

LONG TERM OBJECTIVE

The Coronation Houseview Equity Strategy represents our best investment view for an equity mandate. The portfolio is constructed on a clean-slate basis with no reference to a benchmark. It seeks to identify the best risk adjusted returns in the market and aims 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)	8,296.8%	4,411.9%	3,884.9%
Since Inception p.a.	15.8%	13.4%	2.4%
Latest 20 years p.a.	16.0%	13.6%	2.4%
Latest 15 years p.a.	13.6%	11.5%	2.1%
Latest 10 years p.a.	8.5%	7.3%	1.2%
Latest 5 years p.a.	13.7%	9.0%	4.7%
Latest 1 year	9.8%	7.9%	1.9%
Year to date	9.8%	7.9%	1.9%
Month	2.4%	2.9%	(0.5)%

TOP 10 HOLDINGS

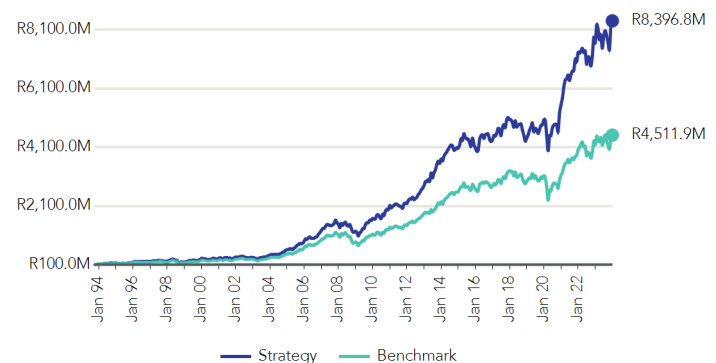
Holding	% Strategy
CIE FINANCIERE RICHEMO-A REG	7.2%
FIRSTRAND LIMITED	7.2%
NASPERS LIMITED	6.8%
STANDARD BANK GROUP LTD	6.5%
PROSUS	6.2%
QUILTER PLC	4.6%
CAPITEC BANK HOLDINGS LIMITED	4.6%
MONDI LIMITED	4.2%
ANHEUSER-BUSCH INBEV SA/NV	3.9%
BID CORPORATION LIMITED	3.6%

GENERAL INFORMATION

Inception Date	01 October 1993
Strategy Size †	R38.95 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



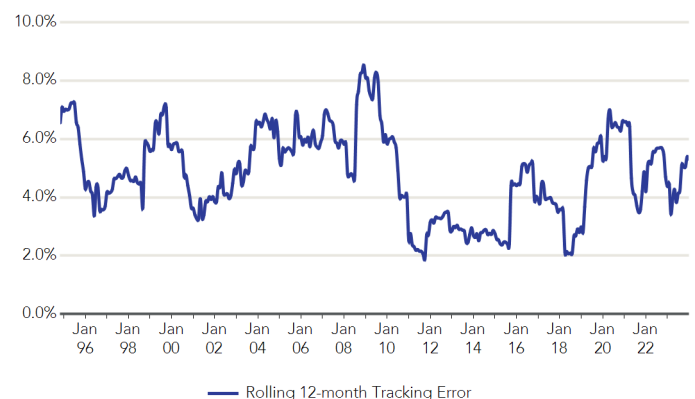
Benchmark: JSE Capped Shareholder Weighted Index (Capped SWIX*)

*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	17.5%	15.1%
Tracking Error	4.4%	
Information Ratio	0.5	
Annualised Standard Deviation	17.2%	17.2%
Maximum Drawdown	(40.8)%	(45.8)%

TRACKING ERROR



SECTOR EXPOSURE

Sector		% Strategy	Sector		% Strategy
Financials		30.9%	Telecommunications		3.4%
Consumer Services		26.5%	Health Care		2.3%
Technology		13.8%	Derivatives		1.1%
Basic Materials		12.8%	Industrials		1.1%
Consumer Goods		7.5%	Interest Bearing		0.6%

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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REVIEW FOR THE QUARTER

The Portfolio outperformed benchmark over the last year. Importantly the Portfolio has delivered compelling returns over all meaningful periods and since its inception.

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. Notwithstanding the risks of investing in China, we believe a holding in the portfolio is warranted, given the very low prices at which many high-quality businesses trade.

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. 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. 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%. Amongst the domestic asset classes, the Portfolio 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. Portfolio 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 Portfolio 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 Portfolio 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 Portfolio, 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 Portfolio's core holdings include many of the global stocks listed in SA: Naspers, Richemont, Aspen, Bidcorp, British American Tobacco and Anheuser-Busch InBev. The Portfolio has been a long-term shareholder of Textainer, indirectly through a holding in Tencor (of which Textainer was the major asset) and directly (post the 2020 unbundling). Coronation actively engaged with Tencor management over many years to achieve the Textainer unbundling. It was pleasing to see recognition of the value that had been trapped in the Tencor structure with the private equity offer for Textainer at a meaningful premium during Q4-23. The Portfolio exited its position on the back of this.

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.

