

LONG TERM OBJECTIVE

The Coronation Core Equity Strategy is our benchmark cognisant offering within our equity product range. The Strategy is constructed with 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 with reference to a benchmark based on the relative risk-adjusted upside to fair value of each underlying security.

STRATEGY RETURNS GROSS OF FEES

Period	Strategy	Benchmark	Active Return
Since Inception (cumulative)	1,747.0%	1,304.3%	442.7%
Since Inception p.a.	15.0%	13.5%	1.5%
Latest 20 years p.a.	14.1%	12.7%	1.4%
Latest 15 years p.a.	11.4%	10.5%	0.9%
Latest 10 years p.a.	7.5%	7.1%	0.4%
Latest 5 years p.a.	10.1%	10.3%	(0.2)%
Latest 1 year	12.7%	13.4%	(0.7)%
Year to date	12.7%	13.4%	(0.7)%
Month	0.0%	(0.3)%	0.3%

TOP 10 HOLDINGS

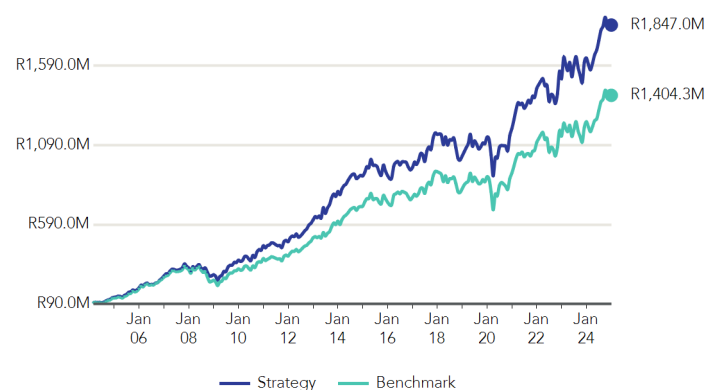
Holding	% Strategy
PROSUS	9.2%
STANDARD BANK GROUP LTD	7.5%
FIRSTRAND LTD	7.5%
NEDBANK GROUP LTD	4.7%
NASPERS LTD	4.7%
CIE FINANCIERE RICHEMO-A REG	4.3%
BRITISH AMERICAN TOBACCO PLC	4.1%
ANGLO AMERICAN PLC	3.6%
SANLAM LTD	3.3%
MTN GROUP LTD	3.0%

GENERAL INFORMATION

Inception Date	01 March 2004
Strategy Size *	R7.67 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



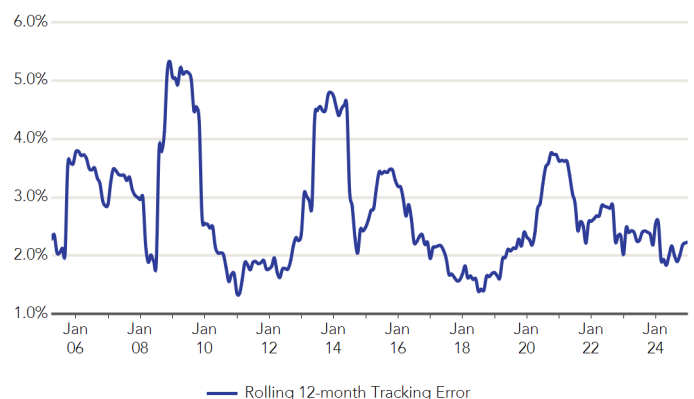
Benchmark: JSE Capped Shareholder Weighted Index (Capped SWIX*)

*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	16.2%	14.7%
Tracking Error	2.9%	
Information Ratio	0.5	
Annualised Standard Deviation	14.2%	14.4%
Maximum Drawdown	(30.1)%	(37.0)%

TRACKING ERROR



SECTOR EXPOSURE

Sector	% Strategy
Financials	31.0%
Consumer Services	18.7%
Basic Materials	14.9%
Technology	14.6%
Consumer Goods	12.5%

Sector	% Strategy
Telecommunications	4.6%
Health Care	2.4%
Industrials	0.8%
Interest Bearing	0.5%

PORTFOLIO MANAGER



Quinton Ivan - BBusSc, Bcom (Hons), CA (SA), CFA

Quinton is Head of Coronation's Core Equity Strategy. He also co-manages the Presidio Hedge Fund. Quinton has 18 years of investment experience.

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REVIEW FOR THE QUARTER

The Strategy's performance lagged the benchmark over the quarter and the past year. Longer term performance remains ahead of the benchmark.

Global markets delivered a second year of strong returns, with the MSCI All Country World Index returning 17% for the year in USD (-1% in Q4) after rising 22% in 2023. The S&P 500 Index rose 25% for the year (2% in Q4) backed by a resilient US economy, which defied expectations. Emerging markets lagged their developed peers as the MSCI Emerging Markets Index rose 8% for the year in USD (-8% in Q4), with particular weakness in Brazil, Mexico, Egypt, and Korea. Broad-based dollar strength was an additional headwind. Chinese economic growth remained lacklustre, but stimulus measures announced in September boosted market returns. The MSCI China ended the year up 20% in USD after recording double-digit declines in each of the two years prior.

Many countries went to the polls in 2024. It was a challenging year for incumbent leadership as voters rejected the status quo. In the US, Donald Trump unseated the Democrats and returned to power. Governing parties across our own SADC region lost votes, too, as seen in South Africa, Mozambique, Botswana, and Namibia. The global geopolitical situation remained fraught. Israel broadened its field of military operations with targeted operations across the region, including Lebanon and Syria. These actions contributed to the fall of the Assad regime in Syria.

Despite the turbulence in the Middle East, the oil price declined slightly in the year (Brent crude -3%) as demand remained weak, and supply is expected to grow in 2025. The Russia-Ukraine war drags on almost three years after the initial invasion. Trump, who assumes the US presidency in late January, has promised a swift end to the conflict. Trump's return to power is expected to see a rise in protectionism and trade tariffs (most notably against China) as envisioned in his "America First" policy. The Gold price rose 27% for the year (USD) in response to the heightened geopolitical risk as central banks bought gold. The Strategy has limited exposure to gold equities, given a gold price that is trading above our assessment of its long-term fair value.

It has been a good year for South Africa. The calendar year 2024 brought relief from the load shedding that was crippling the economy, saw a positive election outcome (with a centrist coalition committed to reform) and the prospect of better economic growth. This progress is reflected in buoyant returns from domestic assets, with the FTSE/JSE Capped Shareholder Weighted Index (CSWIX) returning 13% for the year. The consumer is experiencing relief in the form of fewer power outages, lower fuel prices, falling food inflation and 50bps in rate cuts. The release of pension savings (previously unavailable without resignation) via the "two-pot" retirement system is an additional, lower-quality tailwind. These factors are driving real growth in consumer spending of which we are seeing early evidence.

Unfortunately, South Africa is not yet benefiting from a step change in investment (neither foreign nor domestic) as investors wait to see whether the GNU coalition government endures and if it can deliver much-needed structural reform. This reform is essential to support better medium-term economic growth. Thus far, we have seen good progress in power and positive early-stage developments in rail reform. Without sufficient further reform, the consumer tailwind will fade, and South African assets will look expensive (given their higher rating and the lack of subsequent growth). The rand weakened -8% against the USD in the fourth quarter (-3% for the year) in solidarity with most major currencies as markets priced in stronger US growth and fewer rate cuts.

SA faces many headwinds. The country's assets and infrastructure remain profoundly damaged by a decade of mismanagement. Municipal service delivery is poor. The state of water quality and availability is deeply worrying and a significant threat to economic activity. The long-term fiscal outlook remains concerning with a high starting level of sovereign debt. Without a meaningful pick-up in economic growth, South Africa faces ongoing deterioration in its debt-to-GDP ratio.

Domestic equities have delivered pleasing returns over the past year (CSWIX +13% over one year). Performance at a sector level reflects the strong contribution of domestic shares, with the heavily domestic Financials Index up 22% for the year (-1% for the quarter) and the Industrial Index up 18% for the year (flat for the quarter). The Strategy benefited from being underweight in resources. The Resources Index lagged meaningfully, declining -9% for the year (-9% in Q4).

The improved South African outlook drove an expansion in market multiples for domestic shares. These businesses will need to demonstrate faster earnings growth to justify the multiple expansion from which they benefited in 2024. Whilst the basket of domestic stocks held by the Strategy will not be isolated from changes to the economic growth outlook nor sentiment, stock-picking has remained focused on businesses where we believe the fundamentals are solid. These businesses should grow their medium-term earnings even if tough economic conditions prevail. In previous commentaries for the 2024 calendar year, we highlighted OUTsurance, Advtech, and WeBuyCars; all of which delivered good results during the year despite challenging economic conditions. Pepkor, too, deserves mention. The intensified efforts of its management over the last few years were evident in recent results with improved retail sales, a meaningful pick up in fintech performance, and the launch of innovative new products like FoneYam.

The Strategy holds an underweight position in the resources sector, given reasonably full valuations. China's shift to less infrastructure-heavy growth remains a headwind to demand, contributing to a weaker outlook for many commodities. The Strategy has built a small position in the PGM miners where a slower transition to electric vehicles will sustain demand for longer whilst underinvestment in mines contributes to declining supply. This should result in a tight market for several years, bringing considerable cash flows to those miners who are sufficiently well-positioned to benefit.

The attractive upside to fair value evident in our basket of equities reflects the exciting stock-picking opportunities we see across the local market. We believe these holdings serve the Strategy well to deliver its medium-term return expectations.