

## LONG TERM OBJECTIVE

The Coronation Houseview Equity Strategy represents our best investment view for an equity mandate. The portfolio is constructed on a clean-slate basis with no reference to a benchmark. It seeks to identify the best risk adjusted returns in the market and aims 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 on a clean-slate basis based on the relative risk-adjusted upside to fair value of each underlying security. 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)	8,303.5%	4,308.2%	3,995.3%
Since Inception p.a.	15.6%	13.2%	2.4%
Latest 20 years p.a.	15.7%	13.3%	2.4%
Latest 15 years p.a.	13.9%	11.7%	2.2%
Latest 10 years p.a.	8.0%	6.5%	1.5%
Latest 5 years p.a.	11.9%	7.6%	4.3%
Latest 1 year	8.3%	2.9%	5.4%
Year to date	0.1%	(2.3)%	2.4%
Month	2.3%	2.9%	(0.6)%

## TOP 10 HOLDINGS

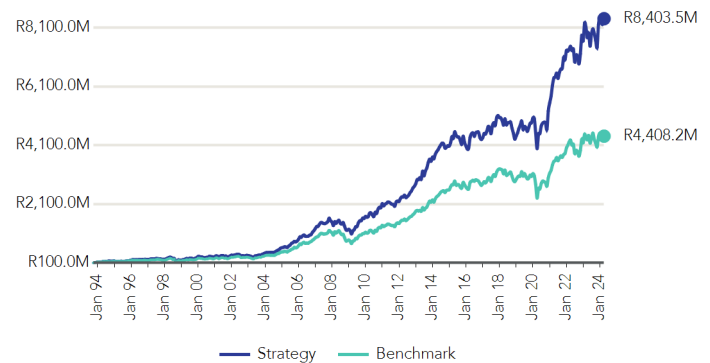
Holding	% Strategy
CIE FINANCIERE RICHEMO-A REG	8.2%
NASPERS LIMITED	7.5%
PROSUS	7.1%
FIRSTSTRAND LIMITED	5.9%
CAPITEC BANK HOLDINGS LIMITED	5.6%
QUILTER PLC	4.9%
BID CORPORATION LIMITED	4.8%
DIS-CHEM PHARMACIES PTY	4.4%
MONDI LIMITED	4.3%
ANHEUSER-BUSCH INBEV SA/NV	3.7%

## GENERAL INFORMATION

Inception Date	01 October 1993
Strategy Size †	R38.02 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 April 2022. Previously FTSE/JSE Africa Shareholder Weighted Index, excluding real estate (inception to 30 November 2006) and FTSE/JSE Africa Shareholder Weighted Index (01 December 2006 to 31 March 2022).

## PERFORMANCE &amp; RISK STATISTICS (Since inception)

	Strategy	Benchmark
Average Annual Return	17.3%	14.9%
Tracking Error	4.4%	
Information Ratio	0.5	
Annualised Standard Deviation	17.1%	17.1%
Maximum Drawdown	(40.8)%	(45.8)%

## TRACKING ERROR



## SECTOR EXPOSURE

Sector	% Strategy
Financials	27.8%
Consumer Services	26.8%
Technology	15.7%
Basic Materials	13.5%
Consumer Goods	8.2%
Health Care	2.9%

Sector	% Strategy
Derivatives	1.6%
Telecommunications	1.6%
Industrials	1.0%
Unlisted	0.6%
Interest Bearing	0.3%

## 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 20 years' investment experience.

## REGULATORY DISCLOSURE AND DISCLAIMER

The content of this document and any information provided may be of a general nature and is not based on any analysis of the investment objectives, financial situation or particular needs of any potential investor. As a result, there may be limitations as to the appropriateness of any information given. It is therefore recommended that any potential investor first obtain the appropriate legal, tax, investment or other professional advice and formulate an appropriate investment strategy that would suit the risk profile of the potential investor prior to acting upon such information and to consider whether any recommendation is appropriate considering the potential investor's own objectives and particular needs. Neither Coronation Fund Managers Limited nor any subsidiary of Coronation Fund Managers Limited (collectively "Coronation") is acting, purporting to act and nor is it authorised to act in any way as an adviser. Any opinions, statements or information contained herein may change and are expressed in good faith. Coronation does not undertake to advise any person if such opinions, statements or information should change or become inaccurate. This document is for information purposes only and does not constitute or form part of any offer to the public to issue or sell, or any solicitation of any offer to subscribe for or purchase an investment, nor shall it or the fact of its distribution form the basis of, or be relied upon in connection with any contract for investment. The value of the investments may go down as well as up and past performance is not necessarily a guide to future performance. Coronation Fund Managers Limited is a full member of the Association for Savings and Investment SA (ASISA). Coronation Asset Management (Pty) Ltd (FSP 548), Coronation Investment Management International (Pty) Ltd (FSP 45646) and Coronation Alternative Investment Managers (Pty) Ltd (FSP 49893) are authorised financial services providers. Coronation Life Assurance Company Limited is a licenced insurer under the Insurance Act, No.18 of 2017.

**REVIEW FOR THE QUARTER**

The Strategy benefited from its meaningful exposure to global equities and strong alpha in the SA building block. The Strategy has performed well against its peer group over all meaningful time periods.

Markets continue to hit record highs despite interest rate cuts being pushed further out. The MSCI All Country World Index returned 8% for Q1-24 after rising 22% (in USD) in 2023. US growth has remained resilient thus far, shrugging off concerns that rapid rate rises would induce a recession. Despite elevated market levels, there remains a big value dispersion, both regionally and even within markets. The 10 largest US stocks now comprise more than a third of the S&P 500 Index's total market capitalisation. Conditions remain ripe for good stock picking opportunities, given these divergences. We continue to make full use of the Strategy's offshore capacity.

China is struggling to restore growth to its prior pace in the face of high debt levels, a weak property market, and a demographic headwind. Notwithstanding the risks of investing in China, we believe a holding in the Strategy is warranted, given the very low prices at which many high-quality businesses trade.

Geopolitical tensions remain heightened with the ongoing Russian shelling of Ukraine, a tenuous US-China relationship, and the risk of broader Middle East contagion. Half of the world's population goes to the polls in 2024 (including SA during Q2 and the US later in the year). The US outcome could have major ramifications for its allies. Nations such as Australia and Germany are already increasing their military spending. Against this backdrop, we have seen rising prices for a traditional safe haven like gold (+8%) and oil (+14%). (Both figures are for the quarter in USD.)

The Strategy has a sizeable allocation to financial services businesses across the banking, brokerage, wealth, and payments spaces. These holdings are expected to compound profits ahead of their respective markets over the medium term yet trade on reasonable multiples. Within the brokerage space, the Strategy holds Charles Schwab and Interactive Brokers. Their efficient platforms and scale benefits enable them to provide a compelling service to clients very profitably, creating a sizeable moat. Client accounts and trading activity continue to grow. We don't believe the market is fully pricing in the benefits of growing volumes and compounding profits these businesses can deliver in the years ahead.

The South African economic outlook remains constrained. The state of infrastructure continues to slide after decades of underinvestment and mismanagement. Growing water shortages warn of a pending crisis. The poor performance of port and rail assets is further undermining the competitiveness of important export sectors like mining. In short, the much-anticipated relief from lower levels of loadshedding in 2024 has been overshadowed by ongoing decay elsewhere. Elections in May 2024 bring further uncertainty as to the extent of support for the ruling party and what a potential coalition government could look like. Our base case remains a low-growth environment with ongoing infrastructure challenges. The currency weakened by -2% against the USD for the quarter (-5% over 12 months). This further erodes the relative returns of domestic equities.

The local market has been weak, with the FTSE/JSE Capped Shareholder Weighted Index returning -2% for the quarter and +3% for the year. Pleasingly, the Strategy was able to supplement low market returns in this period with strong alpha over the quarter and year, respectively. Strategy holdings include global stocks listed on the JSE (with their high offshore exposure) and selected resources and domestic stocks. Domestic stocks offer good opportunities for stock picking, but avoiding value traps is critical. The gap between winning and losing domestic businesses is widening. Winning businesses are investing in their franchises and can grow their top lines above costs. We have a strong preference for the winners and believe that perceived value in many of the weaker, low PE (price-to-earnings) businesses will prove to be illusory. This has been extremely stark in a sector like food retail.

Investor concerns about the SA outlook were reflected in the weak performance of the financial sector with its heavy domestic exposure. The Financials index declined -8% for the quarter (still +12% over 12 months) as banks and insurers came under pressure. For the banks, low economic growth is subduing advances growth across both the corporate and retail sectors while credit losses remain elevated. We believe the winning banks merit a position within the Strategy as their ability to grow real earnings over the medium term should deliver good returns. The Strategy has a position in both FirstRand and Capitec.

The resource sector declined -2% for the quarter (and is down -9% over 12 months). The Strategy holds an underweight position in resources, given early profit-taking across most of the sector (especially diversified and PGM miners). Performances within the sector varied widely, with the gold companies meaningfully outperforming PGM shares, diversified miners, and Sasol. The Strategy has benefited from low holdings across the underperforming sectors. The gold price has strengthened in the face of heightened geopolitical uncertainty and ongoing polarisation. Gold equities rose to reflect the higher gold spot prices. The Strategy's underweight position detracted from performance. We do not believe current gold equity valuations offer sufficient margin of safety to increase our holding.

The Industrials Index rose +1% for the quarter (+3% over 12 months). The Strategy's core holdings include many of the global stocks listed in SA: Naspers, Richemont, Aspen, Bidcorp, British American Tobacco, and Anheuser-Busch InBev. We saw a step change in the number of domestic businesses delivering disappointing earnings as weaker revenue growth and ongoing brutal cost pressures eroded operating profits. We continue to reassess our domestic holdings and cull those that are not well-positioned to withstand the challenging domestic environment. We have been pleased to see the strong volume growth of a business like ADvTECH that has consistently invested in the value of its private education offering, constraining fee increases at or below inflation while managing costs appropriately. Dis-Chem, too, should continue to grow strongly, fuelled by store rollout and share gains from independents. In Transaction Capital, the collapse of SA Taxi and a sharp share price correction allowed Coronation to increase our holding, thereby increasing exposure to WeBuyCars (WBC). We believe WBC is a strong franchise with good medium-term growth prospects. It offers customers convenience, a trusted partner in buying/selling their vehicle, and fair prices. This should enable it to continue gaining market share from the fragmented independent dealers in the used car market.

We are optimistic about future returns given the many attractive stock-picking opportunities available in both global and local equity markets.