

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)	1,766.5%	1,182.6%	583.9%
Since Inception p.a.	15.8%	13.6%	2.2%
Latest 20 years p.a.	15.8%	13.6%	2.2%
Latest 15 years p.a.	13.7%	11.5%	2.2%
Latest 10 years p.a.	8.5%	7.3%	1.2%
Latest 5 years p.a.	14.4%	9.0%	5.4%
Latest 1 year	7.7%	7.9%	(0.2)%
Year to date	7.7%	7.9%	(0.2)%
Month	1.2%	2.9%	(1.7)%

TOP 10 HOLDINGS

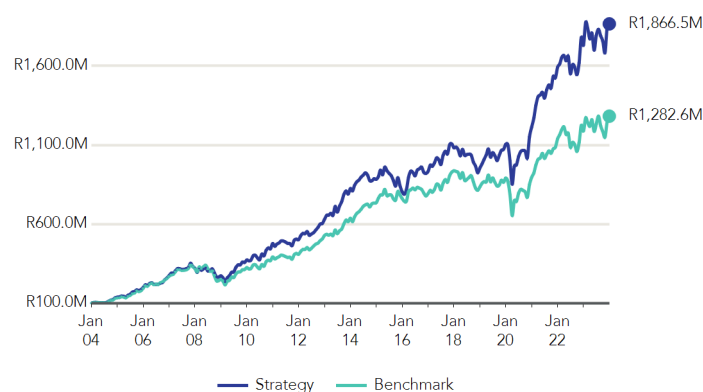
Holding	% Strategy
PROSUS	11.6%
STANDARD BANK GROUP LTD	7.6%
NEDBANK GROUP LIMITED	6.9%
CIE FINANCIERE RICHEMO-A REG	6.4%
MTN GROUP LIMITED	6.3%
ANHEUSER-BUSCH INBEV SA/NV	5.3%
BRITISH AMERICAN TOBACCO PLC	4.7%
ANGLO AMERICAN PLC	4.3%
QUILTER PLC	4.1%
NASPERS LIMITED	3.1%

GENERAL INFORMATION

Inception Date	01 January 2004
Strategy Size †	R13.54 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	17.0%	14.8%
Tracking Error	4.7%	
Information Ratio	0.5	
Annualised Standard Deviation	14.8%	14.8%
Maximum Drawdown	(33.2)%	(27.8)%

TRACKING ERROR



SECTOR EXPOSURE

Sector		% Strategy	Sector		% Strategy
Financials		27.2%	Telecommunications		6.3%
Basic Materials		18.9%	Industrials		2.0%
Consumer Services		18.2%	Health Care		1.0%
Technology		16.1%	Derivatives		0.4%
Consumer Goods		9.9%			

PORTFOLIO MANAGERS



Neville Chester - BCom, CA (SA), CFA

Neville is a senior member of the investment team with 26 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 14 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

Despite a challenging quarter for performance, the Strategy continues to deliver pleasing returns over meaningful longer term time periods and since inception. Over the full year, Standard Bank was the Strategy's top contributor while over the final quarter of the year, Quilter and Dis-Chem contributed positively, as both stocks rose strongly, whereas Sasol detracted.

After a few soft months when markets were pricing in "higher for longer" interest rates, global equity markets had a strong end to the year in November and December because of a sharp reversal in interest rate expectations, which fueled equity market returns for the quarter. US 10-year borrowing costs peaked at just north of 5% and dropped by ~120 basis points to end the quarter below 4%.

We reduced exposure to BHP and Glencore after strong rallies in both names and a diminished margin of safety. We used the proceeds to add African Rainbow Minerals (ARM) to the Portfolio, as we took advantage of a ~50% drawdown in the stock price since earlier in the year. ARM is a South African miner with just over half of its fair value represented by its iron ore exposure. Platinum Group Metals (PGMs) make up just under one quarter, and manganese, coal and gold make up the remainder. From an earnings perspective, the rally in the iron ore price has been offset by the decline in PGM prices and we expect ARM earnings to be stable in 2024 and grow from that base as volume growth contributes across the business.

From a sentiment perspective, ARM is currently suffering due to its investment into the Bokoni PGM asset and its exposure to PGMs overall. Having bought it at the top of the PGM cycle, ARM is now facing an inflated capital bill and likely higher operating costs when it ramps up compared to its initial estimates. We carry Bokoni at minus R4 billion in our valuation and still find ARM attractive. ARM is trading on ~4 times earnings, and with 35% of its market cap in cash, it is defensively positioned. Having been a consistent dividend payer historically we are more confident that shareholders will receive their share of cash profits from ARM than most of its mining peers. In conclusion, we believe that ARM owns several reasonable quality assets, trades with a large margin of safety and an attractive dividend yield on a growing earnings profile.

Quilter enjoyed a strong run in the quarter and finished the year 28% higher than where it started. While Quilter has been a strong contributor over the last year, it has detracted from performance over longer time horizons. We have not reduced our position size in this rally as we believe the business remains one of the cheapest in the market. In buying Quilter one gets exposure to an industry with multi-decade tailwinds as the UK shifts from defined benefit savings to defined contribution savings and pushes more of the onus onto the consumer. Quilter's new CEO is driving strong operational change. With UK assets not being in favour (Brexit, tough macro), one can buy Quilter on a PE ratio of 12 times and dividend yield of >5%, which we see as attractive for a hard currency earnings stream with strong growth prospects.

Standard Bank was the top contributor to relative performance in the year and was complemented by Nedbank as interest rates drove banking sector earnings back to pre-Covid levels. Due to business mix and hedging policies, Standard Bank and Nedbank are the most sensitive of the Big Four banks to the interest rate cycle, and this came through well in the period. Standard Bank produced excellent interim results in August, coming in ahead of expectations. Their long-term investment into building a business in the rest of Africa has added significant value for shareholders as the region contributed 44% of earnings in the six-months reporting period. Having built a broad-based African business, we expect this franchise to continue growing ahead of the South African business, a unique differentiator compared to its peers. Despite Standard Bank's strong rally, it still trades on a 7% dividend yield, amongst the highest in the market, and should be able to grow real earnings off this base. It remains a key position in the Portfolio.

We increased our Spar weighting in the quarter as the share price remained soft, and our fair value assessment remained more than 100% above spot levels. With a new CEO emboldened by a strong Chairman, we have seen decisive action from the business in 2023, which should deliver value for shareholders in the long term. A decision was made to exit the loss-making Polish business, the cost base is being addressed in South Africa and their online delivery division is gaining traction. Spar is trading on 9 times what we believe is a very depressed earnings base, with the potential for earnings to grow at a compounded growth rate of 15% over the next five years.

We believe the Strategy offers attractive upside in absolute and relative terms, with a high hurdle being set by expected domestic equity returns.