CORONATION

INFLATION PLUS STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 31 DECEMBER 2024

CORONATION
TRUST IS EARNED™

LONG TERM OBJECTIVE

The Coronation Inflation Plus Strategy targets positive real returns with an overriding focus on limiting downside returns or portfolio losses. Therefore, capital preservation in real terms is equally important to return optimisation. The Strategy is managed in accordance with the limits of Regulation 28 of the Pension Funds Act. The Strategy can invest up to 40% in Domestic and Foreign Equities.

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 business 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 cleanslate 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 a permanent loss of capital.

STRATEGY RETURNS GROSS OF FEES

Period	Strategy	Benchmark	Active Return
Since Inception (cumulative)	346.5%	109.7%	236.8%
Since Inception p.a.	10.3%	5.0%	5.3%
Latest 15 years p.a.	10.3%	5.0%	5.3%
Latest 10 years p.a.	9.0%	5.0%	4.0%
Latest 5 years p.a.	10.9%	4.9%	6.0%
Latest 3 years p.a.	10.4%	5.2%	5.2%
Latest 1 year	13.9%	3.2%	10.7%
Year to date	13.9%	3.2%	10.7%
Month	1.2%	0.3%	0.9%

ASSET ALLOCATION

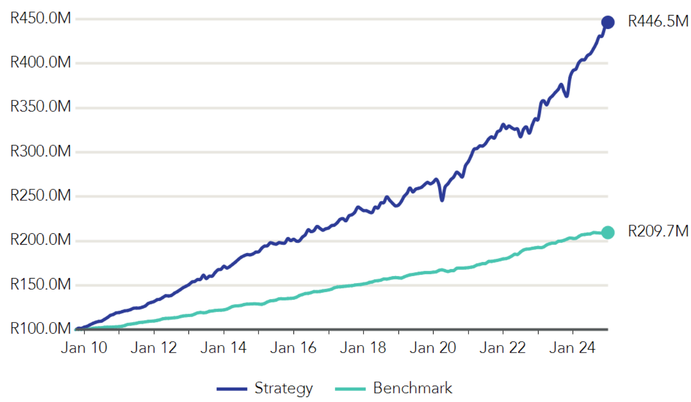
Asset Type	% Strategy
Local Bonds	30.2%
Foreign Equities	24.7%
Cash	15.3%
Local Equities	14.6%
Foreign Bonds	9.6%
Local Hedge Funds	2.0%
Local Commodities	1.9%
Local Property	1.6%
Foreign Property	0.1%

GENERAL INFORMATION

Inception Date	01 October 2009
Strategy Size †	R7.06 billion
Strategy Status	Open
Mandate Benchmark	Consumer Price Index (CPI)
Performance Target	CPI + 3% (gross of fees and taxes) over a rolling 3 year period
Dealing Frequency	Daily
Base Currency	ZAR
Regulation 28	Yes

†Strategy assets under management as at the most recent quarter end.

GROWTH OF R100M INVESTMENT



Benchmark: Consumer Price Index (CPI)

TOP 10 HOLDINGS

Holding	% Strategy
CORONATION GLOBAL EQUITY FUND OF FUNDS CLASS Z	14.7%
CORONATION GLOBAL CAPITAL PLUS CLASS Z	3.9%
RSA ILB 1.875% 280233	3.7%
CORONATION GLOBAL EMERGING MARKETS EQUITY FUND	3.1%
US TBILL 0.000% 060225	2.9%
FIRSTRAND BANK LTD ILB 2.600% 310328	2.2%
PROSUS	2.2%
RSA FIX 6.250% 310336	2.0%
RSA FIX 7.000% 280231	2.0%
STANDARD BANK OF SA FIX 9.125% 050625	1.9%

MODIFIED DURATION*

Portfolio	1.4
Fixed Income Assets	2.8

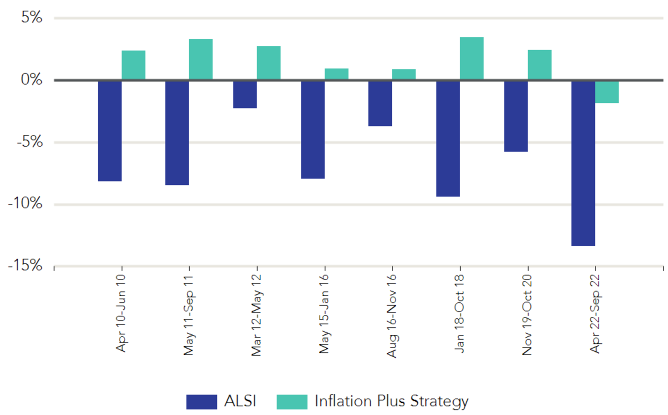
PERFORMANCE & RISK STATISTICS (Since inception)

Average Annual Return	10.4%
Annualised Standard Deviation	5.0%
Highest Monthly Return	5.9%
Lowest Monthly Return	(6.7)%
% Positive Months	78.1%
Downside Deviation	2.4%
Maximum Drawdown	(8.9)%
Sortino Ratio	2.0

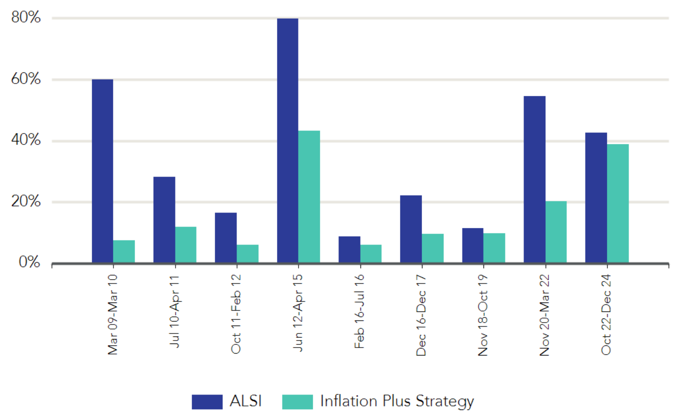
EFFECTIVE MATURITY PROFILE*

Term	% Strategy (incl. Cash)	% Strategy (excl. Cash)
0 to 1 year	20.9%	14.8%
1 to 3 years	3.2%	3.5%
3 to 7 years	13.2%	14.2%
7 to 12 years	9.7%	10.4%
Over 12 years	2.0%	2.1%

BEAR MARKETS



BULL MARKETS



In the bar graphs above, we have divided the period since inception of our Strategy into bull and bear markets. The Strategy's returns are measured against the FTSE/JSE All Share index. The bear market graph clearly demonstrates how the Strategy has protected capital; its losses were much more shallow than the market during downswings. As evident from the second graph, the Strategy also enjoyed healthy upside participation in bull markets.

PORTFOLIO MANAGERS

Pallavi Ambekar - BBusSc, CA (SA), CFA

Pallavi is Head of Absolute Return at Coronation and a portfolio manager across all strategies in this unit. She also has research responsibility for certain large capitalization shares listed on the JSE. She has 21 years' investment experience.

Charles de Kock - BCom (Hons), MCom

Charles joined Coronation in 2005 and is a co-portfolio manager across all strategies within the Absolute Return investment unit. He also co-manages the Coronation Balanced Defensive and Capital Plus unit trust funds. Charles has 38 years' investment experience.

Neill Young - BBusSc, CA (SA), CFA

Neill joined Coronation in 1998 and co-manages Coronation's Absolute Return Strategies as well as the Coronation Financial, Balanced Defensive and Capital Plus unit trust funds. Neill has 26 years' investment experience.

REGULATORY DISCLOSURE AND DISCLAIMER

* For SA Fixed Income investments only. Excludes international investments, equities, property and preference shares.

REVIEW FOR THE QUARTER

The past year proved rewarding for investors willing to take on some risk as the combination of falling inflation and easier monetary policy contributed to higher ratings for stock markets. The strong showing of the so-called Magnificent Seven tech giants pushed the S&P 500 Index to record highs. The South African stock and bond market also had a stellar 12-month period, benefiting from a post-election rerating that was driven by the hope of a better government. In this context, the Strategy delivered healthy double-digit returns, handily outpacing its targeted return. Our longer-term performance track record continues to hold, with the Strategy delivering ahead-of-target returns over longer time periods.

SA fixed income was a large contributor to the Strategy's returns over the past year. SA government bonds shone as they outperformed their emerging and developed market counterparts. Starting yields at the beginning of the year embedded a large risk premium, reflecting investor concern around both the outcome of our elections and the trajectory of the government's debt ratios in a lacklustre growth environment. The positive election outcome triggered a sharp downward move in local bond yields and delivered very strong returns for bondholders. We continue to think that a healthy exposure to SA fixed income is appropriate for our Strategy, given our real return mandate. Inflation remains well-behaved and is expected to stay close to the midpoint of the current target band. We do, however, remain cautious on the outlook for the government's debt burden and are managing longer-term risks in our allocation through a combination of containing duration and having a healthy exposure to inflation-linked bonds (ILBs), given their attractive valuation and offsetting risk attributes.

The Strategy also benefited from its exposure to risk assets, in particular global and local equities. Global equity market indices were tricky to beat in the last year, given the concentration of returns in a handful of stocks. Nevertheless, we saw a broad opportunity set and believed the stock-picking environment was fertile for the patient investor. Our global equity selection delivered excellent index-beating returns in the final quarter of 2024, proving that the positioning was correct. The Strategy's offshore allocation (approximately 39% of Strategy) is still largely skewed towards equities, where we still observe robust return opportunities, notwithstanding elevated market index levels. We are mindful of downside risks but believe this allocation provides necessary diversification for clients. We have also protected a portion of this allocation with relatively cheap put protection. This translates into an offshore net exposure of approximately 32% after accounting for our currency lock position.

The rally in local equity markets was a welcome contribution to the Strategy's returns. While market beta was supportive, our equity selection added to client returns. The Strategy benefited from allocation to its rand hedge stocks (Naspers and British American Tobacco) as well as a carefully curated basket of SA equities. A combination of mid cap names (OUTsurance, PSG Konsult, Dis-Chem, Advtech, and Altron) delivered handsome absolute and relative returns in our SA equity allocation. Our selection of these local businesses was built with the view that these were well-managed businesses with robust business models, able to grow and take market share in a weak economy. These are also highly cash generative businesses – a further attraction for our Strategy. From a valuation perspective, the domestic market has rallied from very cheap levels to a more normal and not yet expensive level. We continue to favour a large allocation to attractively valued rand hedge shares and remain selective on our domestic names. While the optimism over our election outcome is justified, this must now translate into higher economic growth for the equity rally to be sustained.

During the quarter, we added a new, albeit small, position to the Strategy with a purchase In Vodacom. The share price has been weak, and we now believe there to be significant return potential. Vodacom operates the no.1 network in South Africa, but also owns a stake in the very successful Safaricom business in Kenya, which operates M-Pesa, the pre-eminent African mobile money business. It has also recently purchased a controlling stake in Vodafone Egypt. While South Africa is a mature market, it does generate very strong cash flows, and the growth opportunities in markets like Kenya and Egypt offer potential growth vectors for the company. Egypt, in particular now that its currency has been allowed to float, is an attractive market for Vodacom to generate decent returns.

In this commentary, we have focused on the asset classes that contributed to most of the Strategy's returns over the last year. It would be remiss of us not to mention that the smaller allocations in the Strategy – namely SA property, SA cash, offshore cash and offshore fixed income – also contributed positively to returns. As a collective, these exposures provide beneficial diversification in the Strategy and add to the robustness of portfolio returns.

As we head into 2025, there is much to consider. On the global front, most of the current market commentary is focused on the policy pledges around tariffs, tax cuts and de-regulation from the incoming Trump administration. US exceptionalism has been a formidable feature of markets over the last year, and it remains to be seen if this can continue under the new administration. We are cognisant that starting equity market valuations in the US are elevated, and as such we do not anticipate another year of 20%+ returns from global stocks.

The growth outlook has moderated as the US shifts from above-trend to a more normal growth trajectory and major economies such as Europe and China remain subdued.

High levels of government debt in many developed economies are concerning. After the Global Financial Crisis of 2008/2009 and the Covid pandemic, most governments experienced soaring debt levels as they implemented expansionary fiscal policies to mitigate the shocks of these events. Debt servicing costs have become a burden to many governments and tackling it by raising taxes and spending less is obviously an unpopular choice. Bond investors are rightly demanding higher yields from government debt. In the corporate credit space, spreads have compressed materially and provided a good source of return for our Strategy. We are unlikely to see further compression from this level, limiting the potential return from global corporate credits to a still relatively healthy hard currency yield.

The disinflation process seems to have stalled in many places as some of the easier downward pressures from falling energy prices and supply chain improvements have waned, and factors like fiscal policy, labour market slack and productivity have become more relevant. In 2025, the impact of potential US tariffs and retaliation risks add to inflation risk (and hurt growth prospects).

Geopolitical tensions remain, and the vacuum in global leadership creates uncertainty.

South Africa will not escape the influence of these global risks. However, our local self-help narrative is a potential positive offset if we see the delivery and execution of sensible policy by our coalition government. The much-improved power supply is a promising sign that economic conditions could indeed improve. However, we need to see improvements in other infrastructure areas, too, if we are to continue to experience a rich return environment in domestic asset classes.

In conclusion, we have managed this Strategy in volatile and uncertain times, and we expect 2025 to be no different. Our success in delivering good client outcomes stems from our ability to work as an integrated team to identify the best investment opportunities and to act quickly to take advantage of them. We continue to be responsible stewards of your capital, primarily focusing on delivering on the targeted mandate return in a wide range of economic outcomes.