

Please note that the commentary is for the retail class of the Fund.

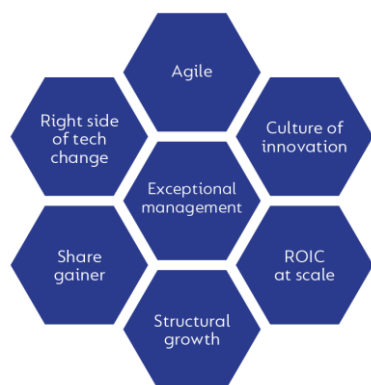
After a tumultuous first 100 days of 2025 during which global equity markets suffered double-digit declines, stocks rallied strongly to end the year at all-time highs. Market breadth improved significantly after a multi-year period of increasing concentration in returns. The US equity market (S&P 500) returned 18%, well behind other developed markets, 32% (MSCI All Country World ex-US), and Emerging Markets 34% (MSCI EM). The Fund had a very good year, returning 29.6%, 7% ahead of the benchmark.

Performance was notably broad-based. We have highlighted the opportunity set outside of tech mega-caps over the last few years, and it is pleasing to see the results coming through strongly. The top 15 contributors each added more than 1% to returns. These businesses span the market cap spectrum: from the relative minnow Auto1 at \$8bn, to the top 10 global mega-cap TSMC at \$1.7 trillion. They also span the globe, representing a truly global portfolio with strong regional contributions from Europe, the US, and Emerging Markets. Finally, these stocks reflect a range of sectors, indicative of a well-diversified portfolio.

A natural question following a period of strong performance is how we position the Fund from here? The winning businesses framework we introduced last year (Figure 1) remains a useful lens. In a dynamic and fast-changing world, we think owning winning businesses – when priced attractively – stacks the odds of outperforming over the long-term in your favour.

Figure 1

BUILDING BLOCKS OF A WINNING BUSINESS



Source: Coronation

We continue to witness elevated single-stock volatility, and this allowed us to improve both the return potential and percentage of the portfolio invested in winning businesses over the year. At the start of 2025, winning businesses comprised less than 80% of the portfolio; by year-end, this had increased to over 95%. We group these holdings into two categories:

- **Advantaged compounders:** established industry leaders with favourable growth outlooks and a track record of strong execution (e.g., Airbus and TSMC)
- **Long-duration growth:** earlier stage, often founder-led, digital-native businesses with leading market shares in structural growth segments (e.g., Auto1 and Spotify)

We have written about how changes in market structure have resulted in much higher single-stock volatility, and how this is a significant long-term advantage for active, valuation-focused stock pickers like Coronation. A few examples illustrate this below.

- From peak to trough, **ASML** declined more than a quarter, and at times was underperforming the market by c. 40% on a trailing one-year basis – a record over the last two decades. We doubled our position in ASML in the first four months of the year, and from the April tariff tantrum lows, the stock is up over 90%
- **Thermo Fisher** (Thermo) presents a similar stock price story, although it is a completely different business. Thermo declined 36% peak to trough this year, before rallying over 50%
- **Nu Holdings** declined over 30% over just two months earlier this year, despite not being directly impacted by US tariffs. Like ASML, it appreciated c. 80% from these April lows

We also used price strength to reduce or exit positions when valuations re-rated meaningfully toward our assessment of fair value. Examples include:

- **Interactive Brokers**, which compounded at 38% p.a. over our four-year holding period
- **Tapestry**, which re-rated from 9x to 18x over our holding period of 15 months, appreciating by 175%
- **Warner Bros. Discovery**, which doubled in two months this year (between September and October) as multiple bidders emerged for the company

When buying a stock, our intention is to own it for the long term, to give our investment thesis time to play out, and to benefit from the economics inherent in that business. However, if prices appreciate rapidly, closing the gap to what we think a stock is worth, we will intentionally seek more attractive opportunities. We believe these actions have improved both the quality and embedded upside of the portfolio. Some recent additions are:

- **Adidas** (the second largest branded sportswear company), bought in August after the stock had declined 35% from its peak
- **Visa** (the world's largest card network), bought in November at a 14-year relative multiple low
- **MakeMyTrip** (India's leading online travel platform), bought in December after it had declined 40% from its peak

We recognise that following our valuation-driven discipline in volatile markets can result in higher-than-expected portfolio turnover. However, we believe this is entirely consistent with our investment philosophy. Higher volatility can create opportunity, and it is incumbent upon us to exploit that opportunity. Elevated portfolio turnover does not in any way mean we have shortened our time horizon. On the contrary, we have higher conviction than ever that our focus on the key long-term drivers and earnings power of a business is a large and likely enduring competitive advantage. Our top 10 holdings highlight a mix of long-tenured positions and more recent buys, which reflects this in practice:

- Amazon, Airbus, TSMC, and Auto1 have been continuously held for 5-10+ years
- The other six holdings in the top 10 have been held, on average, for one year

Key macro risks we continue to monitor include: (1) geopolitical rivalry and the unpredictability of escalation paths; and (2) unsustainable fiscal trajectories, where debt and spending dynamics appear inconsistent with long-term sustainability. We manage these risks through what we own (e.g., avoiding long-duration nominal government bonds), diversification across and within asset classes, and sticking to our valuation discipline.

A third risk is aggregate equity market valuation. Multiples are elevated versus history, and market returns have been well above long-run averages. Expectations are also demanding: S&P 500 earnings growth has been ~10-11% over the past two years, yet consensus forecasts imply an acceleration to ~15% both in 2026 and 2027. This is an astonishing growth rate for a market that has grown to represent 64% of the global market cap, and outside of the recovery post GFC (2010) and Covid (2021), would be the third highest earnings growth rate in the last 25 years. Disappointment could result in a dual headwind of lower earnings and multiple compression.

The good news is we don't own the market. In fact, the portfolio has rarely looked as different to the market as it does today. However, it would be unrealistic to expect it to be insulated in a broad sell-off, as correlations typically rise materially during drawdowns. This is a useful reminder that we do not – and cannot – manage the portfolio to avoid short-term volatility; rather, we manage it to compound long-term returns. On that basis, we remain constructive on the long-term return potential of the businesses we own.

Thank you for your support and interest in the Fund.

Portfolio managers
Neil Padoa and Chris Cheetham
as at 31 December 2025

Portfolio manager update

We are pleased to welcome Chris Cheetham as a co-manager on this Fund. Chris is Coronation's Head of Global Developed Markets Research and is also a co-manager of the Coronation Global Managed Fund. He joined Coronation in 2017 and has 15 years' investment experience. We look forward to the insight and perspective that he will bring to the portfolio.