

## LONG TERM OBJECTIVE

The Coronation Managed Strategy is an aggressive, clean slate fully discretionary balanced portfolio. The Strategy's objective is to outperform its peer group or a composite benchmark over meaningful periods (defined as at least 5 years). The Strategy is managed in accordance with the limits of Regulation 28 of the Pension Funds Act.

## 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)	5,245.4%	2,860.3%	2,385.1%
Since Inception p.a.	15.2%	12.8%	2.4%
Latest 20 years p.a.	15.1%	13.2%	1.9%
Latest 15 years p.a.	13.5%	12.0%	1.5%
Latest 10 years p.a.	9.3%	8.3%	1.0%
Latest 5 years p.a.	12.8%	9.8%	3.0%
Latest 1 year	15.0%	10.3%	4.7%
Year to date	7.2%	6.7%	0.5%
Month	0.7%	2.3%	(1.6)%

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

	Strategy	Benchmark
Annualised Standard Deviation	11.8%	11.3%
Maximum Drawdown	(23.5)%	(27.7)%

## ASSET ALLOCATION

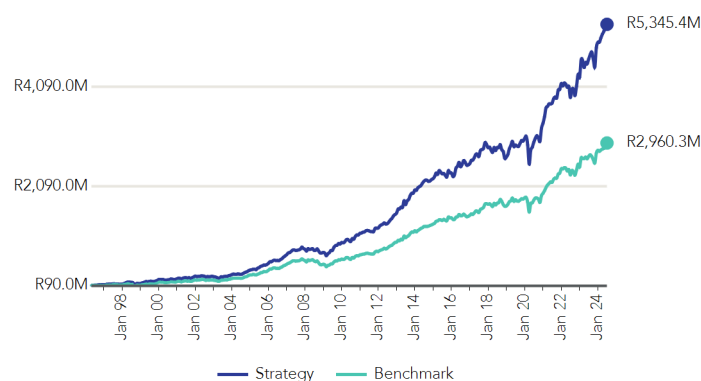
Asset Type	% Strategy
Local Equities	43.3%
Foreign Equities	26.0%
Foreign Bonds	11.1%
Local Bonds	10.3%
Local Real Estate	5.6%
Local Hedge	1.6%
Cash	1.3%
Foreign Real Estate	0.8%

## GENERAL INFORMATION

Inception Date	01 May 1996
Strategy Size †	R21.99 billion
Strategy Status	Open
Mandate Benchmark	Median of Peer Group
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: Median of Peer Group

## TOP 10 HOLDINGS

Holding	% Strategy
CORO GBL EQUITY FOF-Z	11.2%
CORONATION GEM EQUITY FUND	6.3%
PROSUS	5.4%
CORONATION GLOBAL EQUITY SELECT FUND CLASS Z	3.8%
RSA FIX 6.500% 280241	3.3%
STANDARD BANK GROUP LTD	2.2%
BRITISH AMERICAN TOBACCO PLC	2.1%
ANHEUSER-BUSCH INBEV SA/NV	2.0%
NEDBANK GROUP LIMITED	1.9%
QUILTER PLC	1.8%

## EFFECTIVE MATURITY PROFILE\*

Term	% Strategy (incl. Cash)	% Strategy (excl. Cash)
0 to 1 year	(0.8)%	2.2%
1 to 3 years	0.2%	0.2%
3 to 7 years	3.8%	3.7%
7 to 12 years	1.7%	1.7%
Over 12 years	3.4%	3.3%

## MODIFIED DURATION\*

Portfolio	0.6
Fixed Income Assets	7.0

## 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

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

**REVIEW FOR THE QUARTER**

The second quarter of the year saw a continuation of the heightened geopolitical risk that dominated the first, with several key elections happening globally and inflation levels still under the microscope. In this volatile environment, the Strategy returned over 3% for the quarter, and still delivering double digit returns of 15% for the one-year return. Longer term returns remain pleasing both in absolute and relative terms.

The strengthening of the rand over the quarter weighed on performance while the Strategy's overweight position in SA equity, aided by security selection, was the primary positive contributor to performance.

The quarter was dominated by the SA election, which saw the ANC lose its majority and partner with the DA instead of the more populist-leaning EFF or MK parties. Markets reacted strongly to this outcome, with SA economically exposed shares, government bonds and the rand all rallying at the tail end of the quarter. Global equity markets continue to be strong as the tech/semis sector drives a further narrowing of the US market. We have seen several developed world economies begin to cut interest rates and, while expectations around the US cutting cycle have been pushed out, the expectations remain for a first cut towards the tail end of 2024.

SA equities had a strong quarter, returning 8% for the FTSE/JSE Capped Swix Index. Despite being underweight the SA economy within the equity component of the Strategy, we still added alpha through security selection in the period. Key contributors were Anglo American, Spar, African Rainbow Minerals, and our underweight exposure to the PGM sector. Anglo American rallied very strongly on the back of a takeover bid from BHP. While Anglo rejected the bid, we used the strong share price appreciation to rotate our exposure into BHP after it underperformed in relation to its Anglo bid. Outside of BHP, we bought OUTsurance and Sanlam earlier in the quarter, the latter after a 15% sell-off which left it very attractively priced.

SA government bonds were a key detractor for the Strategy in the quarter. For some time, we have been cautious about the valuation of these instruments and over the last five years, our light positioning in the asset class has contributed to outperformance. Yield compression on the back of the favourable election result drove the FTSE/JSE All Bond Index up 7% in the quarter, marginally behind SA equities. The key question going forward is whether the new political environment can lead to fiscal discipline and economic growth, which would help to improve the government's debt position from its currently unsustainable path. We believe that positive change is possible but that many of SA's growth impediments can only be overcome over several years and with a huge amount of investment. The direction of travel, however, is clearly more positive than it was three months ago.

The Strategy remains modestly overweight SA property, with most of its exposure in Attacq, NEPI and Redefine. Redefine's weakness over the first half of the year allowed us to build a position when the forward dividend yield was in the low double digits, a very attractive entry point. Our selective exposure to the sector is earning a high single-digit dividend yield, which stands to grow in the mid-single digits, offering an attractive prospective return despite strong performance over the last year.

Performance from global equities was disappointing in the quarter. While index returns were relatively modest versus SA assets at 3.0% in USD (as measured by the MSCI ACWI), rand strength brought the ZAR return closer to zero, and security selection within the global equity bucket negatively affected relative performance. Global markets continue to be narrow with US tech stocks driving a large amount of the indexes. We are cautious about global equity valuations and believe there is better value in SA and Emerging Market equity relative to developed markets.

The Strategy continues to hold a healthy allocation to global credit assets and the attractive absolute yields on offer here remain compelling on a risk versus reward basis. Our diversified Strategy of credit securities is yielding 8.2% in US dollars, which we believe is very attractive over the long term. Taking advantage of these credit opportunities has been a key advantage of our integrated global investment team's decision-making capability, enabled by the increased Regulation 28 offshore limits.

Despite strong absolute performance from most asset classes, we still see the potential for strong prospective returns as evidenced by dividend yields, IRRs and upside to fair value. The Strategy has an immaterial exposure to cash.