

## LONG TERM OBJECTIVE

The Coronation Domestic Houseview Strategy is a clean slate fully discretionary portfolio, which represents our best investment view for a domestic balanced portfolio in all major domestic asset classes – equities, property, bonds and cash. The Strategy's objective is to deliver the best risk-adjusted returns available across all the listed asset classes. In achieving this it aims to outperform the benchmark 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. The Portfolio is constructed on a clean-slate basis based on the relative risk-adjusted upside to fair value of each underlying asset. 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)	3,087.0%	1,743.2%	1,343.8%
Since Inception p.a.	14.2%	11.9%	2.3%
Latest 20 years p.a.	14.2%	11.8%	2.4%
Latest 15 years p.a.	12.2%	10.3%	1.9%
Latest 10 years p.a.	8.6%	7.6%	1.0%
Latest 5 years p.a.	12.3%	8.9%	3.4%
Latest 1 year	10.0%	8.6%	1.4%
Year to date	10.0%	8.6%	1.4%
Month	2.5%	2.4%	0.1%

## PERFORMANCE &amp; RISK STATISTICS (Since inception)

	Strategy	Benchmark
Annualised Standard Deviation	12.8%	12.5%
Maximum Drawdown	(29.9)%	(23.9)%

## ASSET ALLOCATION

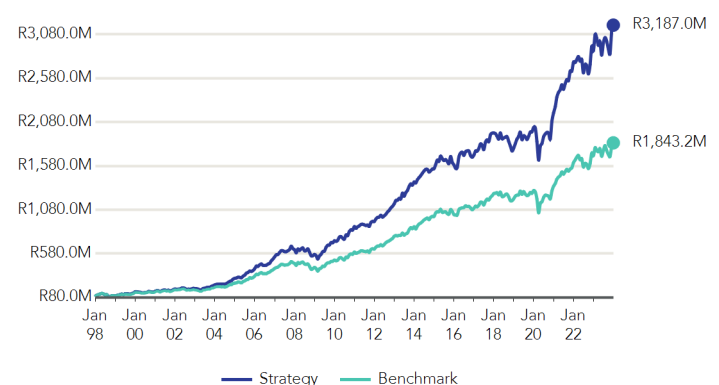
Asset Type	% Strategy
Equities	74.5%
Bonds	16.9%
Property	4.7%
Cash	3.8%
Preference Shares	0.1%

## GENERAL INFORMATION

Inception Date	01 January 1998
Strategy Size †	R17.19 billion
Strategy Status	Open
Mandate Benchmark	65% FTSE/JSE Africa Capped Shareholder Weighted Index (Capped SWIX); 25% JSE ASSA All Bond Index (ALBI) and 10% Short Term Fixed Interest 3-month Index (STeFI 3m)
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: 65% FTSE/JSE Africa Capped Shareholder Weighted Index (Capped SWIX); 25% JSE ASSA All Bond Index (ALBI) and 10% Short Term Fixed Interest 3-month Index (STeFI 3m)

## TOP 10 HOLDINGS

Holding	% Strategy
CIE FINANCIERE RICHEMO-A REG	5.2%
FIRSTRAND LIMITED	5.1%
NASPERS LIMITED	4.8%
STANDARD BANK GROUP LTD	4.7%
PROSUS	4.7%
QUILTER PLC	3.4%
CAPITEC BANK HOLDINGS LIMITED	3.3%
MONDI LIMITED	3.1%
ANHEUSER-BUSCH INBEV SA/NV	2.8%
RSA ILB 1.875% 280233	2.8%

## EFFECTIVE MATURITY PROFILE\*

Term	% Strategy (incl. Cash)	% Strategy (excl. Cash)
0 to 1 year	3.8%	4.0%
1 to 3 years	0.7%	0.7%
3 to 7 years	2.6%	2.6%
7 to 12 years	7.8%	7.8%
Over 12 years	5.7%	5.7%

## MODIFIED DURATION\*

Portfolio	1.0
Fixed Income Assets	4.9

## PORTFOLIO MANAGERS



Karl Leinberger - BBusSc, CA (SA), CFA

Karl is Chief Investment Officer (CIO) and manager of Coronation's Houseview strategies. He joined Coronation in 2000 as an equity analyst, was made Head of Research in 2005 and became CIO in 2008. Karl has 23 years' investment experience.



Sarah-Jane Alexander - BBusSc, CFA

Sarah-Jane manages assets within the Coronation Houseview Equity Strategy. She also co-manages Coronation's Houseview balanced strategies and has research responsibilities across a range of financial services and hospital stocks, among others. Sarah-Jane joined Coronation in 2008 as an equity analyst and has 19 years' investment experience.

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

## REVIEW FOR THE QUARTER

The Strategy returned 9.1% for the quarter (Q4-23), resulting in a return of 10.0% over the last year. Both asset allocation and security selection contributed to that performance. The Strategy has performed well against its peer group over all meaningful time 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.

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 FTSE/JSE All Bond Index delivered a return of 8% for the quarter (10% for the year). We remain concerned about the sustainability of SA's high sovereign debt level, given the poor fiscal outlook and the inability of the government to reign in expenditure. Rising debt service costs, wage increases, ongoing bailouts of failing municipalities and State-owned enterprises, as well as social support in the form of grants all place a heavy burden on the fiscus. Despite high government bond yields, the Strategy has an underweight position given the longer-term risks.

The currency weakened by -7% against the USD for the year, undermining the relative returns of the domestic asset classes when compared to the global alternatives.

The FTSE/JSE Capped Shareholder Weighted Index returned 8% for the quarter to also end the year +8%. Amongst the domestic asset classes, the Strategy favours SA equities. SA equities offer attractive return prospects and diversification away from a tough domestic economy given the high offshore exposure of many JSE-listed companies. Strategy holdings include 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 (diversified miners, PGM miners and gold shares). The long-term PGM outlook is bleak as electric vehicle adoption accelerates and local producers battle rising production costs. The underweight position in PGMs has benefited the Strategy, which continues to have no exposure to pure-play PGM producers. 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.

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 Trencor (of which Textainer was the major asset) and directly (post the 2020 unbundling). Coronation actively engaged with Trencor management over many years to achieve the Textainer unbundling. It was pleasing to see recognition of the value that had been trapped in the Trencor structure with the private equity offer for Textainer at a meaningful premium during Q4-23. The Strategy exited its position on the back of this.

While the medium-term outlook for the property sector remains constrained, double-digit dividend yields have allowed us to add selected exposure through a few key stock picks.

Given the market strength in 2023 (and a particularly strong fourth quarter), market indices offer less upside. However, stock-picking opportunities abound. We believe that a carefully selected portfolio of global equity and global credit holdings offers attractive risk-return benefits. These offshore holdings are supplemented by a basket of cheaply priced local assets. We believe that the Strategy should continue to deliver attractive returns over the medium to longer term.

