil stockpiles to help lower the price; 3) China demand is subdued due to its zero-Covid policy; and 4) Russian oil production has been surprisingly resilient since the start of the invasion. Over the medium term, we believe there is a good chance that all, or some, of these factors reverse, which would likely see the oil price move materially higher. While many people say that they are bullish energy (suggesting that this is a crowded trade), low multiples and high free cashflow yields suggest the opposite.

Naspers/Prosus bounced very nicely in Q4-22. While Prosus was "only" up 24% for the quarter, it is up 83% from its low in October to the time of writing. Extremely weak sentiment has been improving as Chinese President Xi Jinping spoke about the importance of a healthy Chinese tech sector. The Chinese government announcing the softening of their zero-Covid stance is also expected to buoy consumer demand and Chinese economic activity in general. Finally, Prosus/Naspers's aggressive share buyback campaign is starting to benefit intrinsic value per share, as they buy back their shares at a discount to its underlying value.

Having rebounded off its Covid lows, the South African (SA) economy continues to struggle with low growth. Ageing underinvested infrastructure and poorly run state entities hamstringing the economy. High levels of power outages render Eskom unable to increase planned maintenance sufficiently to bring down the high levels of loadshedding experienced during the second half of 2022. The resignation of Eskom's CEO and COO during Q4-22 add further uncertainty. The Phala Phala fiasco was a reminder of just how fragile the political situation is. Fortunately, the outcomes of the December ANC elective conference favoured President Cyril Ramaphosa and his allies. This should enable ongoing, or even hastened, reform. We await the results of actual delivery before getting too excited.

Domestic stocks continue to offer attractive stock picking opportunities, with their low starting expectations and undemanding valuations. Many trade on high dividend yields too. Our emphasis within the portfolio has been on finding businesses that can prosper even in a low-growth economy. The banks feature here as their earnings have benefited from interest rate hikes, with higher interest earned on capital and lazy deposits. Strong capital positions leave them well placed to release provisions when the credit cycle turns. We added exposure to Absa during the quarter. Absa has shown strong growth off its pre-Covid earnings base, driven by market share gains and good operating leverage. While the share price has risen, multiples remain low in absolute terms and versus the other banks. With board and management succession issues resolved, and the Barclays separation complete, we expect Absa to continue delivering against its long-term targets.

We sold out of Woolworths during the quarter. The share price has reacted favourably to new management's strong execution, notably in improving margins in the SA clothing business and setting plans in motion to dispose of their Australian department store business, David Jones. While we expect SA clothing margins to continue their upward trajectory, we are concerned that the SA food business will face increased pressure from Checkers, as well as from a shrinking pool of LSM 9-10 consumers.

While the macroeconomic environment remains tough, starting valuations are a key determinant of future returns. As such, we are optimistic about the prospective return outlook for the Strategy.