

## 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)	5,684.3%	3,026.0%	2,658.3%
Since Inception p.a.	15.3%	12.9%	2.4%
Latest 20 years p.a.	14.8%	12.7%	2.1%
Latest 15 years p.a.	13.2%	11.4%	1.8%
Latest 10 years p.a.	10.2%	8.9%	1.3%
Latest 5 years p.a.	14.4%	11.1%	3.3%
Latest 1 year	24.5%	19.5%	5.0%
Year to date	16.1%	11.8%	4.3%
Month	4.2%	2.1%	2.1%

## PERFORMANCE & RISK STATISTICS (Since inception)

	Strategy	Benchmark
Annualised Standard Deviation	11.7%	11.2%
Maximum Drawdown	(23.5)%	(27.7)%

## ASSET ALLOCATION

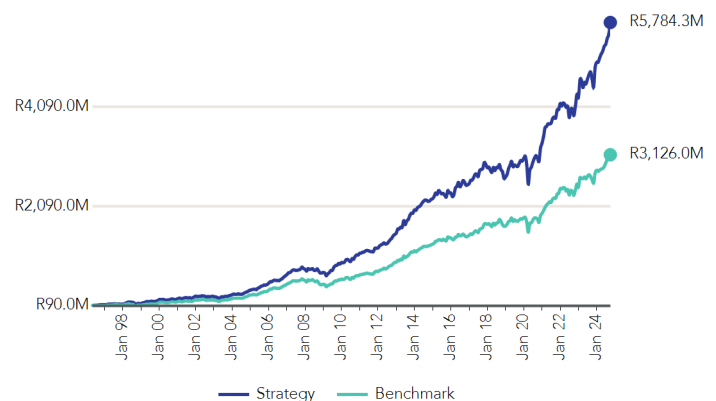
Asset Type	% Strategy
Local Equities	43.2%
Foreign Equities	25.7%
Local Bonds	10.8%
Foreign Bonds	9.7%
Local Real Estate	7.1%
Local Hedge	1.6%
Cash	0.9%
Foreign Real Estate	0.6%
Local Commodities	0.4%

## GENERAL INFORMATION

Inception Date	01 May 1996
Strategy Size †	R23.41 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
CORONATION GLOBAL EQUITY FUND OF FUNDS CLASS Z	11.0%
CORONATION GLOBAL EMERGING MARKETS EQUITY FUND	6.3%
PROSUS	5.1%
RSA FIX 6.500% 280241	3.8%
CORONATION GLOBAL EQUITY SELECT FUND CLASS Z	3.1%
NASPERS LTD	2.6%
ANHEUSER-BUSCH INBEV SA/NV	2.2%
ATTACQ LTD	2.0%
STANDARD BANK GROUP LTD	1.9%
QUILTER PLC	1.7%

## EFFECTIVE MATURITY PROFILE\*

Term	% Strategy (incl. Cash)	% Strategy (excl. Cash)
0 to 1 year	1.2%	2.4%
1 to 3 years	0.4%	0.4%
3 to 7 years	4.0%	4.0%
7 to 12 years	0.8%	0.8%
Over 12 years	4.3%	4.2%

## MODIFIED DURATION\*

Portfolio	0.6
Fixed Income Assets	5.9

## 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 Strategy had an excellent quarter, rounding off an exceptionally strong year that delivered substantial real returns. What has been very pleasing is the wide variety of asset classes that helped deliver this outcome – something that is not always obvious on ranking tables. The fact that the performance was delivered by all the asset classes, indicates the robustness of returns that were not overly reliant on any single call.

By far the biggest return component has been our domestic listed equity exposure, where we have held an overweight position for some time. It is really pleasing to see this asset class, which has lagged for many years, come back very strongly. Our returns were boosted by the formation of a government of national unity (GNU) and renewed hope in this coalition charting a new path to growth in the economy. Given the very depressed levels that local stocks have been trading on, it did not take much to see significant gains being made. There are also several global businesses listed on the JSE, and they too had a very strong period. In particular, our holding in Naspers/Prosus has performed exceptionally well as the company has focused on growing its profitability. Towards the end of this quarter, the announcement of a raft of new measures to support the Chinese economy and stock and property markets saw all Chinese assets perform strongly. This has also boosted interest, once again, in all emerging markets.

The pure-play SA economy stocks where we have held the biggest positions were the banks, with close to 20% of our equity in the large banks. Our holdings in Standard Bank and Nedbank both delivered exceptional results for the half year, and as big beneficiaries of economic growth, are well placed to continue showing good results in the period ahead. It was also pleasing to see some great results from small- and mid-cap shares making a meaningful difference to our Strategy. Altron and Lewis are both decent holdings that have re-rated strongly, and our holding in Momentum has doubled off its lows. Importantly, for all these companies, it was not simply a re-rating based on more optimism around SA, but a recognition of the good results they delivered.

Global equity continued to perform well, although a large part of these returns were driven by very narrow markets, with only a few specific AI and tech-related shares driving these gains. We have for some time preferred exposure to emerging markets over the developed markets. The US dollar has been exceptionally strong for many years, resulting in liquidity draining from most emerging markets (EMs) and their equity markets performing poorly. This has resulted in the position where most EMs trade at huge discounts to the level of the US markets. With interest rates in the US starting to decline, led by a surprise jumbo rate cut of 50 basis points, we expect the US dollar to weaken from hereon. As a result, you have seen more money flowing back into the EM asset class. The steps taken by China to stabilise their equity markets have also added to reigniting interest in EMs, resulting in robust performance from these markets in the last quarter. We remain overweight EMs as we think they still have further to go.

In the fixed income allocation, we shifted our SA exposure from inflation-linked bonds into longer-dated nominal government bonds. These bonds benefited the most from the renewed optimism about the future of SA. With an expectation of more fiscal prudence and better growth, the general market view on the solvency of the SA government improved, and simultaneously the rand strengthened. This has reduced inflation expectations, resulting in a rally at the back end of the curve which delivered equity-like returns for bondholders. In our global bond allocation, we remain exposed to good quality corporate debt where yields have narrowed further. This has also resulted in strong price appreciation, and we have started reducing some of our exposure here.

The property exposure, both in SA and globally, has also had a strong performance (as alluded to earlier, it's been a bonanza for most asset classes!). The SA property stocks we own delivered robust results and were also big beneficiaries of improved optimism towards SA risk assets, as well as the prospect of lower interest rates. The global property stocks we own, mainly in Europe, have also rallied strongly on the outlook for interest rates to decline further, and exposing the attractive yields that they trade on. We have been reducing some exposure here as markets are running a bit ahead of themselves.

It has been a remarkable period where, in the presence of major geo-political risks, risk assets have been remarkably well behaved. The prospect of lower interest rates in the US seems to have trumped all concerns (pun intended) and we sit today with many assets at or near all-time high levels despite the prevalence of risks. In this environment, a well-diversified Strategy remains the best defence against an uncertain world.