

## 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)	1,539.2%	1,138.2%	401.0%
Since Inception p.a.	15.1%	13.5%	1.6%
Latest 15 years p.a.	12.6%	11.5%	1.1%
Latest 10 years p.a.	7.5%	7.3%	0.2%
Latest 5 years p.a.	9.9%	9.0%	0.9%
Latest 1 year	8.5%	7.9%	0.6%
Year to date	8.5%	7.9%	0.6%
Month	1.7%	2.9%	(1.2)%

## TOP 10 HOLDINGS

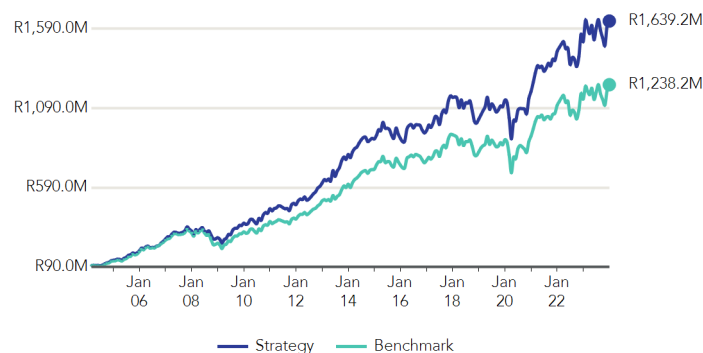
Holding	% Strategy
PROSUS	8.1%
STANDARD BANK GROUP LTD	7.7%
FIRSTSTRAND LIMITED	6.7%
CIE FINANCIERE RICHEMO-A REG	6.3%
BRITISH AMERICAN TOBACCO PLC	5.2%
NASPERS LIMITED	4.5%
ANGLO AMERICAN PLC	4.2%
GLENORE PLC	4.1%
NEDBANK GROUP LIMITED	4.1%
WOOLWORTHS HOLDINGS LIMITED	4.0%

## GENERAL INFORMATION

Inception Date	01 March 2004
Strategy Size *	R8.17 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



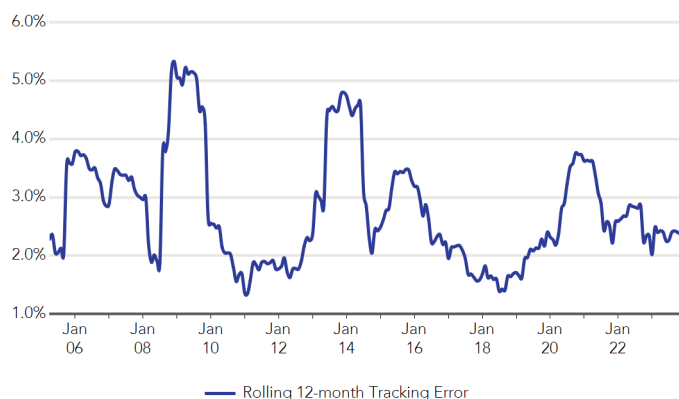
Benchmark: JSE Capped Shareholder Weighted Index (Capped SWIX\*)

\*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 &amp; RISK STATISTICS (Since inception)

	Strategy	Benchmark
Average Annual Return	16.3%	14.7%
Tracking Error	2.9%	
Information Ratio	0.6	
Annualised Standard Deviation	14.4%	14.7%
Maximum Drawdown	(30.1)%	(37.5)%

## TRACKING ERROR



## SECTOR EXPOSURE

Sector		% Strategy	Sector		% Strategy
Financials		24.7%	Health Care		4.0%
Consumer Services		22.4%	Telecommunications		3.9%
Basic Materials		22.3%	Industrials		0.5%
Technology		12.6%	Interest Bearing		0.8%
Consumer Goods		8.8%			

## PORTFOLIO MANAGER



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

Quinton is Head of Coronation's Core Equity Strategy. He also co-manages the Presidio Hedge Fund. Quinton has 18 years of investment experience.

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## REVIEW FOR THE QUARTER

Despite a challenging final quarter, the Strategy has outperformed its benchmark over the year and over more meaningful longer term performance periods.

After rapid rate rises throughout 2022 and the first half of 2023, inflation in developed markets receded swiftly in Q4-23. Prospects of rate cuts into 2024 fuelled global markets in the last quarter, with the MSCI All Country World Index returning 11% in Q4-23 (to end the year up 22% in USD). Fears of a US recession were allayed by resilient labour markets and a robust consumer. Several high-profile bank failures were well-contained, and they did not lead to any broader systemic issues. The much-touted post-Covid Chinese recovery has disappointed with weaker-than-expected growth (MSCI China -4% in Q4-23 and -11% for the year in USD). Lower growth prospects and a weak real estate sector do, however, open the door to further stimulus in the year ahead. Oil prices softened during 2023 (-10%) given weaker-than-expected demand, resilient supply out of Russia and stronger non-OPEC supply. The market is sceptical that OPEC can defend higher oil prices. To our surprise, the oil market comfortably absorbed a dramatic increase in tensions across the Middle East. Geopolitical uncertainty does, however, remain heightened, given the Middle East conflict, the ongoing Russia-Ukraine war and tensions between China and the US.

In SA, the economic outlook remains constrained by failing infrastructure, a thinning talent pool and the rising costs of doing business. We, therefore, expect domestic inflation to be stickier than many expect it to be. Although lower levels of loadshedding should bring some relief for businesses, we don't believe that it will be sufficient to materially change the muted growth prospects for the domestic economy. The currency weakened by -7% against the USD for the year.

The FTSE/JSE Capped Shareholder Weighted Index (ZAR) returned 8% for the quarter to also end the year +8%. SA equities offer attractive return prospects and diversification away from a tough domestic economy given the high offshore exposure of many JSE-listed companies. The Strategy continues to hold global stocks listed on the JSE and selected resources and domestic stocks. Domestic stocks offer good stock-picking opportunities. But avoiding value traps is critical. A slew of weak domestic results throughout 2023 illustrated the pain that comes when costs grow faster than the top line. We favour strong businesses that can grow faster than the underlying economy and can pass cost pressures on to customers.

The financial sector returned +12% for the quarter (+21% over 12 months). The Strategy held a sizeable position in the SA banks during 2023 given their low ratings, high dividend yields, and the prospect of strong revenue growth supported by interest rate rises. This enabled our holdings to deliver earnings growth despite higher credit losses. Credit losses are expected to subside as the rate cycle turns. Given the attractive valuation of banks, we believe they continue to merit a place in the Portfolio.

The resource sector returned +3% for the quarter to end the year -12%. The Strategy holds an underweight position in resources, given early profit-taking across most of the sector. The long-term PGM outlook is bleak as electric vehicle adoption accelerates and local producers battle rising production costs. The underweight position in pure-play PGM producers has benefited the Strategy. Gold prices rose (+13%) during the year, supported by central bank buying and heightened geopolitical uncertainty. The gold equities are discounting gold prices close to spot. Consequently, we do not believe they offer a sufficient margin of safety and we remain underweight.

The Industrials Index rose +6% for the quarter (+17% for the year). The Strategy's core holdings include many of the global stocks listed in SA: Naspers, Richemont, Aspen, Bidcorp, British American Tobacco and Anheuser-Busch InBev. The Strategy has been a long-term shareholder of Textainer, indirectly through a holding in Trenchor (of which Textainer was the major asset) and directly (post the 2020 unbundling). Coronation actively engaged with Trenchor management over many years to achieve the Textainer unbundling. It was pleasing to see recognition of the value that had been trapped in the Trenchor structure with the private equity offer for Textainer at a meaningful premium during Q4-23.

We are optimistic about future returns given the many attractive stock-picking opportunities available in local equity markets. Careful stock picking is critical to avoid value traps.