CORONATION

# CORE EQUITY STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 30 JUNE 2025

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## 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) | 2,033.8% | 1,530.6% | 503.2% |
| Since Inception p.a. | 15.4% | 14.0% | 1.4% |
| Latest 20 years p.a. | 14.2% | 12.9% | 1.3% |
| Latest 15 years p.a. | 12.5% | 11.8% | 0.7% |
| Latest 10 years p.a. | 8.3% | 8.0% | 0.3% |
| Latest 5 years p.a. | 14.7% | 16.2% | (1.5)% |
| Latest 1 year | 22.0% | 24.6% | (2.6)% |
| Year to date | 15.5% | 16.1% | (0.6)% |
| Month | 2.4% | 2.2% | 0.2% |

## TOP 10 HOLDINGS

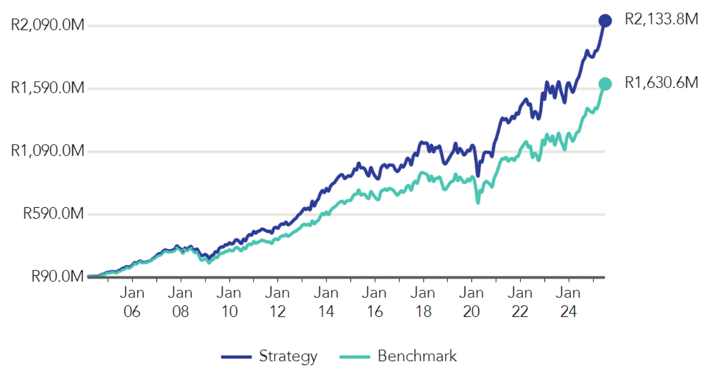
| Holding | % Strategy |
|---|---|
| PROSUS | 9.0% |
| ANGLOGOLD ASHANTI PLC | 6.5% |
| STANDARD BANK GROUP LTD | 6.4% |
| FIRSTRAND LTD | 6.2% |
| NASPERS LTD | 5.7% |
| CIE FINANCIERE RICHEMO-A REG | 4.2% |
| NORTHAM PLATINUM HOLDINGS LTD | 3.1% |
| CAPITEC BANK HOLDINGS LTD | 2.8% |
| MTN GROUP LTD | 2.8% |
| SHOPRITE HOLDINGS LTD | 2.6% |

## GENERAL INFORMATION

| | |
|---|---|
| Inception Date | 01 March 2004 |
| Strategy Size * | R5.85 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



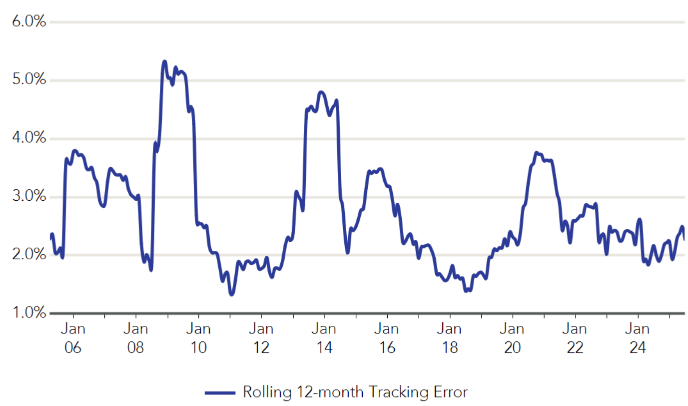

Benchmark: JSE Capped Shareholder Weighted Index (Capped SWIX*)

*FTSE/JSE Capped Shareholder Weighted Index from 01 May 2017. Previously 50 Low Resources (inception to 31 January 2002) and FTSE/JSE Shareholder Weighted Index (01 February 2002 to 30 April 2017).

## PERFORMANCE & RISK STATISTICS (Since inception)

| | Strategy | Benchmark |
|---|---|---|
| Average Annual Return | 16.5% | 15.1% |
| Tracking Error | 2.9% | |
| Information Ratio | 0.5 | |
| Annualised Standard Deviation | 14.0% | 14.3% |
| Maximum Drawdown | (30.1)% | (37.0)% |

## TRACKING ERROR



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## SECTOR EXPOSURE

| Sector | % Strategy |
|---|---|
| Financials | 30.6% |
| Basic Materials | 21.4% |
| Technology | 15.4% |
| Consumer Services | 13.7% |
| Consumer Goods | 10.7% |

| Sector | % Strategy |
|---|---|
| Telecommunications | 4.5% |
| Industrials | 1.2% |
| Health Care | 1.2% |
| Interest Bearing | 1.3% |

## PORTFOLIO MANAGERS

**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.

**Alistair Lea** - BCom, CA (SA), CFA

Alistair is a portfolio manager and analyst in the South African Equity team at Coronation. His research responsibilities include mid- and small cap as well as property companies, and he manages the Smaller Companies unit trust fund. Alistair joined the team in 2005 and has 26 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 21 years' investment experience.

## REGULATORY DISCLOSURE AND DISCLAIMER

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## REVIEW FOR THE QUARTER

The Strategy returns were ahead of the benchmark for the quarter, however, returns over the past 12 months are behind the benchmark. Longer term returns remain compelling.

It was a tumultuous second quarter. Global equity markets fell in early April on President Trump's threat of dramatically higher tariffs. The S&P 500 Index fell by 15% in the first week (Nasdaq, -21% over the same 7-day period) but ended the quarter up 11%. The MSCI World Index also fell ~10% during that first week of April before rising to end the quarter up 11%. Whilst tariff negotiations continue, the magnitude of the increases looks to be less severe than initially feared.

Regional markets performed well for a second consecutive quarter (MSCI EMEA +8% and MSCI Europe +12%, both in USD). A weaker US dollar provided further support to these returns (with the US Dollar Index down ~7%). The MSCI China returned 2% in USD for Q2. Activity levels in China remain subdued, with insufficient Chinese consumer demand to offset weakness in key areas, such as the property sector. China continues its battle for technological leadership, delivering impressive innovation across a range of industries.

Geopolitical upheaval persists as the Russian-Ukrainian war drags on. Ukraine's vast, coordinated drone strike on Russian airbases in June resulted in another wave of retaliation. The Middle East remains fragile, with Israel (and the US) moving against Iranian nuclear targets in June. The oil price (which has been weak given OPEC's guidance for increased supply) spiked briefly on the back of the regional unrest.

Global debt markets were jittery given concerns about high levels of sovereign indebtedness and a lack of imminent resolution. Tax cuts from Trump's One Big Beautiful Bill (OBBB) will further undermine the US fiscal outlook. The Department of Government Efficiency savings appear to be a pipe dream.

The US dollar's status as global reserve currency is under debate, given less predictable US policy, a highly indebted US sovereign, and the weaponisation of the US dollar (in response to Russia's invasion of Ukraine). These factors threaten the US dollar's role as a store of value and medium of exchange, contributing to a search for viable alternatives. This, and ongoing geopolitical uncertainty, supported a strong gold price. Gold rose a further ~4% in the quarter (compounding a 19% rise in Q1 and 27% in 2024), supported by central bank buying. The Strategy has very little exposure to gold shares, which are trading above our assessment of long-term fair value. This has detracted from YTD performance. We remain concerned about the capital losses that shareholders in gold shares would incur if some of the froth in the sector dissipates.

Heightened uncertainty and volatility provided attractive buying opportunities. The window period during which to take advantage of this lower pricing was brief and required a rapid response from the Strategy. The office was a hive of activity in April, with the investment team running scenarios to identify the most mispriced of the opportunities being presented. We were able to selectively add to our basket of winning businesses at attractive levels.

We continue to debate the profound impact AI will have on the way we work and on the companies we invest in. Use cases and adoption continue to grow daily. Winning businesses are investing in AI at scale, and this should deliver an outsized reward in the years to come, further widening the gap between winners and losers.

In SA, economic growth remains lacklustre with Q1 GDP growing <1%. Ten-year GDP growth has compounded at a similarly weak sub-1% level. Low growth, combined with a benign inflation outlook, supported the SA Reserve Bank's decision to cut interest rates by 25 basis points (bps) in May (bringing YTD cuts to 50bps). Whilst the consumer environment is by no means buoyant, a combination of interest rate cuts, lower inflation, and the release of pension savings via the two-pot retirement system means real disposable income is growing (for now).

A combination of global and local factors rattled SA consumer and business confidence. Critical US trade talks are ongoing and remain unresolved. Locally, the precarious state of the GNU became clear as part of the budget impasse in April. The unpopular VAT hike was avoided, but the consumer still faces a higher tax burden (through fuel levy hikes and bracket creep). The pace of reform remains glacial. Prospects of a step change in SA's economic growth are dimming. Without growth, it is difficult to change the trajectory of a deteriorating debt-to-GDP ratio.

SA equities continue to offer decent medium-return prospects. After a brief dip in April, the FTSE/JSE Capped Shareholder Weighted Index (CSWIX) continued its strong Q1 performance (+6%), rising 10% in Q2 (in ZAR). Market returns broadened from the narrow precious metal-driven performance in Q1. The Resources Index rose 9% for the quarter (and is now up a meaningful 40% for the YTD). The Industrials Index rose 12% (+15% YTD). Indices with higher domestic exposure have lagged YTD, with the Financials Index up 8% for the quarter (+7% YTD) and the SA Listed Property Index up 11% for the quarter (+6% YTD).

The Strategy has sizeable exposure to the global stocks listed locally. These holdings are both independently attractive and provide diversification away from a challenged domestic economy. Large holdings include Quilter, Naspers, Richemont, Mondi, and Bidcorp.

The Strategy's domestic stock selection is focused on picking winning franchises that can thrive despite a tough economy. We remain committed to this strategy as the low-growth economy drives a widening gap between local winners and losers. As anaemic revenue growth and rising costs have eroded profitability, weaker businesses have thrifted on investment spending. Businesses that have consistently invested in their operations should gain market share, resulting in faster revenue growth. This enhances the virtuous flywheel (and their ability to invest further). Examples include businesses such as We Buy Cars, PSG Konsult, ADvTECH, Shoprite, and Capitec. We expect these businesses to improve as they grow larger, as scale reduces the cost of customer acquisition and the cost to serve. If these businesses continue to reinvest in pricing, their competitive moat should widen.

The Strategy has held an underweight position in the resources sector for some time. A meaningful part of this is in the gold shares, which have benefited from a rapid rise in the metal price over the past 12 months. The gold price trades above our assessment of its long-term value. The locally listed gold miners have been poor at returning capital to shareholders over time; reinvesting to extend short-life assets often at poor points in the cycle. Already, deal-making activity (at these high prices) has picked up. We have retained a material underweight position. The Strategy built a position in the PGM miners in the second half of 2024. The investment was premised on tighter supply-demand fundamentals. It was pleasing to see metal prices rising during the first and second quarters of the year. We have made a minor adjustment to the Strategy's PGM miner holding, selling the shares in Valterra Platinum that were bundled out of Anglo American. The significant weakness in diversified miners over the past year has provided an opportunity to buy into these names, with a preference for Glencore.

As long-term investors, we continue to buy assets where the long-term prospects are being undervalued. We hope that the current uncertainty and volatility will provide further compelling opportunities. We believe the valuations on offer serve the Strategy well to deliver its long-term return expectations.