CORONATION
TRUST IS EARNED™

Please note that the commentary is for the retail class of the Fund.

Performance

The Fund returned 3.1% for the first quarter of 2025, in line with the benchmark return. Since inception, the Fund has returned 15.5% vs. the benchmark of 13.6%. Absolute performance over the last twelve months highlights the resilience of the industrial sector, with the Fund up 20.34% over that time frame.

Key contributors to performance this quarter include underweight positions in a basket of SA-focused stocks, including Mr Price, Truworths and Bidvest. The Fund's large position in Naspers/Prosus as well as Anheuser-Busch InBev also contributed to absolute and relative performance. Key detractors were underweights in British American Tobacco and MTN, as well as the basket of South African stocks, which we do own, given the underperformance of that corner of the market

In the quarter, we added meaningfully to Aspen and Shoprite and funded this primarily from British American Tobacco and Woolworths.

Fund positioning

In our last commentary, we wrote about how the SA economically exposed companies owned in the portfolio were primarily limited to those businesses that have a compelling top-line opportunity, without the need for macroeconomic improvement. Whilst in the second half of 2024 we did reduce our underweight exposure to the SA economy, Fund purchases focused on these businesses. The washout we have seen in 2025 has vindicated this view, with these stronger SA businesses outperforming in the sell-off. However, as it stands today, increasing overall exposure to SA at all was not the right call, with the whole market anxiously waiting to see where the "two-pot" withdrawals were spent as well as whether the GNU-related confidence would translate into investment and jobs. As we stand today, we have been disappointed on both these fronts. The alcohol sector saw the strongest growth in volumes in Q4 of 2024, and online gambling has also been a very strong performer. Whilst "two-pot" did filter into consumption spend, it was clearly just enough to support growth rates instead of adding meaningfully. The lack of economic recovery, combined with the March budget impasse, was a bad cocktail for SA-focused stocks.. SA stocks sold off and so did the rand exchange rate, creating a large performance disconnect between the global and local stocks in the Fund. Post-period end, the 'tariff tantrum' exacerbated this further.

A key trade we made this quarter was selling the remainder of our Woolworths position and increasing our exposure to Shoprite. Woolworths is a business under a lot of strain with its Country Road Australian clothing business as well as SA Fashion, Beauty and Home (FBH) divisions. FBH has struggled to find its feet in the local market and has been underperforming for many years. Initial traction that was gained in the turnaround after the new CEO joined has dissipated in recent reporting periods, and our confidence in FBH being reinvigorated has reduced. The food business is a fantastic asset within the SA context but with two platforms under pressure, the group's outlook is challenged. This contrasts very heavily with Shoprite, where management has been investing in the right areas for a number of years, and the product is clearly resonating well with the consumer. Shoprite has been dominating the food retail market share over the last number of years, and with the investments they are making as well as the strategic acumen of management, we see them extending this advantage in the years to come. We firmly believe that strong companies that continue to invest in their offerings, operations, and digital capabilities will continue to take share from companies on the back foot. In a challenged local economy, we believe this dynamic is amplified. Despite the de-rating over the quarter, Shoprite trades on a high teens earnings multiple, so it is by no means an optically cheap share. However, in recent years, their digital initiatives and other adjacent income streams have created revenue streams over and above expectations, and there is merit in buying good companies at fair prices. Paying what looks like a high multiple today stands to be rewarded by consistent retail profit growth and continued delivery on these high-margin income streams going into the future.

Broadly, the Fund continues to be exposed to high-quality global companies with JSE listings, and we are underweight SA-focused equities. As mentioned, the stocks we do own with SA economic exposure tend to be the quality players in their industry with a runway of organic top-line opportunity ahead of them. We think this collection of businesses provides the best opportunity to compound capital in the years ahead.

Portfolio managers
Nicholas Hops and Godwill Chahwahwa
as at 31 March 2025