CORE EQUITY STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 31 MARCH 2022

CORONATION
TRUST IS EARNED™

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)	1,409.3%	1,070.7%	338.6%
Since Inception p.a.	16.2%	14.6%	1.6%
Latest 15 years p.a.	11.4%	9.8%	1.6%
Latest 10 years p.a.	11.4%	10.7%	0.7%
Latest 5 years p.a.	8.7%	8.3%	0.4%
Latest 1 year	11.2%	12.9%	(1.7)%
Year to date	4.3%	5.7%	(1.4)%
Month	1.1%	1.4%	(0.3)%

TOP 10 HOLDINGS

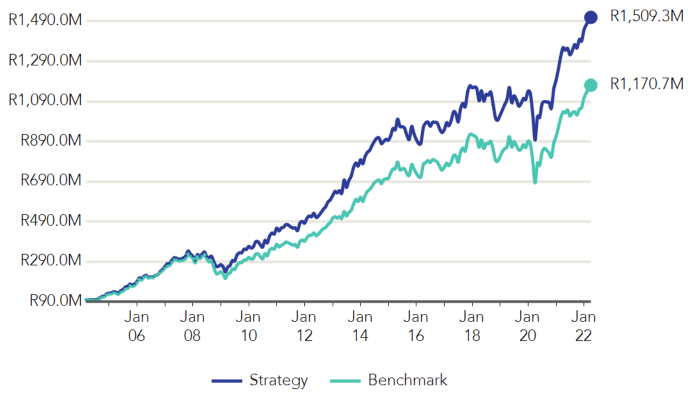
Holding	% Strategy
ANGLO AMERICAN PLC	10.1%
FIRSTRAND LIMITED	7.0%
PROSUS	5.6%
BRITISH AMERICAN TOBACCO PLC	5.2%
MTN GROUP LIMITED	5.0%
STANDARD BANK GROUP LTD	4.8%
NASPERS LIMITED	4.2%
NEDBANK GROUP LIMITED	3.4%
COMPAGNIE FINANCIERE RICHEMONT SA	3.3%
ASPEN PHARMACARE HOLDINGS LTD	3.2%

GENERAL INFORMATION

Inception Date	01 March 2004
Strategy Size *	R12.06 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

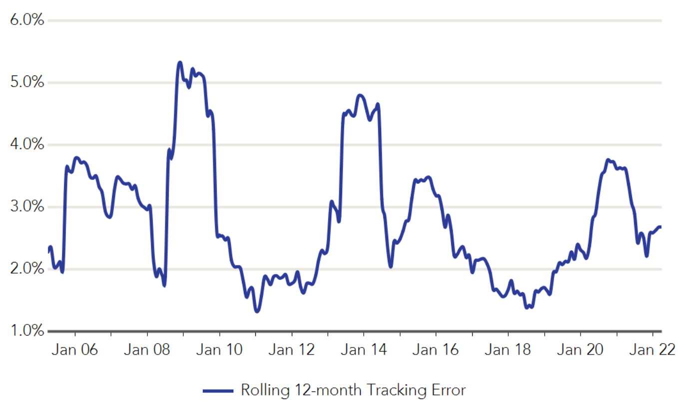


Benchmark: FTSE/JSE Africa Shareholder Weighted Index (SWIX)

PERFORMANCE & RISK STATISTICS (Since inception)

	Strategy	Benchmark
Average Annual Return	17.3%	15.8%
Tracking Error	3.0%	
Information Ratio	0.5	
Annualised Standard Deviation	14.2%	14.5%
Maximum Drawdown	(30.1)%	(37.0)%

TRACKING ERROR



SECTOR EXPOSURE

Sector	% Strategy
Basic Materials	27.9%
Financials	24.3%
Consumer Services	19.9%
Consumer Goods	8.4%
Telecommunications	6.1%
Technology	5.6%
Health Care	3.2%
Energy	2.4%
Consumer Staples	1.5%
Industrials	0.5%
Interest Bearing	0.2%

PORTFOLIO MANAGER

Quinton Ivan - BBusSc, BCom (Hons), CA (SA), CFA

Quinton is head of SA Equity Research and manager of Coronation's Core Equity Strategy. He also co-manages the Presidio Hedge Fund. Quinton has 17 years' investment experience.

REGULATORY DISCLOSURE AND DISCLAIMER

REVIEW FOR THE QUARTER

Notwithstanding generating positive absolute returns, the Strategy has lagged the benchmark over the most recent performance periods.

Russia's unexpected invasion of Ukraine weighed heavily on markets during the quarter. Commodity prices soared, given Russia's role as a meaningful commodity producer. Expectations for global growth slowed, given rising energy prices, rising interest rates and slowing growth in China. The MSCI World Index declined -5% for the quarter (dragging 12-month returns down to 10%). Given the size of the Chinese economy, a serious slowdown remains a risk to the global economy. South Africa (SA) performed well, with currency strength (ZARUSD +9%) boosting US dollar returns to 16% (as measured by the FTSE/JSE Capped SWIX in US dollars).

Events in Russia further exacerbated the trend of rising inflation, with a dramatic impact on energy costs (Brent crude +39% for the quarter and +70% over 12 months) and food expected to put consumer disposable income under pressure. Rising inflation has resulted in a round of interest rate hikes by central banks as seen in the US, UK and SA during March.

Higher commodity prices are benefiting the domestic economy as the additional revenues help to stabilise the debt burden. This improvement was reflected in Moody's upgrade in its outlook for SA debt from negative to stable. While domestically there are signs of positive policy reform (the completion of the spectrum auction and Transnet inviting private sector bids to operate freight networks), the local economy remains weak. A decade of mismanagement has undermined infrastructure, with power and rail capacity in particular constraining the economy. These challenges, combined with a poor education system (which undermines labour productivity), continue to pose structural headwinds to growth.

However, given the many global headwinds, SA is relatively well positioned given its commodity basket. This, combined with low starting expectations and undemanding valuations, supported strong returns from SA equities for the quarter, with the FTSE/JSE Capped SWIX Index delivering 7% in rands. Quarterly performance across the sectors was divergent, with resources (+19%) and financials (+20%) strongly outperforming industrials (-13%).

The resource sector was up strongly as Russia's invasion of Ukraine resulted in a risk/scarcity premium being priced in across almost the entire commodity spectrum. Commodity markets were already tight entering 2022, but Russia's significant role in supplying a number of these markets has created further pressure. Russia is a key producer of palladium (27% of the global total), natural gas (19%), metallurgical coal (17%), crude oil (10%) and thermal coal (9%). Developments in this period will have outsized consequences for energy markets for many years to come.

As would be expected, energy producers benefited sharply during the quarter, with Thungela (+118%), Exxaro (+45%) and Sasol (+37%) all up meaningfully. Holdings in the diversified miners (Glencore +18% for the quarter and Anglo American +22% for the quarter) have contributed strongly to performance over the past few years. While they remain sizeable holdings, position sizes have been cut given the ongoing strength and subsequent reduction in the margin of safety.

The heightened uncertainty during the quarter also buoyed the gold equities and we took the chance to trim these holdings during the period. Goldfields and AngloGold ended the quarter, up 32% and 7% respectively.

The Portfolio is underweight the platinum group metals miners. While near-term cash flows are expected to be strong, longer-term demand is expected to be undermined by a shift to electric vehicles. Governments (particularly European) are expected to accelerate battery electric vehicles adoption given recent events as they strive to increase energy independence and reduce reliance on Russian oil and palladium.

The financials index returned 20% for the quarter, driven by a strong performance from the banks (+25%) and life insurers (+17%). The four domestic banks that reported during March all showed a strong recovery in pre-provisioning operating profit to a level matching or exceeding their pre-Covid levels. This was aided by a faster-than-expected recovery in the economy and good cost control. Rising interest rates should support future earnings. Holdings in RMI (+73% over 12 months, +15.5% for the quarter) and Transaction Capital (TCP) (+10%) have contributed to the Portfolio's performance over their holding period. RMI continued its journey to simplify its structure, unveiling the value inherent in OUTsurance – a fast growing insurer with the ability to pay out the bulk of its earnings. Despite the RMI share price moves (+73% over 12 months, +15.5% for the quarter), it remains an attractive investment. The core OUTsurance asset trades at a low look-through multiple relative to its high-quality nature and strong growth prospects, particularly in Australia. We expect TCP's We Buy Car's business to continue to gain market share given its convenient and trusted consumer offer.

Industrials declined -13% for the quarter given the decline in its major constituent (Naspers -33% and Prosus -39% for the three-month period). Naspers and Prosus continue to be battered by negative sentiment towards China and the increased intensity of regulatory intervention. Despite the increased risk, we believe the shares are pricing in a conservative outcome. Tencent is a formidable company that generates good free cash flows, has a very engaged user base and is growing businesses across multiple verticals. An investment in Naspers/Prosus offers an extremely discounted entry point to Tencent.

Our portfolio has meaningful exposure to several global businesses listed in SA that we believe offer considerable value. In addition to Naspers/Prosus, examples include British American Tobacco, Bidcorp, and Quilter. These counters generally lagged resource/domestic counters during the period as global markets sold off. We used the weakness in its share price to build our holding in Richemont. Richemont has a portfolio of highly desirable luxury brands across the jewellery and watch sector, with branded jewellery expected to continue growing strongly.

In keeping with a trend consistent through 2021, domestic companies continued to report results ahead of our expectations given a more resilient economy and stringent cost-cutting. Our emphasis has been on finding businesses that can prosper even in a low growth economy. For example, a business such as Shoprite has continued to invest behind its franchise and is growing revenues by gaining share in a competitive, low growth economy.

While headwinds exist in both global markets and the domestic economy, we believe SA assets are well priced for the risks and should offer attractive returns off these low starting prices.