

## 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)	4,183.2%	2,375.3%	1,807.9%
Since Inception p.a.	15.1%	12.8%	2.3%
Latest 20 years p.a.	14.7%	13.6%	1.1%
Latest 15 years p.a.	11.6%	9.5%	2.1%
Latest 10 years p.a.	10.7%	9.3%	1.4%
Latest 5 years p.a.	8.4%	7.1%	1.3%
Latest 1 year	3.0%	(0.6)%	3.6%
Year to date	3.0%	(0.6)%	3.6%
Month	(1.2)%	(2.4)%	1.2%

## PERFORMANCE &amp; RISK STATISTICS (Since inception)

	Strategy	Benchmark
Annualised Standard Deviation	11.8%	11.4%
Maximum Drawdown	(23.5)%	(27.7)%

## ASSET ALLOCATION

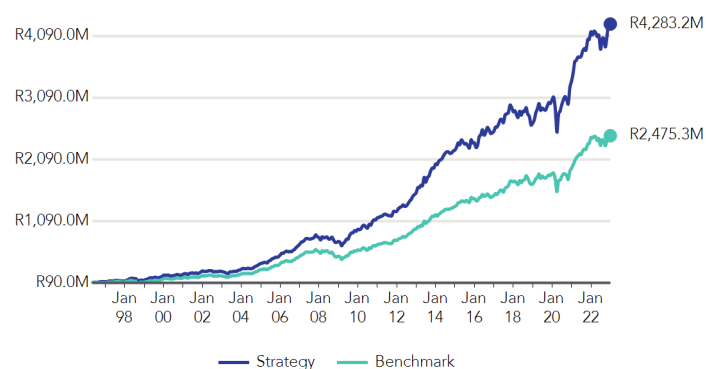
Asset Type	% Strategy
Local Equities	49.6%
Foreign Equities	24.1%
Local Bonds	16.8%
Foreign Bonds	4.3%
Local Real Estate	2.8%
Local Hedge	1.3%
Foreign Real Estate	0.7%
Cash	0.4%

## GENERAL INFORMATION

Inception Date	01 May 1996
Strategy Size †	R19.01 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	12.7%
RSA FIX 6.500% 280241	10.6%
PROSUS	6.0%
STANDARD BANK GROUP LTD	4.2%
CORONATION GEM EQUITY FUND	3.9%
ANGLO AMERICAN PLC	3.7%
NEDBANK GROUP LIMITED	3.1%
CORONATION GLB EQ SE-Z USD	2.5%
MTN GROUP LIMITED	2.2%
IMPALA PLATINUM HOLDINGS LTD	2.2%

## EFFECTIVE MATURITY PROFILE\*

Term	% Strategy (incl. Cash)	% Strategy (excl. Cash)
0 to 1 year	(1.2)%	2.8%
1 to 3 years	0.9%	0.9%
3 to 7 years	1.6%	1.5%
7 to 12 years	1.2%	1.2%
Over 12 years	12.5%	12.0%

## MODIFIED DURATION\*

Portfolio	1.2
Fixed Income Assets	7.9

## 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.

## REGULATORY DISCLOSURE AND 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 bounced back strongly in the fourth quarter of 2022 (Q4-22), contributing to a meaningfully positive full-year return – a very pleasing result in a year where global markets have sold off dramatically and local markets have been extremely volatile. The Strategy's quarterly return of 9.4% was ahead of the benchmark, mainly driven by having kept a high weighting to SA equities, which significantly outperformed global equities in the quarter.

For most of Q4-22, the Strategy retained a high weighting to equity, given what we saw as compelling value in the local equity market, and, increasingly, value appearing in global equity markets as the inflation and interest rate led sell-off continued in those markets. It has been a difficult call to make, as SA bonds are also trading at very attractive levels for long-term investors, but we felt that the upside from equity was likely to be significantly better.

Within our SA equity selection, our overweight position in commodities added to performance as markets once again started to price in commodity prices remaining higher for longer. In the year-end trading updates, all the major mining companies indicated lower volumes than expected. This indicates that prices are likely to remain higher for longer as supply has continuously disappointed. The strong cash flows these companies will generate from these above-normal commodity prices will predominantly be returned to shareholders, making resources shares very attractive from a total return perspective.

The Strategy also benefited from our investment in Naspers/Prosus and Richemont, both of whom have significant China exposure. While the market panicked initially when Xi Jinping was, unsurprisingly, re-elected for a third term as Chinese president and general secretary of the Communist Party, it quickly responded to his announcements of reopening for business, and later, the end of China's zero-Covid policy.

Our exposure to the SA banking sector was performing well initially on the back of strong pre-close updates but increasing concerns locally about continued power shortages and then the potential resignation of the president, saw their share prices come under pressure. They have not recovered, despite President Cyril Ramaphosa comfortably being re-elected as head of the ANC. The next big driver towards which the market will likely shift its focus is the upcoming announcement from the Financial Action Task Force on the potential 'greylisting' of SA. Given the narrative around this event, there is likely more upside than downside, as most participants are expecting the greylisting to occur. Should it be deferred, we should see the banks outperform.

Within the Strategy's global exposure, our emerging markets (EM) position (which detracted earlier in the year) came through strongly as the market has started to recognise the relative cheapness of many EMs versus developed markets. It also benefited from the Chinese exposure in the last month, as referenced above. As the developed equity markets have continued to underperform, we have started adding exposure here, adding around 3% to global equity in the quarter.

We have maintained a high exposure to SA government bonds but have also been adding to global credits as they are now offering decent returns as the yield curve has pushed out. We are still avoiding most foreign sovereigns, where yields still do not compensate for the risk.

In our property exposure, our focus has shifted towards a few specific names, adding to Attacq, which delivered very strong results, and whose Waterfall node remains the most promising in the Gauteng region. Our exposure to RMH reduced as the company paid out the proceeds from its portfolio sale to shareholders as a special dividend. Given the relative attractiveness of SA bonds, we still do not have much exposure to SA property.

Despite the extremely wild ride we have experienced in the last few years with Covid, which was followed by a major European war, the Strategy has managed to deliver solid returns. Our three-year numbers (from the start of 2020) are in double-digit territory at 11.9%, delivering comfortable inflation-beating returns for this period. Given the yields available on our equity and fixed income holdings, we are confident that the Strategy should be able to keep up this level of return over the medium term.