

LONG TERM OBJECTIVE

The Coronation Global Absolute Strategy targets positive real returns with an overriding focus on limiting downside returns or portfolio losses. Therefore, capital preservation in real terms is equally important to return optimisation. 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)	1,976.7%	259.3%	1,717.4%
Since Inception p.a.	14.3%	5.8%	8.5%
Latest 20 years p.a.	13.6%	5.6%	8.0%
Latest 15 years p.a.	10.2%	5.7%	4.5%
Latest 10 years p.a.	10.1%	5.0%	5.1%
Latest 5 years p.a.	8.3%	4.3%	4.0%
Latest 3 years p.a.	9.8%	4.4%	5.4%
Latest 1 year	9.4%	5.9%	3.5%
Year to date	(1.0)%	1.7%	(2.7)%
Month	(0.6)%	0.9%	(1.5)%

ASSET ALLOCATION

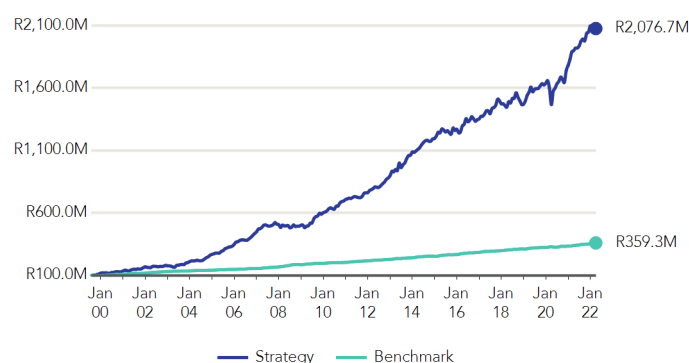
Asset Type	% Strategy
Local Equities	41.8%
Local Bonds	28.0%
Foreign Equities	19.4%
Local Property	3.1%
Local Hedge Funds	2.3%
Foreign Fixed Income	2.0%
Local Commodities	1.9%
Cash	1.4%
Foreign Property	0.1%

GENERAL INFORMATION

Inception Date	01 August 1999
Strategy Size †	R7.43 billion
Strategy Status	Open
Mandate Benchmark	Consumer Price Index (CPI)
Performance Target	CPI + 5% (gross of fees and taxes) over a rolling 3 year period
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: Consumer Price Index (CPI)

TOP 10 HOLDINGS

Holding	% Strategy
CORO GBL EQUITY FOF-Z	16.2%
RSA FIX 6.250% 310336	5.0%
ANGLO AMERICAN PLC	4.0%
RSA FIX 8.875% 280235	3.5%
CORO GBL CAPITAL PLUS-Z	3.4%
BRITISH AMERICAN TOBACCO PLC	2.9%
FIRSTRAND LIMITED	2.9%
CORONATION GEM EQUITY FUND	2.4%
PROSUS	2.4%
RSA FIX 8.250% 310332	2.2%

MODIFIED DURATION*

Portfolio	1.5
Fixed Income Assets	5.5

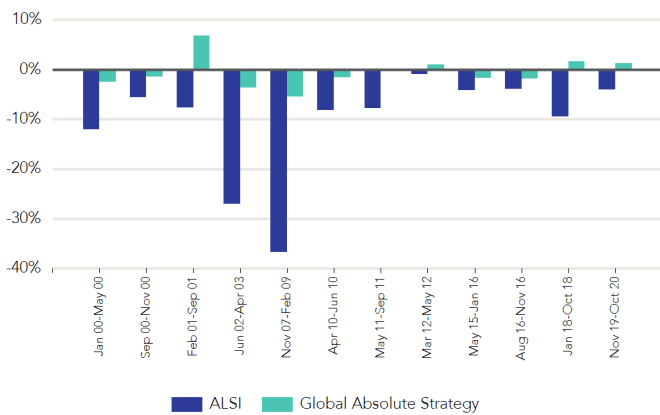
PERFORMANCE & RISK STATISTICS (Since inception)

Average Annual Return	14.7%
Annualised Standard Deviation	7.8%
Highest Monthly Return	8.8%
Lowest Monthly Return	(8.1)%
% Positive Months	71.0%
Downside Deviation	3.3%
Maximum Drawdown	(11.5)%
Sortino Ratio	1.7

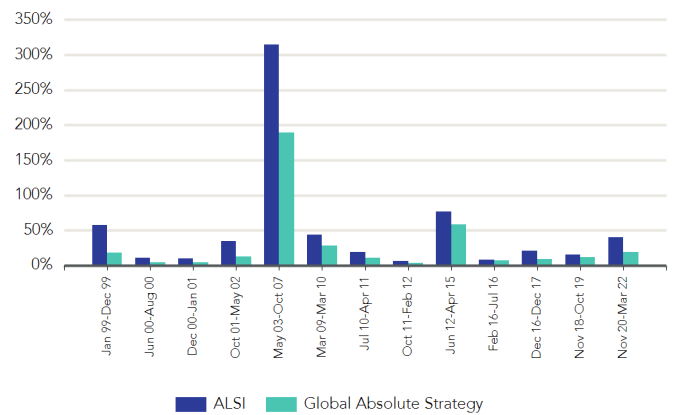
EFFECTIVE MATURITY PROFILE*

Term	% Strategy (incl. Cash)	% Strategy (excl. Cash)
0 to 1 year	(0.6)%	0.9%
1 to 3 years	6.8%	6.7%
3 to 7 years	5.0%	4.9%
7 to 12 years	5.7%	5.6%
Over 12 years	10.4%	10.3%

BEAR MARKETS



BULL MARKETS



In the bar graphs above, we have divided the period since inception of our Strategy into bull and bear markets. The Strategy's returns are measured against the FTSE/JSE All Share index. The bear market graph clearly demonstrates how the Strategy has protected capital; its losses were much more shallow than the market during downswings. As evident from the second graph, the Strategy also enjoyed healthy upside participation in bull markets.

PORTFOLIO MANAGERS



Charles de Kock - BCom (Hons), MCom

Charles is co-head of the Absolute Return investment unit and a portfolio manager across all strategies within the unit. He has more than 30 years' investment experience.



Pallavi Ambekar - BBusSc, CA (SA), CFA

Pallavi is co-head of the Absolute Return investment unit and a portfolio manager across all strategies in the unit. With 19 years' investment experience, she also has research responsibility for certain large capitalisation shares listed on the JSE.



Neill Young - BBusSc, CA (SA), CFA

Neill joined Coronation in 1998 and co-manages Coronation's Absolute Return Strategies and the Coronation Financial unit trust fund. Neill has more than 23 years' investment experience.

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* For SA Fixed Income investments only. Excludes international investments, equities, property and preference shares.

REVIEW FOR THE QUARTER

The war in Ukraine dominated world events during the first quarter of 2022 (Q1-22). This is first and foremost a human tragedy, and Russia's actions are being condemned in the strongest possible terms with wide-ranging sanctions being implemented. The invasion was not broadly anticipated by market participants, and its effects have been most evident in increases in commodity prices – particularly energy-related and agricultural commodities given the region's importance in the supply of these products – as well as a general increase in risk aversion. This comes after a lengthy period of market gains, at a time when developed market equity valuations are elevated and central banks around the world are starting to raise policy rates. It is therefore maybe surprising that global markets declined by only 5.4% in Q1-22 (as measured by the MSCI All Country World Index).

Events in China also played an important role in markets during Q1-22. Regulatory uncertainty, particularly around the technology sector continues to weigh on sentiment, despite recent attempts to reassure investors. In addition, their government's determination to enforce a zero-Covid policy has resulted in mass lockdowns in major cities and manufacturing hubs. This, along with tight labour markets in developed economies and supply disruptions resulting from the conflict in Ukraine, is evident in significant increases in developed market inflation rates. Increasingly, there are concerns that higher levels of inflation will persist for longer and that central banks will tighten more aggressively as a result.

Amidst the global turmoil, South Africa has emerged as something of emerging market safe haven. The domestic equity market returned 6.7% for the quarter (Capped SWIX) and the bond market 1.9% (ALBI). When one considers that the rand has appreciated by 9.2% over the same period, translating these returns into dollars places SA as one of the best performing markets globally year to date.

While it would be a stretch to say this improved sentiment is a result of any significant action on SA's part, there have been some encouraging developments. Higher commodity prices continue to benefit our current account and are likely to support improved revenue collection for as long as they persist at these elevated levels. On the face of it, fiscal discipline is sound - pronouncements in the Budget recognise that medium term expenditure commitments cannot be based on such windfalls that are cyclical in nature and the Constitutional Court has upheld the government's decision not to pay an unaffordable increase in the public sector wage bill. Inflation looks relatively well controlled and is currently lower than in many developed markets (although the impact of higher fuel and food prices is yet to be properly felt.) The spectrum auction process has finally been completed raising R15bn for the fiscus in the process. And the state of disaster has been lifted along with Covid-19 testing requirements for international travellers, which should provide a much-needed boost to the tourism sector. Progress has been recognised by ratings agencies with Moody's upgrading its outlook from negative to stable, although SA remains some way from investment grade status.

The biggest contributor to Strategy returns over the past 12 months has been the allocation to SA equity, followed by domestic bonds. Foreign assets (predominantly equities) detracted. Within domestic equities, Anglo American, FirstRand, MTN, Nedbank and Shoprite were the biggest contributors to returns, while the Strategy's holding in Naspers/Prosus was a significant detractor.

The banks sector has been one of the strongest performing sectors over the past year. In March four of the five domestic banks reported results that exceeded market expectations and highlighted their resilience over the Covid-19 period, with 2021 pre-provision operating profits (a more meaningful metric than headline earnings, which can be somewhat distorted by the extent to which impairment provisions were raised and subsequently released) matching or exceeding 2019 levels. Despite sluggish advances growth, with fortunes that are largely tied to a low growth SA economy, these businesses are beneficiaries of (moderately) rising interest rates, have well provided lending books, continue to demonstrate good cost control, and are well- (if not over-) capitalised. They continue to trade on relatively inexpensive valuation multiples. If asset growth doesn't accelerate, excess capital is likely to be returned to shareholders in order to improve returns, underpinning attractive dividend yields. SA banks currently make up approximately 6% of Strategy assets.

During the quarter we were net sellers of domestic equities, in particular resource companies that continued to benefit from increases in commodity prices. Despite this, given the relative strength of our market, allocation to SA equities has increased slightly to 42%. We continue to believe that the domestic equity market offers attractive returns, including global businesses that are listed in SA. We increased exposure to global equities following the sell-off in these markets. While in aggregate developed markets continue to look expensive, we believe the managers underlying the global funds are well positioned to identify attractive return opportunities in a time of increased market volatility. Mindful of the need to protect capital, we retain put protection against a portion of both global and domestic equity exposure.

The upheaval of the past quarter has impacted negatively on the one-year performance of the Strategy, but it continues to deliver returns ahead of inflation. As always, this has been achieved through a considered mix of income and growth assets as well as our careful approach to instrument selection. Based on our return expectations for the various asset classes at our disposal, we continue to believe that the Strategy remains capable of delivering on its mandate in the medium term.