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

Performance and positioning

The second quarter of 2025 (Q2) was particularly volatile as it opened with President Trump's "Liberation Day" tariff announcement, which saw global equity markets notch double-digit declines in just two days. As the US stance on tariffs softened, markets had more than recovered by quarter end, and the Fund delivered 10.5% for the quarter, ahead of the 1.94% from the benchmark. The Fund's long-term track record remains compelling, with annualised alpha of 4.1% since inception.

Dollar weakness has been a key feature of 2025 thus far as the US' trade actions and seemingly unsustainable national debt trajectory continue to raise concern within the global US dollar-based system. Emerging market currencies have been strong, and the rand is no exception, having strengthened 3.49% in the quarter and 6.40% year-to-date (YTD). Strong precious metal prices and low oil prices are contributing very positively to South Africa's terms of trade, further supporting the currency. Emerging markets have delivered standout returns YTD, with SA equities delivering 16.1% to end-June (as measured by the FTSE Capped SWIX). SA equities remain the Fund's largest asset class and together with global equities make up 72.1% of the total portfolio. We continue to maintain a negligible cash position.

We added to select equity names during the quarter as opportunities presented themselves during the "Liberation Day" market panic as well as a result of some idiosyncratic events such as Aspen Pharmaceuticals (Aspen) losing a key customer in their manufacturing business. The diversified mining stocks were hit particularly hard in the April sell-off which allowed us to increase exposure at very attractive levels. Subsequent performance has been strong with Anglo American, for example, finishing the quarter up 36% from its April lows.

Aspen was amongst the largest buys in the period after it fell more than 30% in a single day. In April, Aspen announced a dispute with a customer, which ultimately meant the loss of revenue in their key manufacturing division. Whilst the short-term impact on the business is material, the probability that Aspen can replace the customer in the medium term is high and we do not anticipate there being any changes to the long-term earnings power of the business unit. Feeling that the market had punished Aspen unduly, we increased our holding from a low weighting to something more substantial.

Within SA equity, the Fund remains weighted towards the quality global shares that are listed on our market. Exposure to the SA economy is largely limited to the banking sector as well as select SA winners. This stance has been consistent for some time and continues to deliver. We have been watching the local political and economic situation for sign posts of a sustainable economic recovery, which thus far has been absent. We remain light in commodities driven by the large gold underweight, and we have recently been reducing PGM exposure after an incredible rally. Gold prices and equities have continued to exceed expectations in 2025 as uncertainty has reigned supreme and central bank buying continues strongly. We have been selling AngloGold into this strength and believe that on long-term valuation metrics, both the metal and equities now exceed sensible levels by a large margin.

Contributors to performance were Northam Platinum, We Buy Cars and Naspers/Prosus, all of which performed very strongly in the quarter and remain well represented in the portfolio. Detractors were Sibanye Stillwater which we do not own and Aspen.

Local bonds performed relatively poorly for the quarter and YTD versus risk assets, with the FTSE/JSE All Bond Index up 5.9% for the quarter compared to double-digit returns elsewhere. Returns were favourable compared to global bonds (Bloomberg Barclays Global Aggregate Bond Index), which delivered a 1% return in ZAR for the quarter. With national debt levels rising globally and interest rates that are unattractive on a relative basis, we remain wary of government debt in general. Within SA, the double-digit nominal yields do offer some compensation for this risk; however, we remain underweight due to the attractive opportunities in other assets.

The Fund retains a healthy weighting to select property stocks where, despite strong returns over the last few years, we still see the potential for double-digit returns going forward. Nepi Rockcastle was the largest individual net buy in the quarter within the portfolio, as it declined more than 10% from already attractive levels in Q1. Nepi has a high-quality Eastern European asset base which trades at a very attractive 9% yield. With our expectations for mid-single-digit dividend growth going forward, we find it very attractively priced.

Global equity markets were strong in the quarter despite the "Liberation Day" turbulence, with the MSCI World delivering 11.5% in USD over the three months. We retain a high exposure to global equities and, encouragingly, our underlying Coronation building blocks continue to deliver meaningful alpha over and above their respective benchmarks. This capacity has contributed materially to the relative performance of the portfolio over the last few years, and we remain optimistic about the quality of the businesses within it at attractive valuations. Given the strong rally, which has dovetailed with rising trade and global uncertainty, we have purchased some protection against a short-term equity pullback.

The Fund retains a reasonable weighting to a basket of diversified global credit instruments. In USD, this basket delivered a 6.54% return QTD, which is compelling given their low risk profile. Within the quarter, we purchased some Julius Baer debt at a nearly 8% yield. Julius Baer is a Swiss private banking firm that is owned in our global equity funds as well and covered internally. Integration across our internal teams is key for identifying opportunities across a particular companies' capital structure. Our credit basket currently yields 7.4% and we believe this is compelling given the basket's low risk profile and it being an attractive alternative to government debt.

Outlook

Whilst the future is always uncertain and recent years have delivered strong absolute and relative performance, we are optimistic about the return environment looking ahead. The Fund has exposure to attractive assets across geographies and asset classes and offers a robust investment proposition. In these turbulent times, our long-term, valuation-driven approach continues to form the foundation of our investment process in delivering the desired outcome for our clients.

Portfolio managers
Neville Chester, Nicholas Stein and Nicholas Hops
as at 30 June 2025