CORONATION
TRUST IS EARNED™

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

Performance and fund positioning

The Fund returned 2.2% for the third quarter of 2025, behind the 3.7% for the Index. Since inception, the Fund has returned 15.8% versus the benchmark's 13.9%. Absolute performance continues to be strong and highlights the strength in the industrial sector, with the Fund up 16.5% over the last 12 months.

Contributors for the quarter were the Fund's large overweight in Naspers/Prosus and being underweight SA Inc. as a basket, which has seen a continued de-rating in 2025. Detractors for the quarter were our overweight positions in Aspen, Bytes, and Mondi, which all saw stock price declines over the period.

In the quarter, we added meaningfully to our Richemont position after a period of relative weakness, while funding this from Prosus, Pepkor, and Anheuser-Busch InBev.

Naspers/Prosus remains the Fund's largest absolute and relative position and has been a core part of the portfolio for many years. After a several-year period where global investors were shunning Chinese equity exposure, we have finally seen the reverse come through. As we have written before, while we had seen equity prices under pressure in China, this mostly came at a time when the underlying operational performances were improving. This was particularly the case for Tencent. For years, it has been clear that Tencent under monetises its ecosystem. In recent periods, an improved organic topline environment has combined with increasing high margin monetisation, which has compounded profits and cash flows well in excess of topline. We have also seen strong share buybacks and a rising dividend payout ratio from Tencent that the market is now finally giving it credit for. We believe that Tencent is incredibly well placed to integrate Artificial Intelligence into its existing business, given the shear breadth and scale of its reach into the Chinese economy and the underlying data the group has access to. Tencent, in Hong Kong dollars, bottomed at 270HKD in 2024 and finished the quarter at 663HKD.

Naspers/Prosus continue to trade at a discount to their stake in Tencent at spot prices. While this discount persists, the "open-ended" buyback programme continues, which involves selling Tencent shares and buying Naspers/Prosus shares. This action increases the fair value of Naspers and Prosus on a per share basis and is highly attractive for long-term shareholders. The longer the discount exists, the higher the rate at which Naspers and Prosus will be able to compound fair value per share. In addition to the successes in China, the last 18 months have seen the new CEO Fabricio Bloisi stamp his mark with a number of smart-looking M&A deals on both the buy and sell side. Most importantly, the company has sharpened its M&A as well as operational focus and has turned the "ex Tencent" collection of businesses from a deeply loss-making to a now profitable position. Mr Bloisi has increased integration between the group companies and also focused the strategy on developing lifestyle ecommerce ecosystems across Latin America, Europe, and India. We continue to see a large amount of upside in Naspers/Prosus, and it remains the core position within the Fund.

The continued sell-off in SA Inc. companies is leading to an increasing number of opportunities to deploy capital. After getting ahead of itself in 2024 with respect to the local political and economic outlook, we have seen the market revert back to outright pessimism across most SA Inc. companies. While we have been encouraged by the reform and delivery thus far over the last 18 months, it is too soon to see a meaningful improvement in economic conditions. We are looking out for green shoots and continue to invest capital in SA Inc., focusing on companies that demonstrate market share growth or have other organic topline opportunities, regardless of the economic outlook. The portfolio is underweight South African economic exposure.

Outlook

At the end of September, the Fund had just under 50% upside to fair value on a bottom-up basis. We believe that it is well-positioned to deliver value off of this base going forward.

Portfolio managers
Nicholas Hops and Godwill Chahwahwa
as at 30 September 2025