

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)	9,015.9%	4,670.2%	4,345.7%
Since Inception p.a.	15.8%	13.4%	2.4%
Latest 20 years p.a.	16.2%	13.9%	2.3%
Latest 15 years p.a.	13.7%	11.6%	2.1%
Latest 10 years p.a.	8.3%	6.7%	1.6%
Latest 5 years p.a.	14.0%	8.7%	5.3%
Latest 1 year	15.7%	10.0%	5.7%
Year to date	8.6%	5.7%	2.9%
Month	3.2%	4.2%	(1.0)%

TOP 10 HOLDINGS

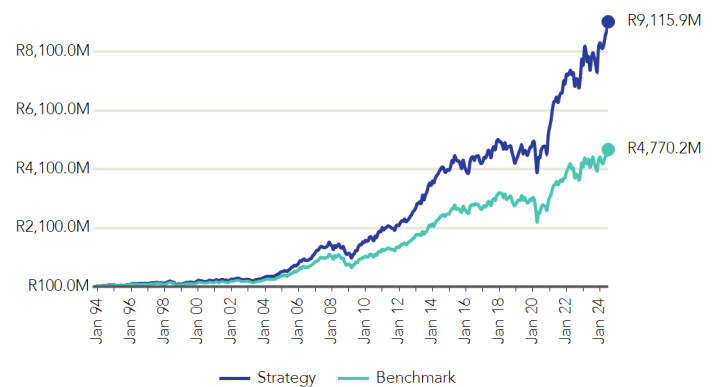
Holding	% Strategy
NASPERS LIMITED	8.8%
PROSUS	7.4%
CAPITEC BANK HOLDINGS LIMITED	6.1%
CIE FINANCIERE RICHEMO-A REG	6.0%
FIRSTSTRAND LIMITED	5.8%
QUILTER PLC	5.2%
DIS-CHEM PHARMACIES PTY	4.2%
BID CORPORATION LIMITED	4.0%
BRITISH AMERICAN TOBACCO PLC	3.2%
ASPEN PHARMACARE HOLDINGS LTD	3.1%

GENERAL INFORMATION

Inception Date	01 October 1993
Strategy Size †	R38.91 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	17.5%	15.1%
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		29.6%
Consumer Services		21.1%
Technology		17.5%
Basic Materials		14.3%
Consumer Goods		8.9%

Sector		% Strategy
Health Care		3.1%
Telecommunications		2.3%
Derivatives		1.6%
Industrials		1.1%
Interest Bearing		0.5%

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.

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REVIEW FOR THE QUARTER

The Strategy returned 8.50% for the quarter, resulting in a return of 15.8% over the last 12 months. The Strategy's marginal outperformance over the quarter was especially pleasing given the significant volatility in local markets driven initially by fear and then by positive surprises running up to and after the election. The Strategy has performed well against its peer group over all meaningful time periods.

Market strength continued into Q2-24 with the MSCI All Country World Index returning 3% for the quarter (USD) bringing year-to-date (YTD) returns to 11%. Global economic growth remained reasonably resilient despite the higher-for-longer rate environment. Returns from the S&P 500 (+4% in USD for the quarter) were extremely narrow as three shares (Nvidia, Microsoft and Apple) accounted for more than 90% of the gain. The equal weighted S&P underperformed the S&P by a whopping 29% over the last 18 months. The narrow performance delivered by markets has frustrated the job of stock pickers (who are measured on benchmark relative performance) but creates an exciting opportunity going forward. We believe the Strategy holds many individual stocks that trade on attractive valuations and should deliver good returns in the years ahead. We are finding these compelling opportunities across multiple geographies, sectors and in all of the three categories (being compounders, long duration growth and value). For this reason, we have retained a large allocation to offshore holdings.

Geopolitical tensions persist, with the ongoing conflict in the Middle East and Ukraine-Russia. The uncertainty is compounded by half the world having gone or still going to the polls this year. Democracy prevailed, as peaceful elections passed in emerging markets, including India, Mexico, Indonesia, and South Africa during Q2-24 and France and the UK in early Q3-24. All eyes are on the US election in Q4-24, with the odds of a Republican victory increasing. A Trump presidency could have major ramifications for decarbonisation, the fiscal outlook (more tax cuts) and global geopolitics. Traditional safe havens like gold have remained strong in the face of this uncertainty.

It was an eventful second quarter for SA, with the election outcome driving a rally in domestic assets. The country's governing party, the ANC, lost its outright majority but the spirit of democracy prevailed as the ANC oversaw a peaceful transition to a centrist coalition government (whilst retaining the presidency). This coalition government has broad representation from across the political spectrum and some encouraging new appointments. A coalition government brings the prospect of better accountability but also risks policy paralysis as decision-making is more onerous. We think the outcome is marginally positive, albeit the challenges of decades of underinvestment in infrastructure, failing municipal service delivery, poor educational outcomes, a fiscally constrained government, and restrictive policy remain. Whilst there is upside risk from better management, a return of confidence and lower loadshedding, our base case remains a low-growth environment with ongoing infrastructure challenges. At the time of writing, the country has been free of loadshedding for more than 100 days. Given material underinvestment over many decades, we expect intermittent loadshedding to remain a part of life in SA, but at levels below the crisis levels of 2023. The currency strengthened 3% against the USD during the quarter and is now broadly flat YTD.

The FTSE/JSE Capped Shareholder Weighted Index (CSWIX) returned 8% for the quarter bringing YTD returns to 6% (given the negative first quarter). The Strategy's preferred domestic asset remains SA equities. Holdings include global stocks listed on the JSE and selected resources and domestic stocks. Domestic stocks continue to offer good opportunities for stock picking as the gap between winning and losing businesses has widened in the tough economic environment. We retain a strong preference for the winners who can flourish even in a low-growth environment by gaining market share.

The Financials Index (with its predominantly domestic exposure) drove Q2-24 market returns with a buoyant 18% return. Trading updates from the banks continued to indicate a weak economic environment with elevated credit losses. We were pleased with good earnings delivery from the Strategy's core holdings in winning banks FirstRand and Capitec. Banks are leveraged to economic outcomes, and any uptick in growth would both reduce credit losses from high current levels and support advances growth.

The Industrials Index rose 5% for the quarter (+6% for the YTD). 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) for whom the rand strength was a headwind. Whilst larger holdings such as Richemont and Bidcorp detracted during the quarter, we believe both operate in growing markets with strong franchises that will take market share over time. Bidcorp is a food services business offering a one-stop supply solution for restaurants, food and hotel chains across 35 countries on five continents. The business benefits from scale and continues to grow organically by capturing the secular shift to out-of-home consumption as well as by consolidating a fragmented industry. We believe the current valuation does not adequately capture the long-term strong growth that Bidcorp is able to deliver. Key domestic holdings include Dis-Chem, ADvTECH and WeBuyCars (WBC), all of whom are expected to continue gaining market share. During the quarter, WBC was unbundled from Transaction Capital (TCP) and listed directly on the JSE. We believe this is a fantastic business that was being undervalued in the TCP structure. Coronation was able to increase the Strategy's direct exposure by coming in as an early shareholder of reference. WBC is a strong, growing business with a long-term market share opportunity. Customers value its convenient service, fair prices, range of product, and trusted brand. We expect WBC to continue taking market share from independent dealerships.

The resource sector returned 4% for the quarter (+2% for the YTD) boosted by a take-out offer for Anglo American. Miners face increasing difficulty in bringing on new supply in an environment with increased regulatory scrutiny, community engagement requirements and ESG pressures. In addition, ore bodies are more complex, more remote, and deeper. This strengthens the position of owners of existing tier one assets whilst supporting management decisions to buy assets rather than build. Considering this, BHP Billiton announced a takeover bid for Anglo American hoping to secure their enviable portfolio of copper assets. The Strategy benefited from its overweight holding in Anglo American which it reduced during the bid process. With the bid gone (for now), focus has shifted to Anglo American's own value creation plan; to exit less desirable commodities and refocus its portfolio on copper. This comes with high execution risk. The Strategy holds an underweight position in the sector, given reasonably full valuations. The Strategy's underweight position in gold shares contributed this quarter on the back of a more stable gold price and Gold Field's production disappointment. It remains a detractor over the year given the spike in the gold price. We do not believe current gold equity valuations offer sufficient margin of safety to increase our holding.

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