

LONG TERM OBJECTIVE

The Coronation Aggressive Equity Strategy is our aggressive offering within our equity product range. The Strategy is constructed on a clean-slate basis with no reference to a benchmark, and seeks 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)	1,727.2%	1,153.1%	574.1%
Since Inception p.a.	15.4%	13.3%	2.1%
Latest 20 years p.a.	15.5%	13.3%	2.2%
Latest 15 years p.a.	13.9%	11.7%	2.2%
Latest 10 years p.a.	7.7%	6.5%	1.2%
Latest 5 years p.a.	12.0%	7.6%	4.4%
Latest 1 year	3.2%	2.9%	0.3%
Year to date	(2.1)%	(2.3)%	0.2%
Month	1.9%	2.9%	(1.0)%

TOP 10 HOLDINGS

Holding	% Strategy
PROSUS	12.6%
CIE FINANCIERE RICHEMO-A REG	6.6%
STANDARD BANK GROUP LTD	6.5%
NEDBANK GROUP LIMITED	6.5%
ANHEUSER-BUSCH INBEV SA/NV	5.4%
MTN GROUP LIMITED	5.2%
BRITISH AMERICAN TOBACCO PLC	4.8%
ANGLO AMERICAN PLC	4.8%
QUILTER PLC	4.1%
DIS-CHEM PHARMACIES PTY	3.4%

GENERAL INFORMATION

Inception Date	01 January 2004
Strategy Size †	R13.24 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 & RISK STATISTICS (Since inception)

	Strategy	Benchmark
Average Annual Return	16.7%	14.5%
Tracking Error	4.7%	
Information Ratio	0.5	
Annualised Standard Deviation	14.7%	14.7%
Maximum Drawdown	(33.2)%	(27.8)%

TRACKING ERROR



SECTOR EXPOSURE

Sector	% Strategy
Financials	25.5%
Consumer Services	19.2%
Basic Materials	19.1%
Technology	17.5%
Consumer Goods	10.3%
Telecommunications	5.2%

Sector	% Strategy
Industrials	1.9%
Derivatives	1.0%
Health Care	0.3%
Unlisted	0.1%
Interest Bearing	(0.1)%

PORTFOLIO MANAGERS



Neville Chester - BCom, CA (SA), CFA

Neville is a senior member of the investment team with 27 years' investment experience. He manages Coronation's Aggressive Equity Strategy and is co-manager of the Coronation Top 20 and Market Plus unit trust funds.



Nic Stein - BBusSc, CA (SA), CFA

Nic is a portfolio manager and analyst within the Coronation investment team with 15 years' investment experience. He co-manages the Coronation Aggressive Equity and Managed strategies as well as the Coronation Resources, Top 20 and Market Plus unit trust funds.

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

Globally, equity markets carried on with their strong run from 2023, with most markets showing positive returns. Unfortunately, South African (SA) equity markets continued to decline. Incessant selling by locals and foreigners, lack of appetite given low growth due to poor policy and failing infrastructure, and the looming election of which the potential outcomes have never been as uncertain all contributed to a weak period for SA equities, despite global risk appetite and very compelling valuations. In this weak market, the Strategy marginally outperformed the benchmark over the last quarter, however, over more meaningful long term periods, it remained comfortably ahead of its benchmark.

The big positive contributors for the period were our bank holdings, where, unusually for the sector, our overweight position in Nedbank contributed at the same time as our underweight in FirstRand did. Nedbank performed well, delivering strong earnings on the back of good interest margin growth and better-than-expected credit losses. FirstRand underperformed as the market was concerned about its potential exposure to reparations in its UK vehicle finance business, where the regulator is examining the industry lending practices.

After these two contributors, the performance came from our offshore-listed shares, Naspers, Richemont, Quilter, and British American Tobacco, aided by company-specific results and a slightly weaker currency.

The key detractor for the period was our underweight position in gold shares. While we do own AngloGold, the other listed gold shares outperformed on the back of a much higher gold price. We remain of the view that AngloGold is a better exposure, offering a more attractive valuation and a good operational turnaround story. MTN was the next detractor, with the blowout in the Nigerian currency adversely affecting its Nigerian business. While the move in the naira to free-floating is ultimately going to be good for the country and its economic growth in the long term, in the short term, these extreme moves will hurt certain businesses. MTN, as the leading mobile player in the country, will stand to benefit from the improving economic outlook in the long term but faces a period of volatility in the interim.

During the quarter, the key moves within the portfolio were reducing some of its overweight positions in the bank sector into the strong results. We also took some profits from our Richemont position, which provided a strong trading update, counter to some of the other luxury goods stocks. We invested most of these funds into SPAR. SPAR experienced a tough 2023 as poor implementation of SAP at its key KwaZulu-Natal warehouse resulted in significant lost sales. This is slowly turning around, and recent trading updates indicate that SPAR is maintaining its market share in a tough retail environment. We also expect a resolution to their Polish operation sale in the next few months, which will give investors further certainty. The share price declined significantly in the quarter, allowing us to build our position at very attractive levels.

We also added to our holding in Dis-Chem through a large placement of shares in the market. Dis-Chem remains one of the few South African businesses with a compelling growth story despite the economic outlook. Dis-Chem has a long runway of store openings and format expansions, which should enable it to keep growing in the foreseeable future.

We have also added to our holding in African Rainbow Minerals. ARM is a diversified miner with exposure to iron ore, PGMs, manganese, and gold. Despite the very strong run-up in Harmony, which now makes up in excess of 33% of ARM's market cap, the share has underperformed the market. The company has been a strong dividend payer and trades at a significant discount to the intrinsic value of its underlying operations.

The SA equity market remains cheap on almost any metric that one uses to value them. This is also reflected in the very high dividend yields on which many of the shares are trading. No one can call when sentiment will change, but in the interim, if one can get exposure to good quality businesses which will grow their earnings and return cash to shareholders, one can still make a case for compelling investment returns to be had without any re-rating.