CORONATION

# HOUSEVIEW EQUITY STRATEGY

INSTITUTIONAL STRATEGY FACT SHEET AS AT 31 MARCH 2025

CORONATION TRUST IS EARNED™

## 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) | 10,111.9% | 5,316.1% | 4,795.8% |
| Since Inception p.a. | 15.8% | 13.5% | 2.3% |
| Latest 20 years p.a. | 14.8% | 12.8% | 2.0% |
| Latest 15 years p.a. | 12.3% | 10.6% | 1.7% |
| Latest 10 years p.a. | 9.0% | 7.0% | 2.0% |
| Latest 5 years p.a. | 20.7% | 18.7% | 2.0% |
| Latest 1 year | 21.5% | 22.9% | (1.4)% |
| Year to date | 3.1% | 5.8% | (2.7)% |
| Month | 1.7% | 3.6% | (1.9)% |

## TOP 10 HOLDINGS

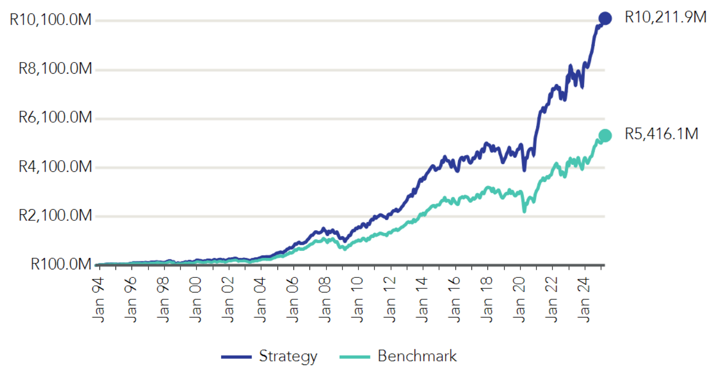
| Holding | % Strategy |
|---|---|
| NASPERS LTD | 10.5% |
| PROSUS | 7.3% |
| CAPITEC BANK HOLDINGS LTD | 5.4% |
| QUILTER PLC | 5.3% |
| STANDARD BANK GROUP LTD | 5.1% |
| NORTHAM PLATINUM HOLDINGS LTD | 3.9% |
| FIRSTRAND LTD | 3.9% |
| MONDI LTD | 3.8% |
| DIS-CHEM PHARMACIES LTD | 3.6% |
| BID CORPORATION LTD | 3.6% |

## GENERAL INFORMATION

| | |
|---|---|
| Inception Date | 01 October 1993 |
| Strategy Size † | R41.28 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 May 2017. Previously 50 Low Resources (inception to 31 January 2002) and FTSE/JSE Shareholder Weighted Index (01 February 2002 to 30 April 2017).

## PERFORMANCE & RISK STATISTICS (Since inception)

| | Strategy | Benchmark |
|---|---|---|
| Average Annual Return | 17.5% | 15.2% |
| Tracking Error | 4.4% | |
| Information Ratio | 0.5 | |
| Annualised Standard Deviation | 16.9% | 16.9% |
| Maximum Drawdown | (40.8)% | (41.0)% |

## TRACKING ERROR

## SECTOR EXPOSURE

| Sector | % Strategy |
|---|---|
| Financials | 28.1% |
| Technology | 19.8% |
| Consumer Services | 19.3% |
| Basic Materials | 15.4% |
| Consumer Goods | 9.6% |
| Telecommunications | 3.7% |
| Derivatives | 1.7% |
| Industrials | 0.9% |
| Health Care | 0.7% |
| Interest Bearing | 0.8% |

## 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.

## REGULATORY DISCLOSURE AND DISCLAIMER

## REVIEW FOR THE QUARTER

The Strategy returned 3.1% for the quarter and 21.5% over 12 months, supported by strong equity markets (both global and local). The Strategy has performed well against its peer group over all meaningful time periods.

What a start to the year it has been. Trump ascended to the White House and began rapidly implementing a series of radical policy reforms. US markets responded to the threat of higher tariffs, with the S&P 500 (-4% in USD) and MSCI World (-2%) ending the quarter in negative territory. In the early days of April, a punitive tariff regime was indeed implemented, threatening to disrupt and undermine free trade. This policy poses a risk to confidence levels, consumption, investment inflation and, ultimately, to growth. Markets corrected dramatically in the early days of April, with the S&P 500 falling -15% in the first week (Nasdaq -21%). Promises of tax cuts and more efficient delivery of government services (via the Department of Government Efficiency) have been insufficient to soften the blow.

During the quarter, regional markets outperformed the US, as the flow of funds was rediverted (EMEA +8% in USD, Europe +11% in USD). A weaker US dollar provided further support to these returns. The MSCI China continued to rise during Q1 (+15%), adding to the c. 20% gain in the prior year. In addition to the stabilisation of the Chinese economy, markets were reminded of China's growing role as a technological powerhouse with the release of DeepSeek's extremely cost-effective and efficient AI model. China continues to battle for technological leadership and re-embraced the role of the private sector in achieving this outcome.

Market performance broadened during the quarter, with both regional market outperformance (vs the US) and the decline of the Magnificent Seven within the S&P 500 (Magnificent Seven, -16% for Q1). Whilst US equities were under pressure, regional and sector diversification did provide support to the Strategy's holdings. Dramatic market movements post quarter-end have provided an opportunity to again reassess our exposure. Early market declines were fairly indiscriminate, creating attractive buying opportunities. As long-term investors, we continue to buy assets where we feel impaired short-term prospects create an opportunity to buy winning businesses at undemanding valuations. We hope that the current uncertainty and volatility will provide further compelling opportunities.

The gold price increased by a spectacular 19% in the quarter (after rising 27% in 2024). Demand for gold remains strong. The metal was supported by heightened uncertainty, high sovereign indebtedness, and the potential of a diminished role for the USD in the global payment system. The Strategy has very little exposure to gold shares, which are trading above our assessment of long-term fair value. This has detracted meaningfully from recent Strategy performance, which has actually been quite strong outside of the gold call. We remain concerned about the capital losses that shareholders in gold shares would incur should some of the froth come out of the gold sector.

The FTSE/JSE Capped Shareholder Weighted Index (CSWIX) continued its strong performance in Q1, rising 6% (in ZAR). Whilst the 'GNUphoria' of the post-election 2024 period faded, the index was buoyed by the rampant performance of precious metal stocks on the back of higher gold and PGM prices. The Resources Index rose a meaningful 28% for the quarter. Indices with higher domestic exposure fared considerably worse with the Financials Index (-2%) and the SA Listed Property Index (SAPY, -4%) botdeclining. The Industrials Index rose 3%.

Trading reported by South African retailers during the first quarter was mixed. This is despite growth in real disposable income as a result of lower inflation, interest rate cuts (during 2024), massively reduced loadshedding and the release of pension savings via the "two-pot" retirement system. The economy remains lacklustre. The South African Reserve Bank remained conservative, despite low inflation, thus offering no further support for economic growth.

Global headwinds to a domestic economic recovery have been building (tariffs, risks of weaker economic growth). This, combined with a floundering coalition-led government, is rattling consumer and business confidence. Prospects of a pickup in domestic growth are diminished. The pace of reform remains slow (with pockets of progress, Transnet being a good example). The budget impasse reflects the differing opinions between the major coalition partners on the importance of stimulating economic growth to resolve the country's fiscal challenges. Without a meaningful step change in economic growth, we believe the fiscal outlook is poor.

Given the large number of global stocks listed on our market, South African equities do provide diversification away from a challenged domestic economy and good protection in a low road scenario (which could include higher inflation and a weaker currency). The Strategy has meaningful exposure to locally listed global stocks.

Domestic stock selection is focused on picking winning franchises that can thrive despite a tough economy. In the previous quarter, we spoke of the significant expansion in market multiples for many domestic shares and the need to demonstrate faster earnings growth to justify this expansion. The diminished growth prospects for South Africa have seen a rapid contraction in market multiples. The basket of domestic stocks held by the Strategy has broadly performed pleasingly  delivering good results despite these headwinds. The strength of their franchises has been evident in market updates from businesses including Shoprite, OUTsurance, Capitec and ADvTECH.

The Strategy has held an underweight position in the resources sector for some time. The underweight in the gold miners came at a high opportunity cost during the quarter given their share price moves. The gold price has risen rapidly to a level above our assessment of its long-term value. Margins for the gold miners have spiked. We believe these margins will be difficult to sustain as input cost pressures rise accordingly. The locally listed gold miners have been poor at returning capital to shareholders over time. Even in periods of excellent free cash flow, their short mine lives require constant reinvestment. We have retained a material underweight position. During the second half of 2024, the Strategy built a position in the PGM miners premised on tighter supply-demand fundamentals, rising prices and growing free cash flows. Slower electric vehicle adoption is sustaining PGM demand for longer, whilst underinvestment in mines will contribute to rising production costs and declining supply. It was pleasing to see metal prices rise during the first quarter. The significant weakness in diversified miners over the past year has provided an opportunity to buy into these names, with a preference for Glencore.

The Strategy remains focused on generating compelling long-term risk-adjusted returns. As such, when markets provide an opportunity to add to assets at attractive pricing, the Strategy will take advantage of this. We believe current markets provide such an opportunity and have selectively bought equities that are oversold. The Strategy continues to have a meaningful allocation in locally listed global stocks, which provides good protection against a weak domestic economy and fractious political situation.