

LONG TERM OBJECTIVE

The Coronation Inflation Plus Strategy targets positive real returns with an overriding focus on limiting downside returns or portfolio losses. Therefore, capital preservation in real terms is equally important to return optimisation. The Strategy is managed in accordance with the limits of Regulation 28 of the Pension Funds Act. The Strategy can invest up to 40% in Domestic and Foreign Equities.

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)	292.0%	103.2%	188.8%
Since Inception p.a.	10.1%	5.1%	5.0%
Latest 10 years p.a.	8.6%	5.2%	3.4%
Latest 5 years p.a.	10.3%	5.1%	5.2%
Latest 3 years p.a.	10.6%	6.1%	4.5%
Latest 1 year	16.2%	5.2%	11.0%
Year to date	16.2%	5.2%	11.0%
Month	2.0%	0.0%	2.0%

ASSET ALLOCATION

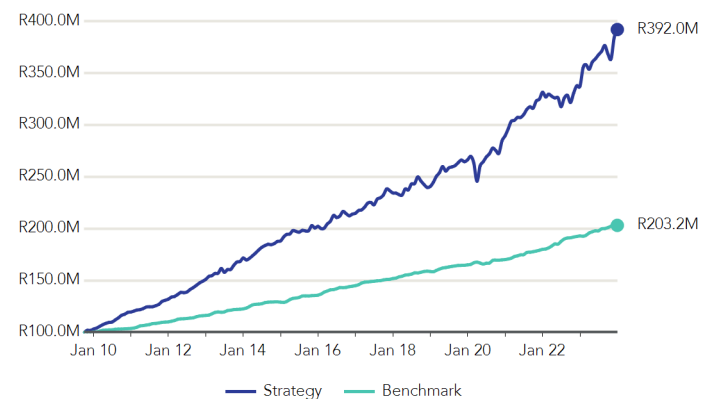
Asset Type	% Strategy
Local Bonds	28.6%
Foreign Equities	23.8%
Cash	18.6%
Local Equities	15.2%
Foreign Bonds	11.1%
Local Commodities	1.8%
Local Property	0.8%
Foreign Property	0.1%

GENERAL INFORMATION

Inception Date	01 October 2009
Strategy Size †	R6.55 billion
Strategy Status	Open
Mandate Benchmark	Consumer Price Index (CPI)
Performance Target	CPI + 3% (gross of fees and taxes) over a rolling 3 year period
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: Consumer Price Index (CPI)

TOP 10 HOLDINGS

Holding	% Strategy
CORO GBL EQUITY FOF-Z	13.8%
CORO GBL CAPITAL PLUS-Z	4.0%
CORONATION GEM EQUITY FUND	3.5%
RSA ILB 1.875% 280233	2.4%
RSA FIX 7.000% 280231	2.1%
FIRSTRAND BANK LTD ILB 2.600% 310328	2.0%
RSA FIX 6.250% 310336	1.9%
PROSUS	1.8%
RSA FIX 8.750% 310144	1.5%
FIRSTRAND LIMITED	1.3%

MODIFIED DURATION*

Portfolio	1.4
Fixed Income Assets	2.8

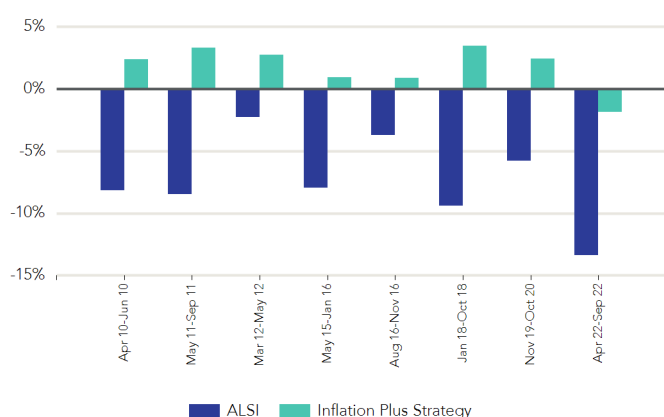
PERFORMANCE & RISK STATISTICS (Since inception)

Average Annual Return	10.2%
Annualised Standard Deviation	5.1%
Highest Monthly Return	5.9%
Lowest Monthly Return	(6.7)%
% Positive Months	76.6%
Downside Deviation	2.5%
Maximum Drawdown	(8.9)%
Sortino Ratio	1.9

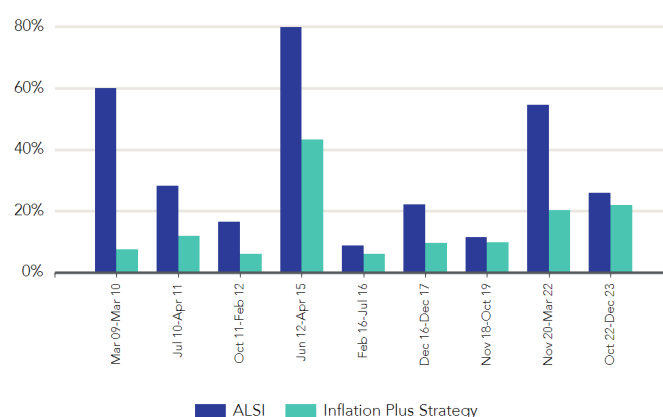
EFFECTIVE MATURITY PROFILE*

Term	% Strategy (incl. Cash)	% Strategy (excl. Cash)
0 to 1 year	20.5%	14.8%
1 to 3 years	5.7%	6.1%
3 to 7 years	9.9%	10.7%
7 to 12 years	8.3%	8.9%
Over 12 years	3.9%	4.2%

BEAR MARKETS



BULL MARKETS



In the bar graphs above, we have divided the period since inception of our Strategy into bull and bear markets. The Strategy's returns are measured against the FTSE/JSE All Share index. The bear market graph clearly demonstrates how the Strategy has protected capital; its losses were much more shallow than the market during downswings. As evident from the second graph, the Strategy also enjoyed healthy upside participation in bull markets.

PORTFOLIO MANAGERS



Pallavi Ambekar - BBusSc, CA (SA), CFA

Pallavi is Head of Absolute Return at Coronation and a portfolio manager across all strategies in this unit. She also has research responsibility for certain large capitalization shares listed on the JSE. She has 20 years' investment experience.



Charles de Kock - BCom (Hons), MCom

Charles joined Coronation in 2005 and is a co-portfolio manager across all strategies within the Absolute Return investment unit. He also co-manages the Coronation Balanced Defensive and Capital Plus unit trust funds. Charles has more than 37 years' investment experience.



Neill Young - BBusSc, CA (SA), CFA

Neill joined Coronation in 1998 and co-manages Coronation's Absolute Return Strategies as well as the Coronation Financial, Balanced Defensive and Capital Plus unit trust funds. Neill has more than 25 years' investment experience.

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

REVIEW FOR THE QUARTER

Calendar year 2023 was another year of surprises. The much-anticipated US recession failed to materialise, the strength of the Chinese recovery disappointed investors, and geopolitical tensions continued in the Ukraine, with a new conflict arising in the Middle East. The robustness of the US economy caused a material shift in interest rate expectations. This, in turn, drove a vigorous recovery in global equity markets, with the MSCI All Country World Index delivering a 31% net return (in rands) for the year. After negative return performances in the preceding two years, the World Government Bond Index delivered 13% (in rands) in 2023.

South African (SA) asset classes delivered credible performances despite the increasing headwinds to our economic growth from deteriorating infrastructure. The FTSE/All Bond Index was up 10%, followed closely by the FTSE/JSE Capped SWIX Index, which was up 8%. Listed property was the strongest performer, delivering 11% for the year, but with performance concentrated in a few names only.

Against this backdrop, the Strategy delivered a particularly pleasing performance, with a 16% return for the year (and just over 6% for the quarter). This return is materially above the Strategy's mandated return target. Importantly, the Strategy has also exceeded its inflation target over longer time periods.

The Strategy's allocation to global assets was the largest contributor to performance over the past year. The global equity allocation, coupled with a steady increase in our allocation to global bonds, and the 7% depreciation in the rand relative to the US dollar, were the main drivers of this contribution.

In a rather tricky SA economic environment, our domestic assets contributed positively to Strategy performance over the past 12 months, with the exposure taken primarily through equities and bonds. Good equity and bond selection enhanced the returns ahead of their respective indices. Within domestic equities, Standard Bank, FirstRand, Richemont, Textainer, and OUTsurance were the largest contributors to returns, while holdings in Anglo American and British American Tobacco detracted.

In domestic fixed income, the biggest contribution came from holdings in nominal bonds. We continue to see real yields on offer from SA government bonds as attractive but are increasingly mindful of the structural challenges faced by the domestic economy. Risk is managed by keeping the duration of the Strategy's bond carve-out lower than that of the ALBI but at a real yield that remains compelling.

We increased our exposure to global credit opportunities and initiated a position in US Treasuries. In 2022, a more generous Regulation 28 offshore allowance allowed us to take advantage of the compelling opportunities we saw in global equity markets. With the rally in global equity markets in 2023, we broadened our offshore exposure into select global credit opportunities. At year-end, the Strategy had approximately 1/3rd of the portfolio effective exposure to offshore assets. Global bonds also increased materially.

Initially, the offshore bond exposures were mainly taken in corporates we knew well and where we felt the balance sheet risk was very manageable. The combination of a de-rating in global bond markets and widening spreads allowed us to take advantage of a good yielding investment opportunity in this space. As an example, in the initial part of the 2023 calendar year we added to our holdings in listed British American Tobacco global bonds at a US dollar yield just below 10% with four-year term to maturity.

The controversial write-off in Credit Suisse AT1 bonds and the Silicon Valley Bank collapse provided another opportunity in the global credit space, specifically in a basket of well-capitalised UK and US banks, which, at the time, were yielding equity-like returns.

Finally, we also found reasonable yielding opportunity in US Treasuries in both the short and long end of the curve. Global government bond exposure has been the least preferred exposure for the Strategy for a long time. However, with the sell-off in global government bonds, we found a decent entry point in the relative haven of US Treasuries.

The Strategy continues to have a healthy exposure to risk assets, but we have also used the richer yield environment to build up our cash position. Together with put protection on our global equities, we believe this adds to the Strategy's ability to protect capital.

Looking forward into 2024, consensus expectations are for lower rates and a soft landing in the US. While the global outlook seems less fraught than at the beginning of 2023, we are not complacent. Stretched valuations at headline index levels, combined with simmering geopolitical tensions and an election-packed year, could bring some negative surprises on the global front. Domestically, we continue to see challenged economic growth as rapid deterioration in rail and power infrastructure present real headwinds to our industrial, retail and export businesses. Lack of adequate fixed investment spend and proper policy reform, mean that these problems will be difficult to address quickly. Low economic growth will impact the earnings power of domestic-facing businesses but also has implications for the government's ability to manage its debt burden. Our own domestic elections will be closely watched and is also likely to cause short-term volatility.

The Strategy will continue to stick to its approach of making active asset allocation and instrument selection decisions based off valuations while being mindful of managing downside risks through diversification and purchasing protection. We continue to have a

relatively full equity allocation, as we see significant value in our selection. A portion of our global and local equity exposure remains under put protection. We have also balanced the risk asset exposure with a healthy fixed income and cash allocation where we can achieve attractive real yields.

We think the portfolio is well set up to deliver on its targeted returns for clients, while remaining resilient and able to navigate future uncertainties.