

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)	4,147.8%	2,264.5%	1,883.3%
Since Inception p.a.	14.6%	12.2%	2.4%
Latest 20 years p.a.	13.6%	11.5%	2.1%
Latest 15 years p.a.	12.3%	10.8%	1.5%
Latest 10 years p.a.	10.0%	8.4%	1.6%
Latest 5 years p.a.	17.3%	14.1%	3.2%
Latest 1 year	23.8%	21.5%	2.3%
Year to date	13.6%	12.5%	1.1%
Month	2.8%	2.0%	0.8%

PERFORMANCE & RISK STATISTICS (Since inception)

	Strategy	Benchmark
Annualised Standard Deviation	12.5%	12.3%
Maximum Drawdown	(29.9)%	(32.3)%

ASSET ALLOCATION

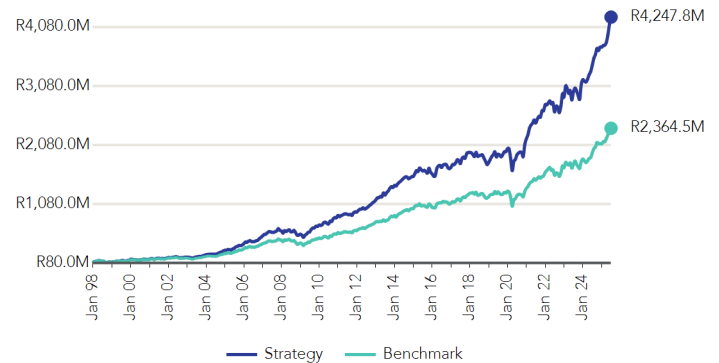
Asset Type	% Strategy
Equities	72.6%
Bonds	18.2%
Property	6.7%
Hedge Funds	1.5%
Cash	1.0%

GENERAL INFORMATION

Inception Date	01 January 1998
Strategy Size †	R17.78 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
NASPERS LTD	7.4%
PROSUS	5.0%
CAPITEC BANK HOLDINGS LTD	4.5%
STANDARD BANK GROUP LTD	4.1%
QUILTER PLC	3.9%
WE BUY CARS PTY LTD	3.2%
NORTHAM PLATINUM HOLDINGS LTD	3.2%
RSA ILB 1.875% 280233	3.1%
CIE FINANCIERE RICHEMO-A REG	2.9%
FIRSTRAND LTD	2.8%

EFFECTIVE MATURITY PROFILE*

Term	% Strategy (incl. Cash)	% Strategy (excl. Cash)
0 to 1 year	1.1%	1.6%
1 to 3 years	0.5%	0.5%
3 to 7 years	5.0%	5.0%
7 to 12 years	8.2%	8.2%
Over 12 years	4.5%	4.5%

MODIFIED DURATION*

Portfolio	1.1
Fixed Income Assets	5.6

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 24 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.

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

REVIEW FOR THE QUARTER

The Strategy returned 11.2% for the quarter (Q2) and 13.6% year-to-date (YTD). Both asset allocation and security selection contributed to performance, with decisive asset allocation decisions made early in the quarter having a significant impact. The Strategy has performed well over meaningful periods, both in absolute terms and relative to its peer group.

It was a tumultuous second quarter. Global equity markets fell early in April on President Trump's threat of dramatically higher tariffs. The S&P 500 Index declined by 15% in the first week (Nasdaq -21% over the same 7-day period) but ended the quarter +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 appears 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 Index 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 property. China continues its battle for technological leadership, delivering impressive innovation across a range of industries. This is compounded by the country's ability to manufacture effectively at scale.

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. We remain concerned about the capital losses that shareholders in gold shares would incur if some of the froth in the sector dissipates.

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.

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 is expected to 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. This is despite a rising tax burden and some austerity. Given these longer-term concerns, the Strategy remains underweight SA government bonds. The FTSE/JSE All Bond Index was up 6% for the quarter.

The Strategy's preferred domestic asset remains SA equities, which offer decent medium-return prospects as well as good risk protection. After a brief dip in April, the FTSE/JSE Capped Shareholder Weighted Index (CSWIX) continued its strong Q1 performance (+6%), rising 10% in Q2. 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% for the quarter (+15% YTD). Indices with higher domestic exposure have lagged YTD, with the Financials Index up 8% for the quarter (+7% YTD) and the FTSE/JSE All Property Index up 11% for the quarter (+6% YTD).

Within SA equities, 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 consistently invest in their operations should gain market share, leading to 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.

The Strategy has retained its holding in certain SA property stock-picks despite their decent returns. At these levels, the counters still offer attractive total return prospects (aided by the high dividend yields) and diversification (away from domestic sovereign bonds).

The Strategy remains focused on generating compelling long-term risk-adjusted returns. The heightened uncertainty and volatility in the current quarter created the opportunity to add local equities at attractive prices. The Strategy continues to have a meaningful allocation offshore, which provides good protection against a weak domestic economy and fractious political situation. We believe that the high equity, achieved through our bottom-up stock selection will serve the Strategy well in delivering on its long-term return expectations