CORONATION

MANAGED STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 31 MARCH 2022

CORONATION
TRUST IS EARNED™

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)	4,041.6%	2,357.4%	1,684.2%
Since Inception p.a.	15.5%	13.1%	2.4%
Latest 20 years p.a.	14.4%	13.3%	1.1%
Latest 15 years p.a.	11.7%	9.7%	2.0%
Latest 10 years p.a.	12.0%	10.8%	1.2%
Latest 5 years p.a.	9.2%	8.5%	0.7%
Latest 1 year	12.1%	13.4%	(1.3)%
Year to date	(0.4)%	(0.4)%	0.0%
Month	(0.6)%	0.1%	(0.7)%

PERFORMANCE & RISK STATISTICS (Since inception)

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

ASSET ALLOCATION

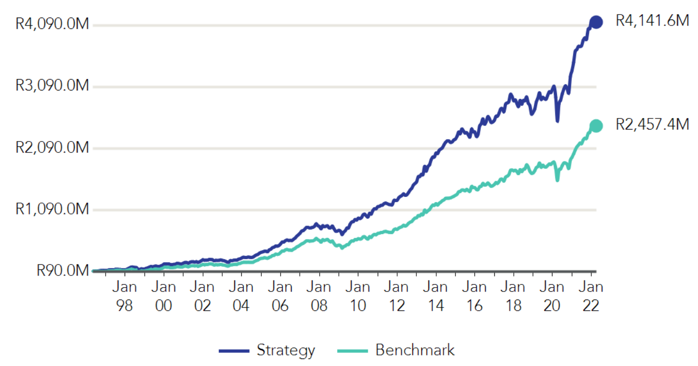
Asset Type	% Strategy
Local Equities	57.6%
Local Bonds	18.7%
Foreign Equities	15.5%
Local Real Estate	5.5%
Local Hedge	1.2%
Foreign Real Estate	0.7%
Foreign Bonds	0.5%
Cash	0.3%

GENERAL INFORMATION

Inception Date	01 May 1996
Strategy Size †	R20.36 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
RSA FIX 6.500% 280241	10.5%
CORO GBL EQUITY FOF-Z	10.2%
ANGLO AMERICAN PLC	4.9%
PROSUS	4.8%
STANDARD BANK GROUP LTD	4.5%
NEDBANK GROUP LIMITED	3.8%
CORONATION GEM EQUITY FUND	3.8%
ANGLOGOLD ASHANTI LIMITED	2.8%
GLENCORE XSTRATA PLC	2.5%
BRITISH AMERICAN TOBACCO PLC	2.5%

EFFECTIVE MATURITY PROFILE*

Term	% Strategy (incl. Cash)	% Strategy (excl. Cash)
0 to 1 year	0.0%	3.1%
1 to 3 years	0.7%	0.7%
3 to 7 years	1.8%	1.7%
7 to 12 years	1.3%	1.3%
Over 12 years	13.3%	12.9%

MODIFIED DURATION*

Portfolio	1.5
Fixed Income Assets	8.5

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

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

REVIEW FOR THE QUARTER

The Strategy had a challenging quarter, delivering a slightly negative return; however, the 12-month absolute returns were positive and comfortably ahead of inflation. Over the last 12 months, performance benefited from significant exposure to local equities. The Strategy generated returns behind benchmark for the last 12 months mainly due to our foreign equity holdings, which has a greater allocation to emerging market equities compared to benchmark and emerging market equities underperformed. The Strategy has performed well against its benchmark and its peer group over all meaningful time periods, which aligns to our long-term investment horizon.

In what appears to be a recurring theme, the first quarter of the year saw markets rocked by another shock event. This time, it is the invasion of Ukraine by Russia and the fears of this conflagration expanding into a full-blown European war. While the humanitarian disaster is appalling, the impact on South Africa (SA) thus far has been relatively muted. Global markets, which were already skittish with inflation running out of control and facing the prospect of higher interest rates, have taken more of a knock; although, even these markets have stabilised quickly as it has become apparent that Russia has grossly overestimated the competence of its own military and is unlikely to threaten Europe with its conventional forces. US equity markets have recovered to pre-invasion levels and European markets have retraced half the losses incurred since the invasion.

What has significantly deteriorated since the invasion is the outlook for inflation. Central banks around the world were all dropping the 'transitory' moniker for this bout of inflation even before the war. This was happening because it was becoming fairly obvious to all that inflation in high single digits in the developed world was rapidly finding its way into all manner of manufactured goods and increasingly into labour expectations. In order to deal with this, central banks needed to start preparing the markets for faster and steeper rate hiking cycles, contrary to their previous guidance. As we stand today, the US Federal Reserve, which previously was guiding for no rate hikes before 2023, is now warming the market for a 50 basis points (bps) hike in the middle of this year, with more to come. This even more dramatic change in positioning has been driven by the additional inflationary pressure of the sanctions applied to Russia and the impact of the war on Ukrainian food and fertiliser production. Energy prices have spiked dramatically as oil and coal embargoes on Russia have taken supply out of the market that is not easily replaced by other suppliers. Natural gas, which continues to flow, has also spiked as the market anticipates Europe cutting off supplies at some point in the future. Energy prices feed into all parts of the global supply chain and these recent increases are likely to exacerbate an already out of control inflation environment.

As large suppliers of wheat, the failure of Ukrainian and Russian wheat crops coming to the market has also seen the price of this staple ingredient rise, passing significant inflation on to the manufactured food market. Further food price inflation will be felt in the coming 12 months as the rising cost of fertiliser (Ukraine and Russia are major suppliers of nitrogen-based fertilisers from natural gas) is passed on to consumers. An even greater fear is that prices will not solve for shortages of these key inputs and certain parts of the world will not be able to access commodity food stuffs at all, bringing attendant social upheaval.

As asset allocators, identifying the coming inflation and how to protect the value of capital in real terms through this period is our principal task. It is made more difficult as one of the key inflation protection assets, global equities, still screen as very expensive given that the US markets are still trading at very high levels after the two years of stimulus from the Covid lockdowns. Fortunately, the local equity markets still offer significant value, which has allowed us to maintain an overweight position in equities, but with a bias to locally-listed shares.

We continue to be surprised by the strength and resilience of locally-listed companies that have managed to defend their top-line better than expected through the lockdown, and that have cut costs and driven efficiencies despite having already been through a tough five years before the pandemic. The banking sector, which was hardest hit in terms of sentiment at the start of the crisis, has emerged with far lower-than-expected credit losses and balance sheets stuffed with provisions, putting them in a very strong position to defend and grow earnings as margins open up on higher interest rates and corporate and commercial activity supports non-interest revenue and moderate asset growth. Shoprite has gone from strength to strength, taking significant market share across its lower middle and upper end offerings and continuing to innovate with quick commerce solutions and smart use of data to drive margins and sales.

The resources sector has also continued to benefit from tight commodity markets and high prices, with all our holdings delivering strong results and very pleasing return of cash to shareholder via dividends. The war in Ukraine has further tightened key SA markets like thermal coal and has the potential to impact platinum group metals and diamonds as well, although these commodities, due to their size and value, will be harder to restrict via sanctions.

We have retained our underweight position in global equity, although we did take the opportunity to add some exposure during the sharp sell-off in February, but we don't think the impact of rising rates and withdrawal of liquidity is fully reflected yet in developed market valuations. We have added some exposure to emerging markets and Africa. We believe the Chinese regulatory surge has subsided and these companies now look very cheap compared to their developed world peers. In Africa, we think the commodity tailwind should improve the macroeconomic outlook for several key countries, providing a solid underpin to these economies.

We have added to our position in domestic property. Increasingly, we are seeing signs that retail rents have stabilised and the landlord-tenant tension has equalised. While the office sector could still see negative reversions, we think this is more than reflected in prices, and the majority of the REITs balance sheets are now in a much more comfortable position.

Our view on SA bonds is unchanged and we continue to hold a meaningful position in the back end of the curve. It has been pleasing to see, as the global bond market has sold off on the back of rising inflation and rate hiking expectations, that our bonds have strengthened as markets are starting to appreciate our better-than-forecast budget and fiscal situation, combined with starting real yields that were way in excess of most other markets. Global bonds remain uncompelling as despite recent moves, they are still firmly in negative real yield territory.

More than ever, our focus on generating real returns (returns in excess of inflation) will be key as the world moves from two decades of disinflation to a period of potentially much higher inflation. A multi-asset strategy such as Coronation Managed is uniquely positioned to navigate this challenging market.