



# THE CORONATION CLIENT CHARTER

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We strive to always put clients first

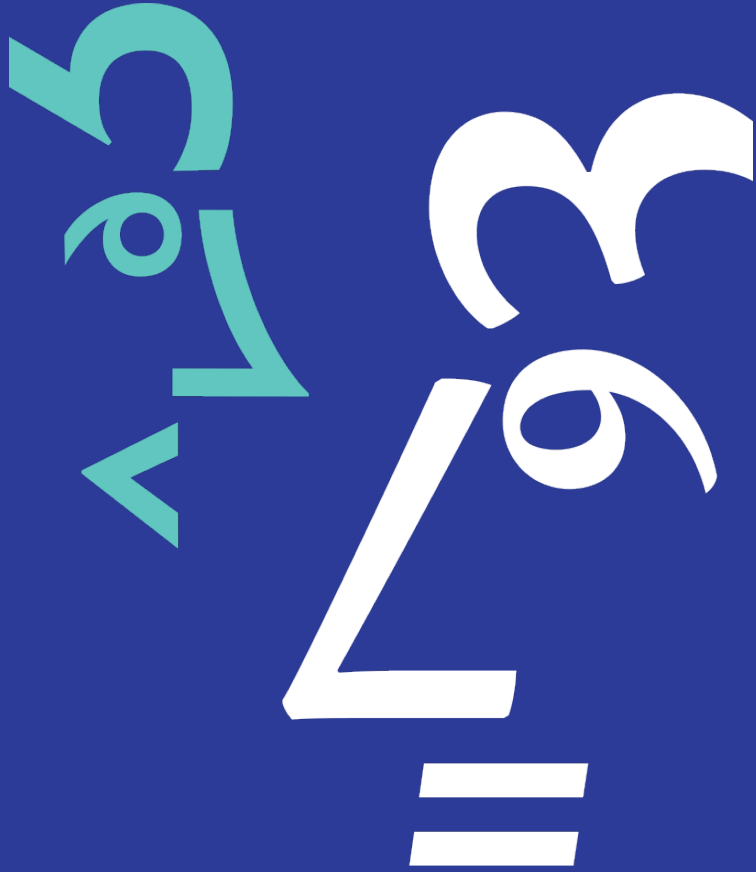
We have an unwavering commitment  
to the long term

We focus on producing top  
performance over all meaningful  
periods

We are uncompromising about ethics

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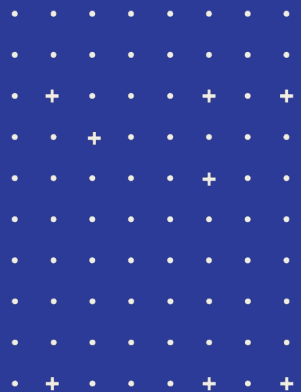
# Conversations with Coronation

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Neville Chester | Tumisho Motlanthe  
Nicholas Hops

*November 2024*

Q&A & Polls: [conversationswithcoronation.com](https://conversationswithcoronation.com)





## AGENDA

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Performance, philosophy, SA outlook

+ *Neville Chester*

Musings and Market Plus update

+ *Nick Hops*

Differentiated stock positioning

+ *Tumisho Motlanthe*



[conversationswithcoronation.com](https://conversationswithcoronation.com)



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# Neville Chester

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## SENIOR PORTFOLIO MANAGER

BCom, CA (SA), CFA

- + Neville is a senior member of the investment team with 28 years of investment experience
- + Joined Coronation in 2000 and co-manages the Coronation Top 20 and Market Plus unit trust funds

# Local market indicators



## PERIODS ENDING 31 OCTOBER 2024

Category	Index	YTD	1 year	3 years (p.a.)	5 years (p.a.)	10 years (p.a.)	20 years (p.a.)
SA Equity	Capped SWIX	14.8%	28.0%	11.0%	10.9%	7.2%	13.3%
SA Bonds	All Bond Index (ALBI)	14.1%	21.3%	10.5%	9.4%	8.5%	8.7%
SA Listed Property	All Property Index (ALPI)	26.8%	52.0%	14.8%	3.9%	2.2%	-
SA Cash	STeFI 3m	6.8%	8.3%	6.7%	5.8%	6.3%	6.8%
Global Equity	MSCI ACWI (ZAR)	12.0%	25.9%	11.2%	15.1%	14.9%	14.5%
EM Equity	MSCI EM (ZAR)	7.9%	18.9%	3.9%	7.6%	8.8%	13.1%
Global Bonds	Barclays Global Agg. Bond Index (ZAR)	-3.7%	3.4%	0.6%	1.4%	5.0%	7.7%
Inflation	CPI	-	4.0%	5.8%	5.1%	5.0%	5.5%
FX	ZAR/USD	3.9%	5.9%	-4.7%	-3.0%	-4.6%	-5.1%

# Performance



## PERIODS ENDING 31 OCTOBER 2024

Return	YTD	3 years (p.a.)	5 years (p.a.)	10 years (p.a.)	15 years (p.a.)	20 years (p.a.)	* Since inception (p.a.)
Coronation Top 20 Fund A	16.4%	11.5%	13.7%	9.0%	11.8%	15.1%	16.4%
Coronation Top 20 Fund P	16.7%	11.9%	14.1%	9.4%	12.2%	15.4%	16.6%
Benchmark**	14.8%	11.0%	12.1%	8.8%	11.3%	13.6%	13.2%
Peer group average***	13.8%	10.0%	10.7%	7.1%	9.9%	12.3%	13.3%
P-class uplift on R1m					R1 457 957	R7 399 027	R20 217 085

\* Since inception of the A-class in October 2000. P-class inception date is April 2012. Returns are spliced with A-class returns for the period prior to the launch of the P-class. Highest annual return (A-class): 68.9% (May 2005 - Apr 2006); lowest annual return: -31.7% (May 2002 - Apr 2003)

\*\* Benchmark (spliced) - FTSE/JSE Capped SWIX (from 1 April 2021). FTSE/JSE capped all share index (CAPI) (from 1 October 2015 - 31 March 2021). Previously FTSE/JSE Africa top 40 Index

\*\*\* Excluding coronation funds in that category

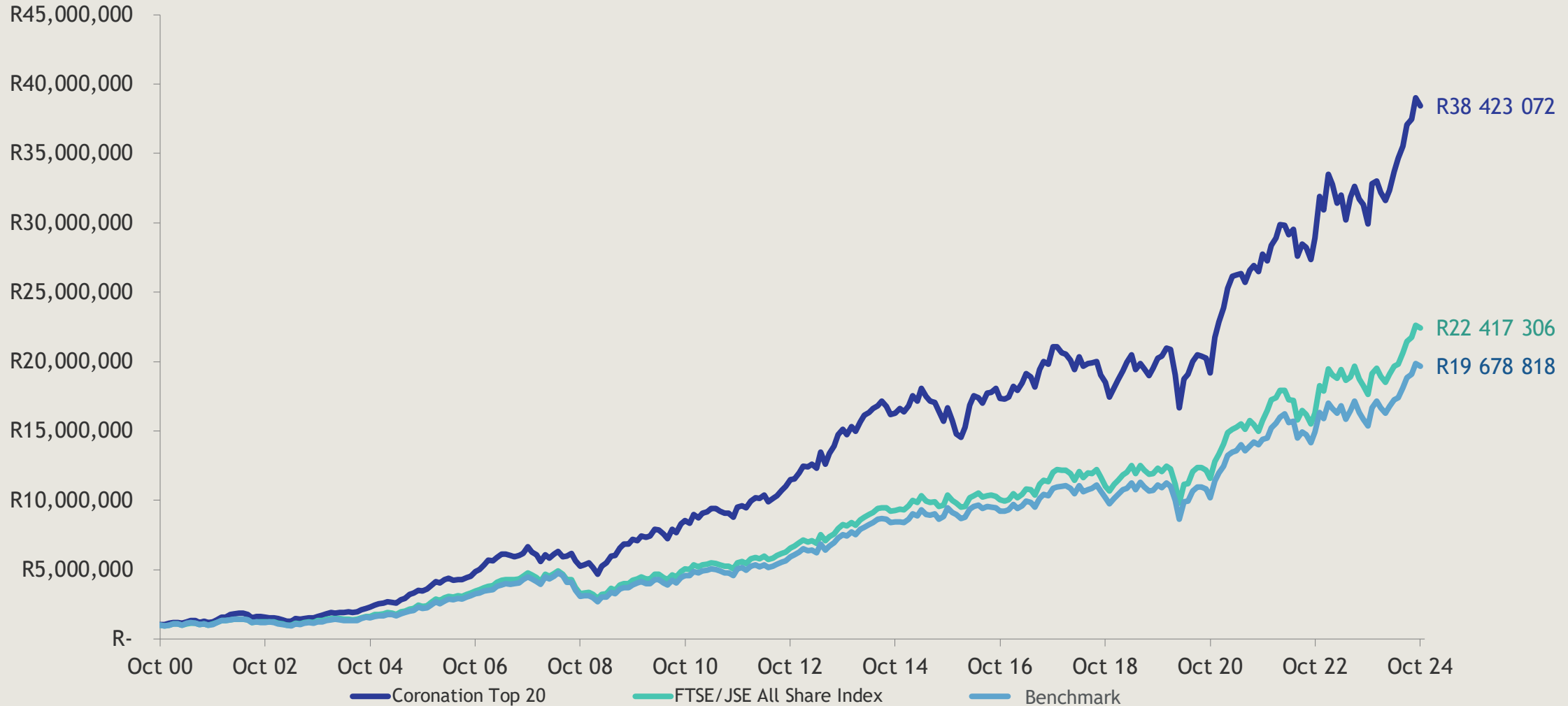
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# Coronation Top 20 Fund return since inception



Value of R100,000 invested on 1 October 2000



Performance quoted from Morningstar as at 31 October 2024 for a lump sum investment with income distributions reinvested

Performance quoted net of fees

Benchmark (spliced) - FTSE/JSE Capped SWIX (from 1 April 2021). FTSE/JSE capped all share index (CAPI) (from 1 October 2015 - 31 March 2021). Previously FTSE/JSE Africa top

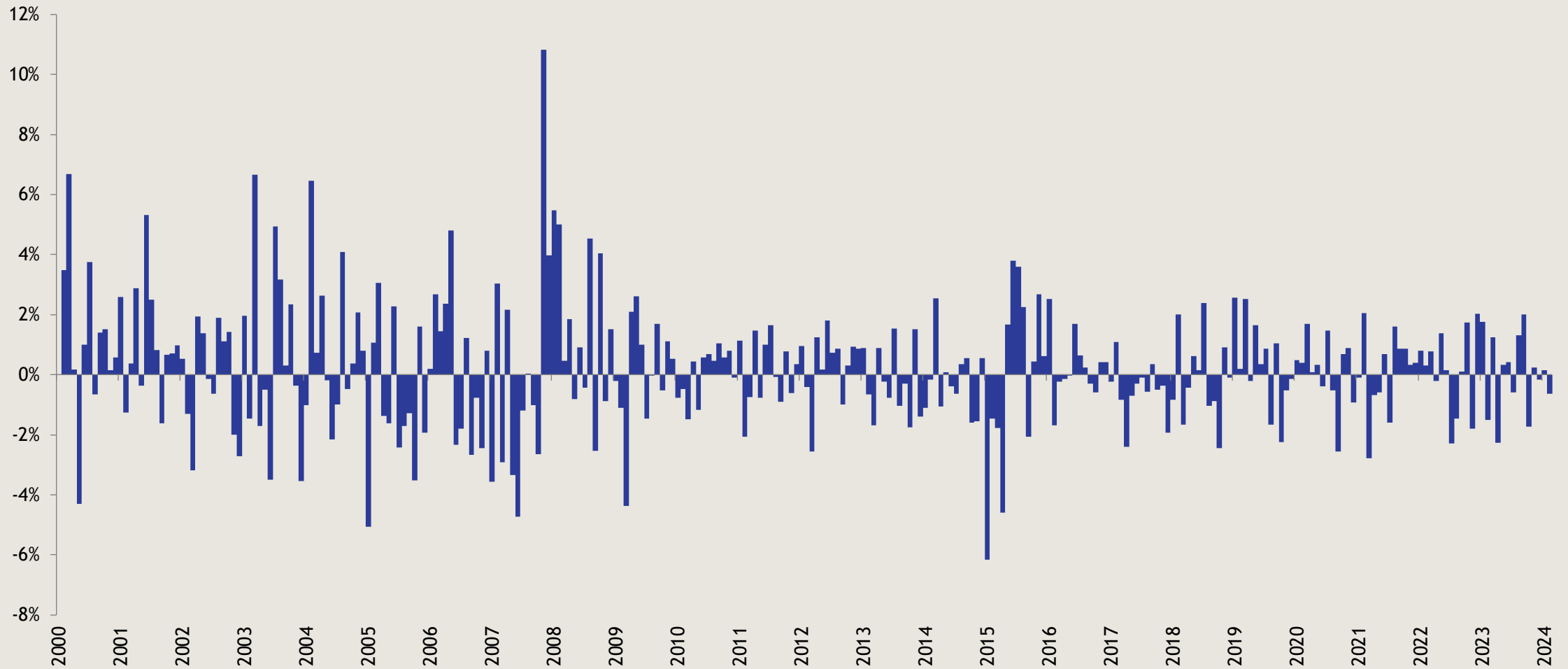
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# Coronation Top 20 Fund performance



## MONTHLY ALPHA AS AT 31 OCTOBER 2024





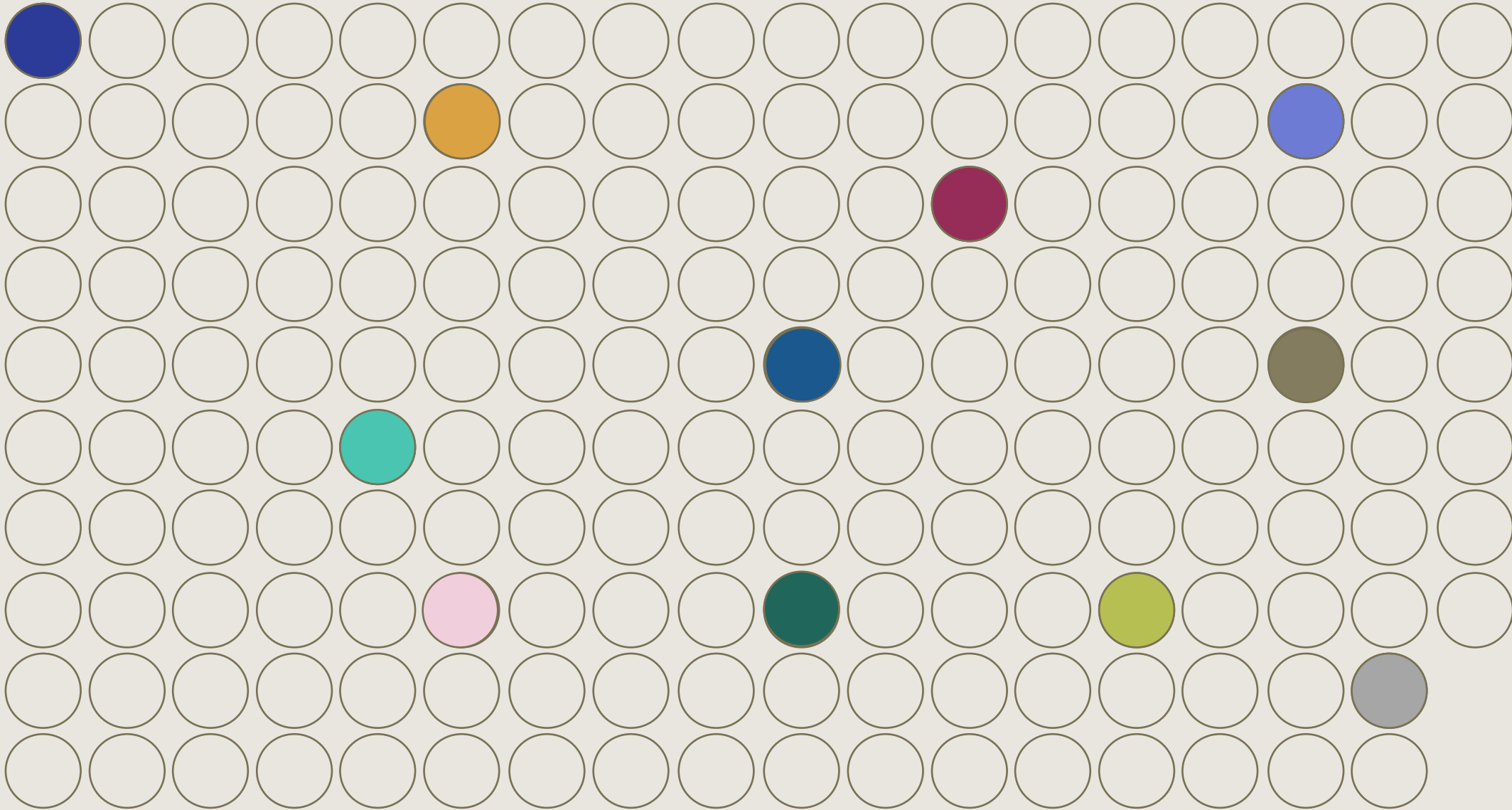
# Coronation Top 20 Fund performance



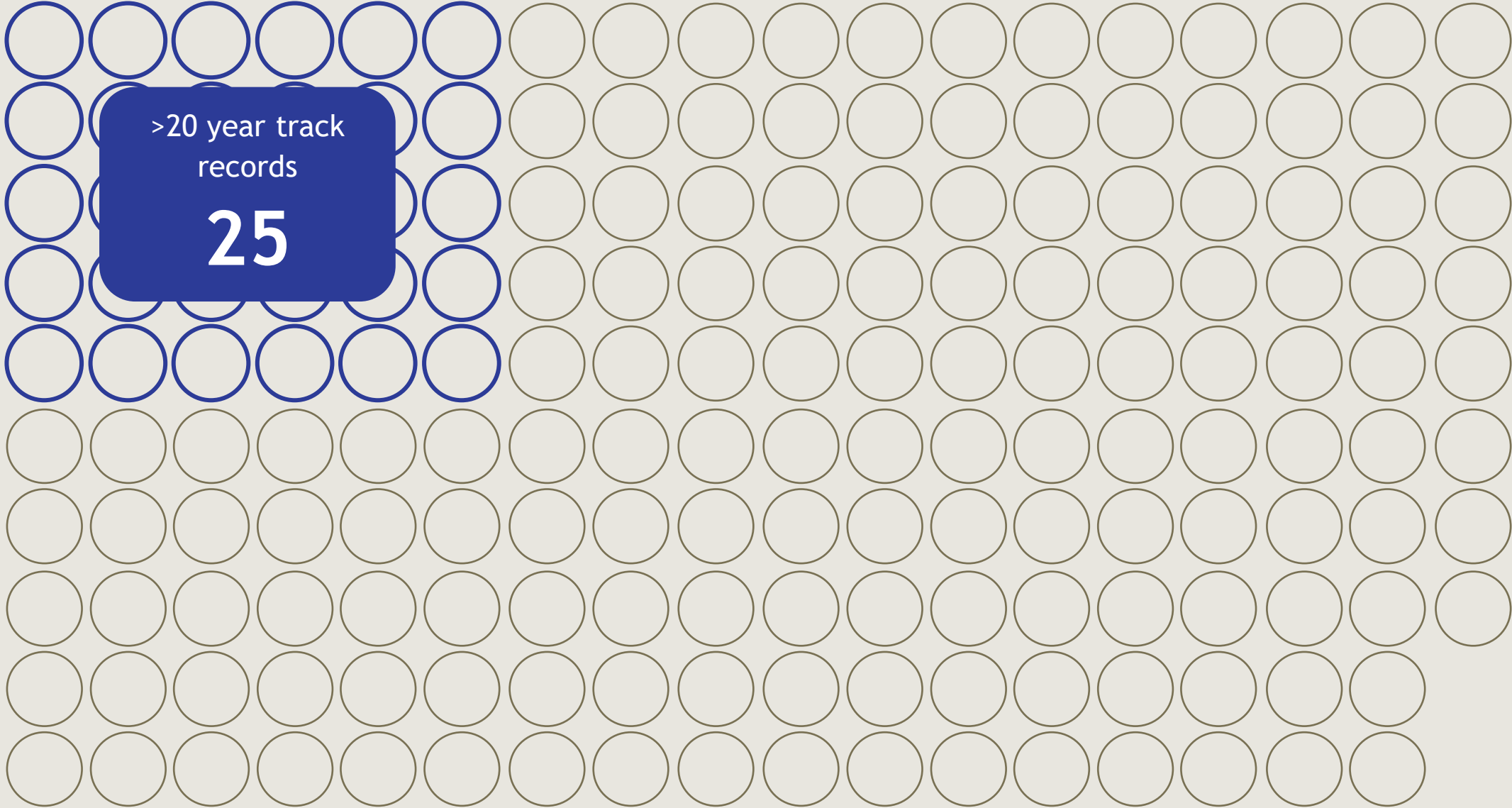
## 5-YEAR ROLLING ALPHA AS AT 31 OCTOBER 2024



# Dealing with the size argument... again...

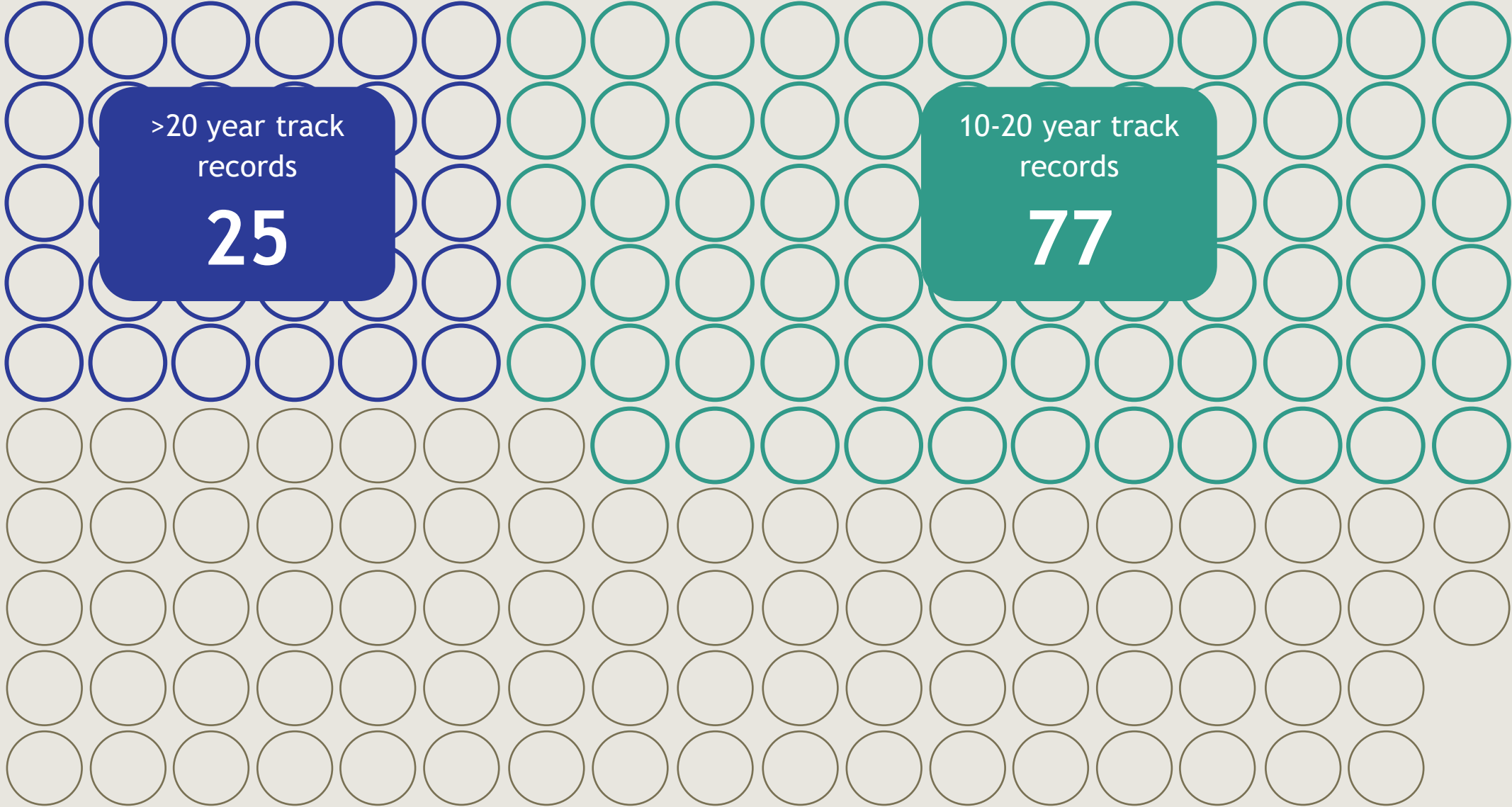


# How long have they been around?

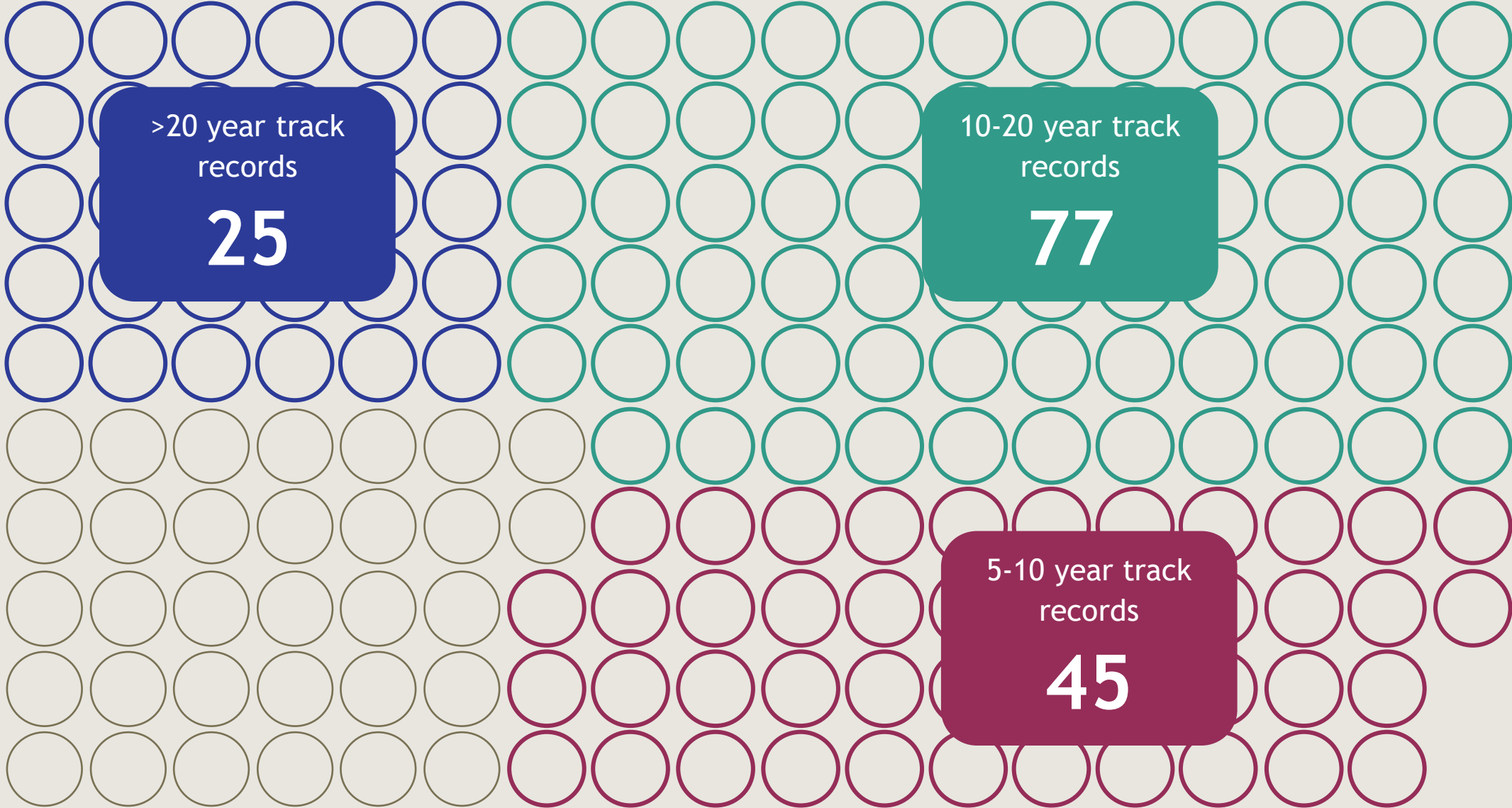


>20 year track records  
**25**

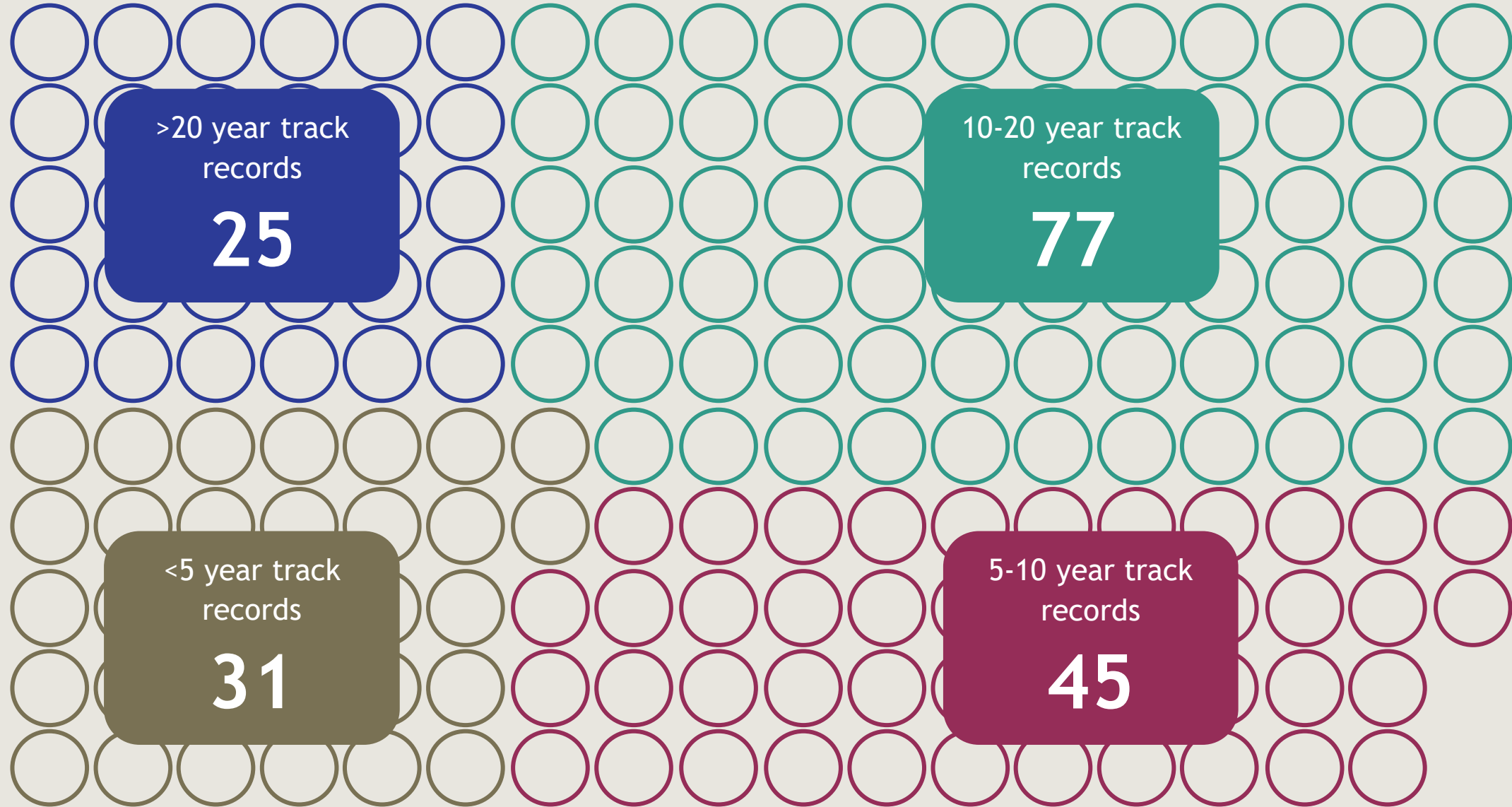
# How long have they been around?



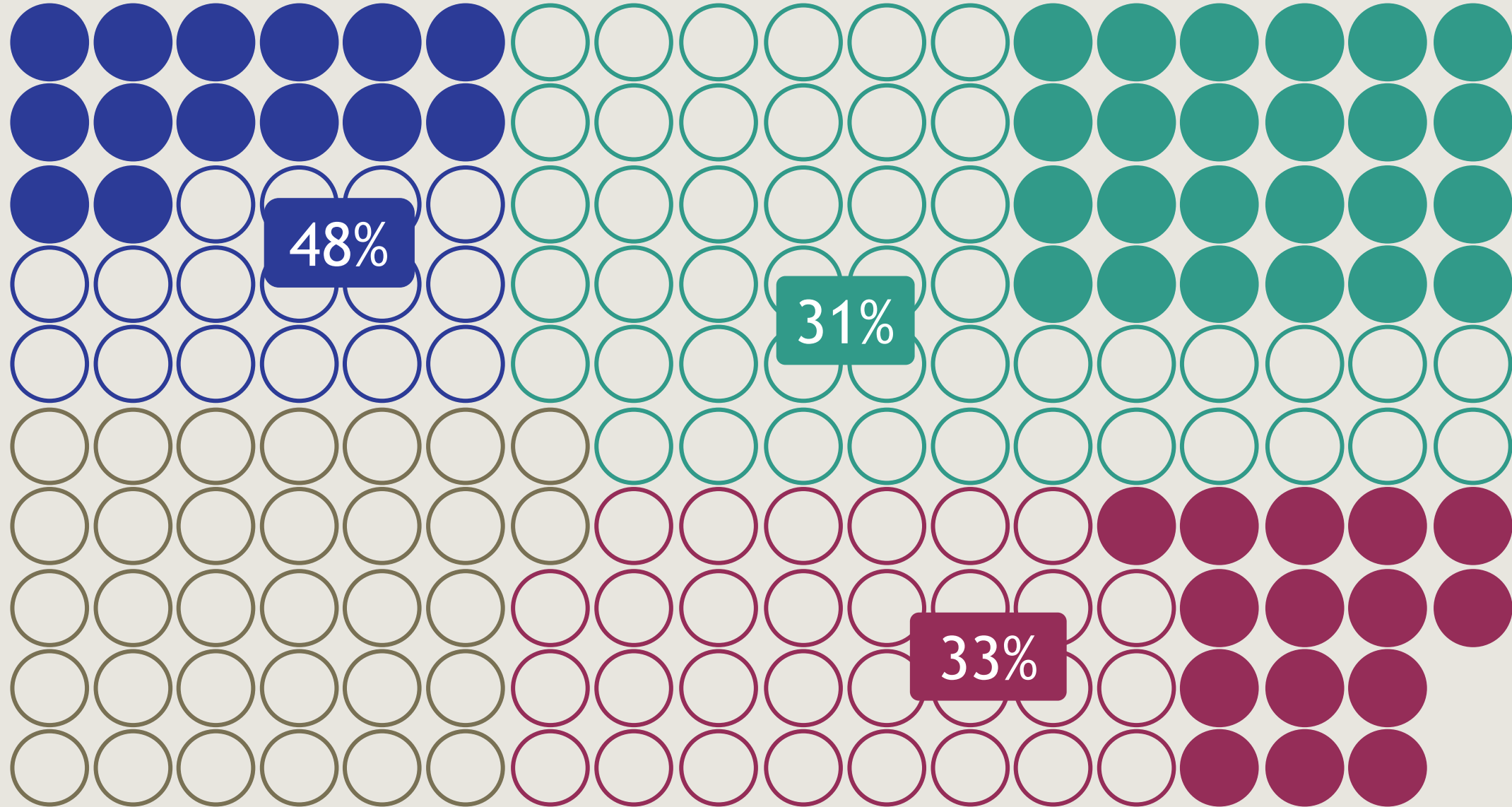
# How long have they been around?



# How long have they been around?

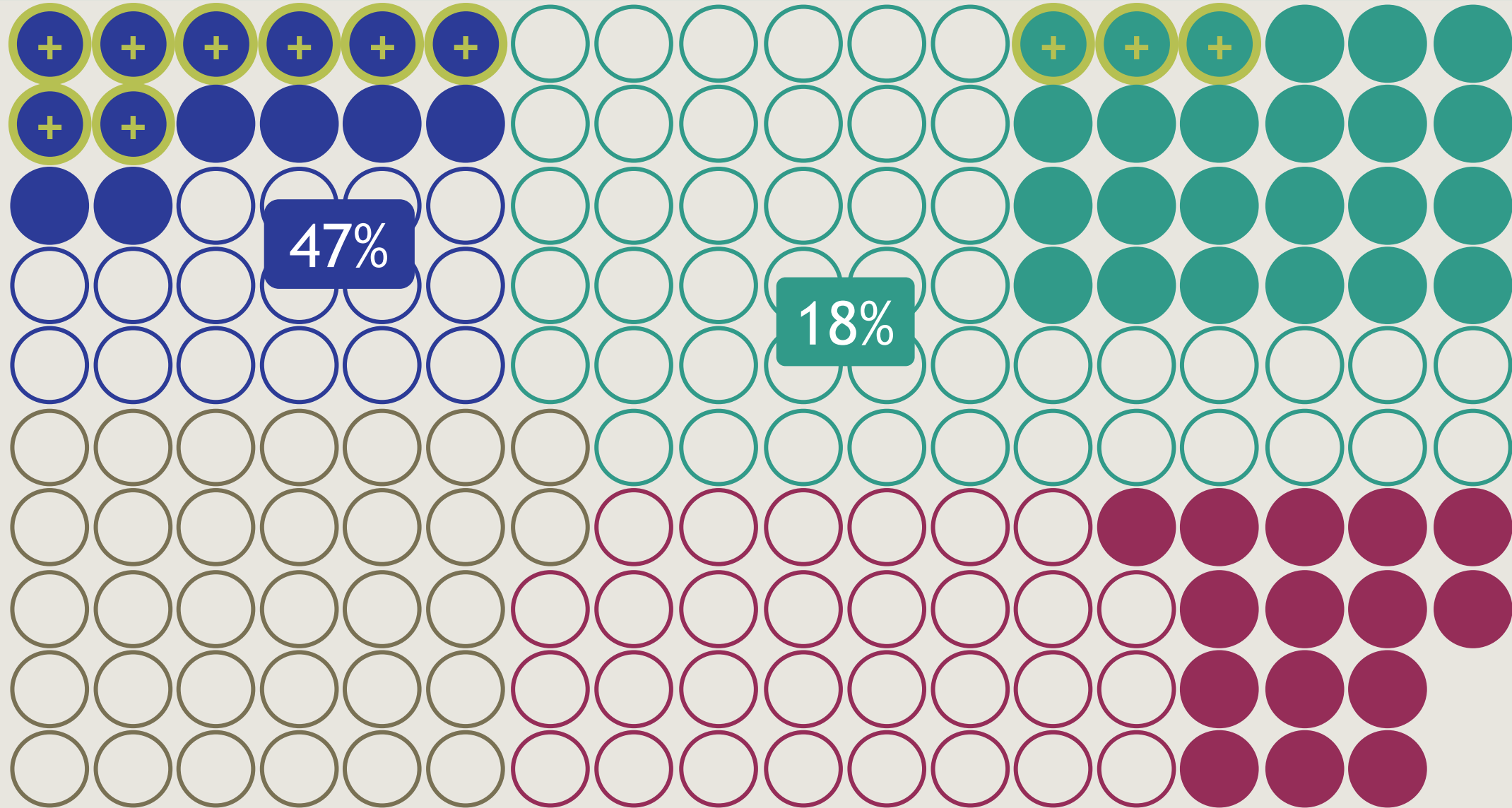


# What % have outperformed the C-SWIX over the last 5 years?



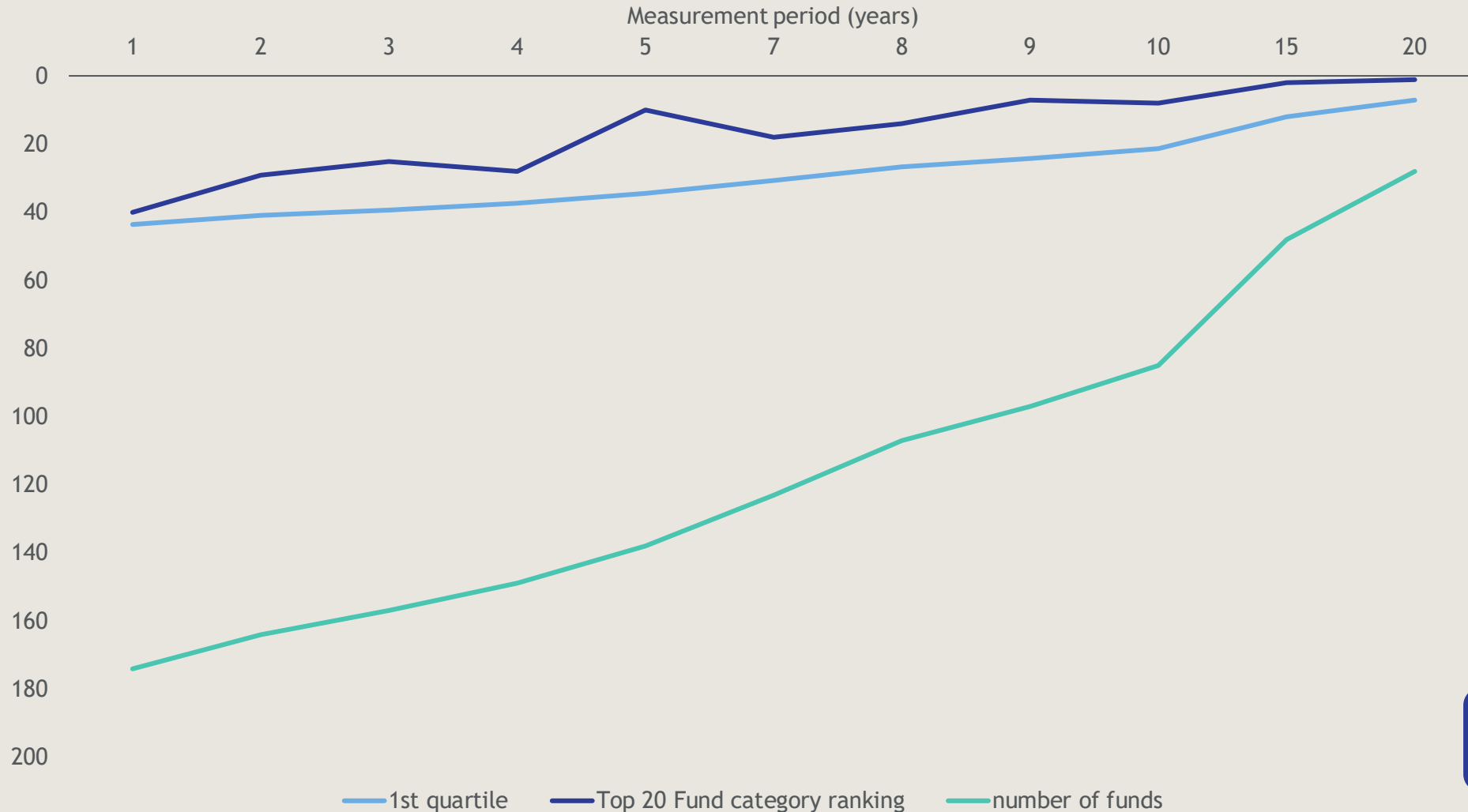


# What % of outperformers were in the largest decile 5 years ago?





# Coronation Top 20 Fund: 1<sup>st</sup> quartile over all periods



2010	Manager A
2011	Manager B
2012	Manager C
2013	Manager D
2014	Manager E
2015	Manager E
2016	Manager F
2017	Manager G
2018	Manager H
2019	Manager I
2020	Manager J
2021	Manager K
2022	Manager L
2023	Manager M

Calendar year winners are completely random

# The infinite monkey theorem







## Small managers know they can't deliver average performance and gain assets

- + Funds are small - it pays to swing for the fences
- + If you hit, you are a hero
- + If you miss, no one notices...

## This is why there is such a dispersion in returns of smaller managers

- + A few at the top and a lot at the bottom
- + With little consistency in between

## Punting is not a process

- + We understand that Coronation funds are the cornerstone of our clients' portfolios



# Our Philosophy remains the same

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Long term value investors



Constantly striving to identify new and innovative ways to identify opportunities



Passionate about research



High conviction positions

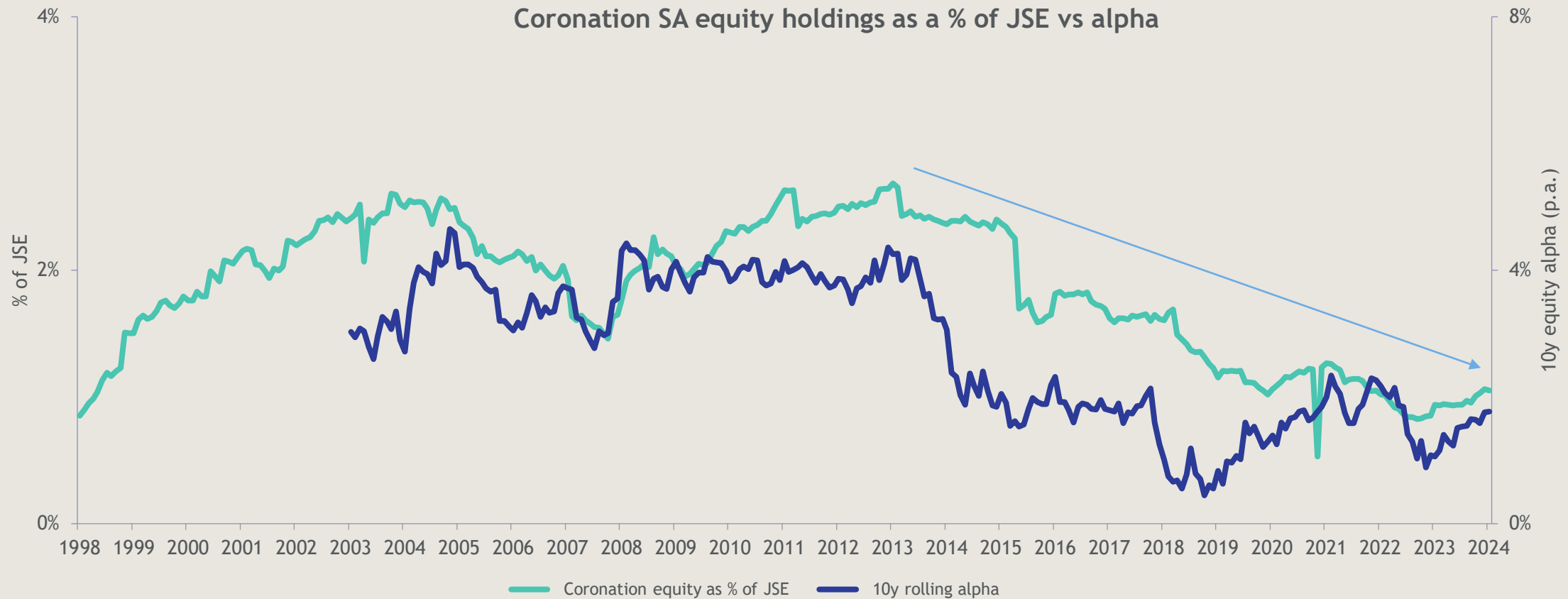


Ability to stomach short term volatility to deliver long term results, at scale

# Liquidity has not been a constraint to performance over time



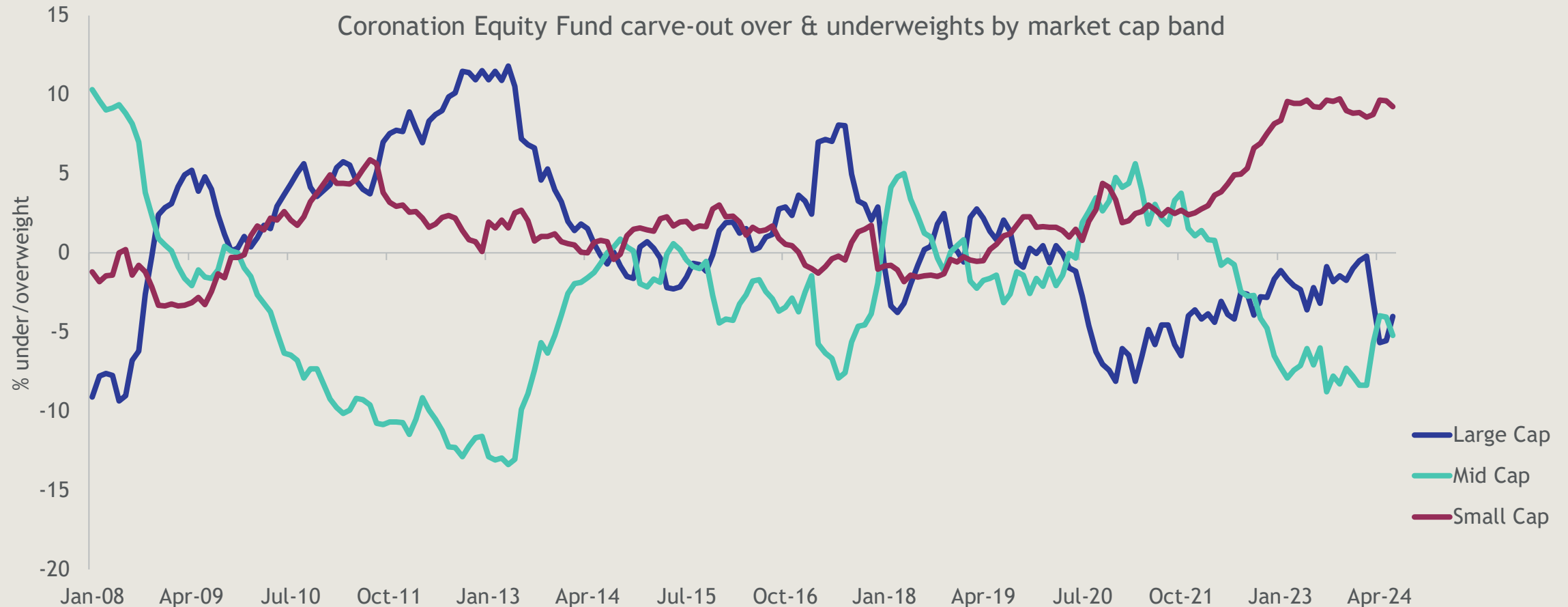
- + Coronation has delivered alpha over the long term
- + Coronation's holdings comprise a smaller part of the JSE today than a decade ago



# Small Cap stocks have made a valuable contribution



- + Small and mid caps play an important role in portfolio construction
- + Coronation has invested across the market overtime



# Stock picking contribution



Coronation has a long-term time horizon

We build meaningful stakes in businesses where we believe the long-term prospects have been mispriced

- + The long-term growth prospects of businesses like Altron, We Buy Cars and Dis-chem
- + Unloved value-plays like Lewis, Southern Sun Hotels, Brait and Nampak
- + Special circumstances like RMH and TXT

Small and mid-cap holdings have played an important role

Contribution to alpha in Market Plus Fund		
	3 year	1 year
Textainer	0.3% p.a.	0.7%
RB Plats	0.3% p.a.	
Lewis	0.3% p.a.	0.9%
Southern Sun	0.3% p.a.	0.3%
RMH	0.2% p.a.	0.4%
We Buy Cars		0.5%
Nampak		0.4%
Brait		0.4%
Altron		0.3%
Dis-chem		0.9%
	<b>1.3% p.a.</b>	<b>4.7%</b>



# Looking forward

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# Macro: health warning!



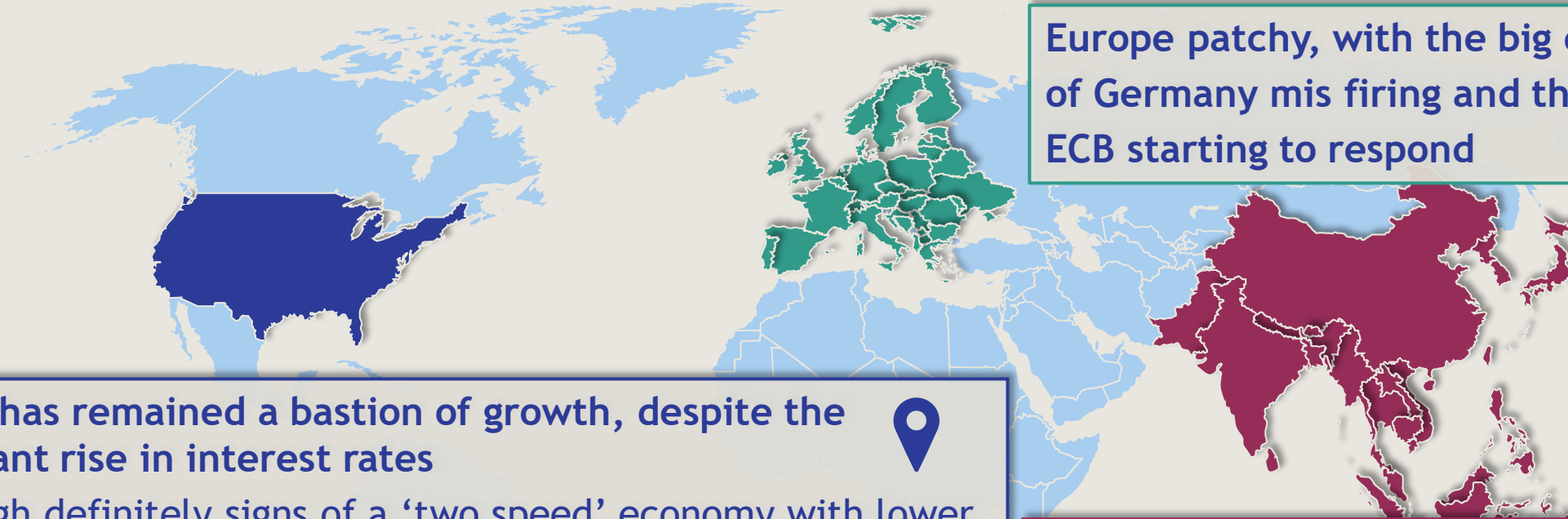
Generally, our track record on macro calls has been poor!

Coronation funds have had exceptional performance despite this

- + Bottom-up valuation driven stock picking delivers these outcomes

Despite this we still need to think about the big macro drivers globally and SA so here goes...





Europe patchy, with the big engine of Germany mis firing and the ECB starting to respond



The US has remained a bastion of growth, despite the significant rise in interest rates

- + Though definitely signs of a ‘two speed’ economy with lower end consumer suffering from the high inflation of the past few years
- + Trump presidency implications
  - More/extended tax breaks = bigger deficits (despite verbiage costs cannot be cut aggressively)
  - Tariffs = higher prices = inflation
  - Combination of larger deficits and higher inflation = higher rates
  - Presidency, Senate and House of Reps means no check on his actions, expect a bumpy ride...



Broader Asia has been strong but China remains the big concern

- + The 5% growth target seen increasingly at risk
- + So far growth has been supported by exports, increasingly under threat
- + We have seen the authorities starting to respond..



# China Stimulus: What have they done, what are implications?



While the market has been unimpressed by lack of detailed numbers we think this has been a significant boost

## *Monetary*

- + Reduced RRR rate by 50 bps (Y1trn) and bank funds rate by 20bps
- + Introduce additional Y1trn bank capital (Y10trn-Y12trn money creation)
- + Y500bn to funds to buy stocks and Y300bn to companies for SBB

## *Fiscal*

- + Bail out for LGFV in municipalities (Y10trn)
- + Special bond issuance to fund the purchasing of excess housing, land as well as repurposing of social housing
- + Cash grants to low-end consumers and students

## *Housing-specific*

- + Rate reductions on existing mortgages (Circa Y150bn p.a.)
- + Easing on the various restrictions put in place years ago to cool the property market (2<sup>d</sup> house restrictions etc.)

A stimulus package to put a floor under the economy, not to super charge growth

# China and US valuations have significantly diverged



## PE MULTIPLES

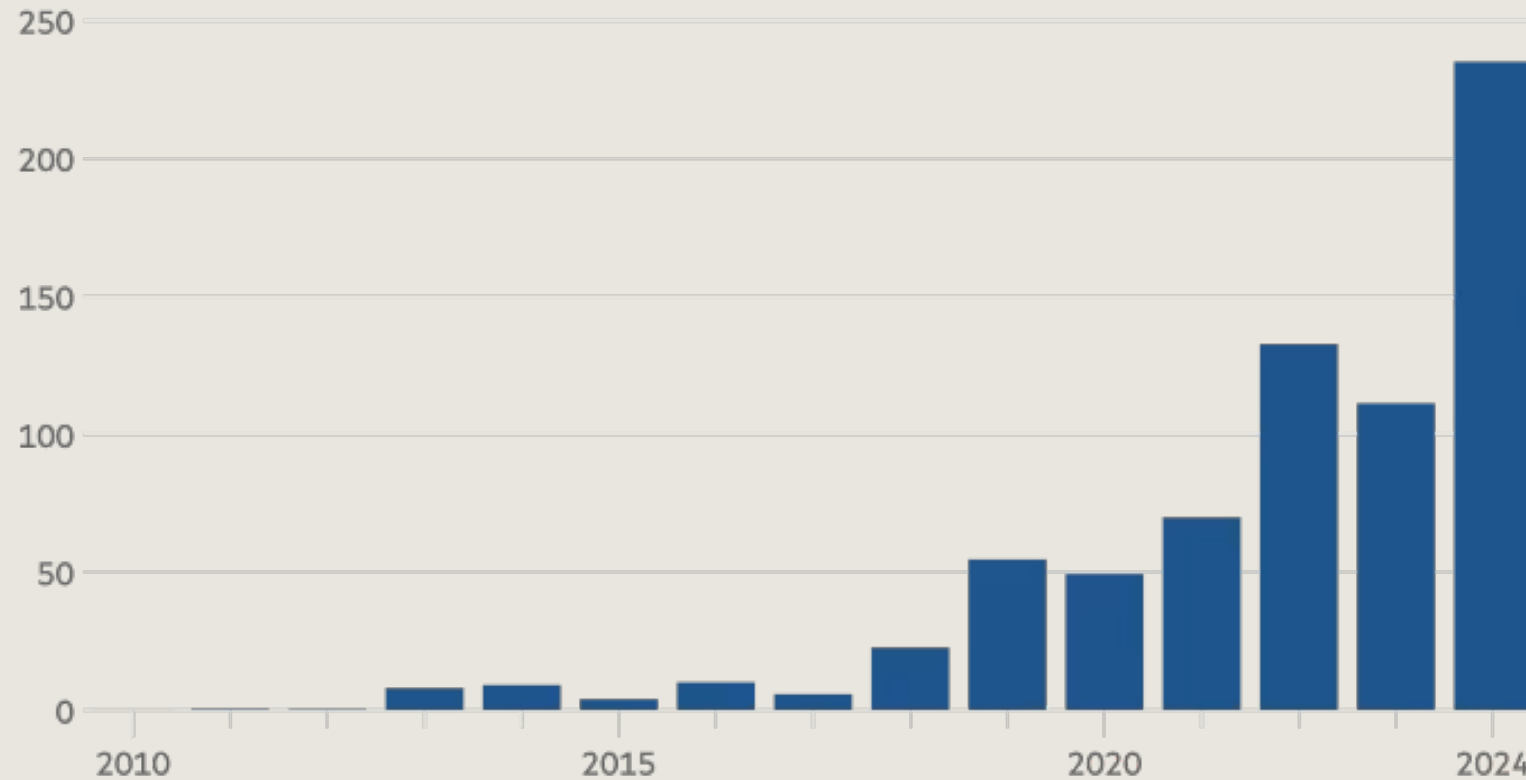


# Value accretion through share buy backs

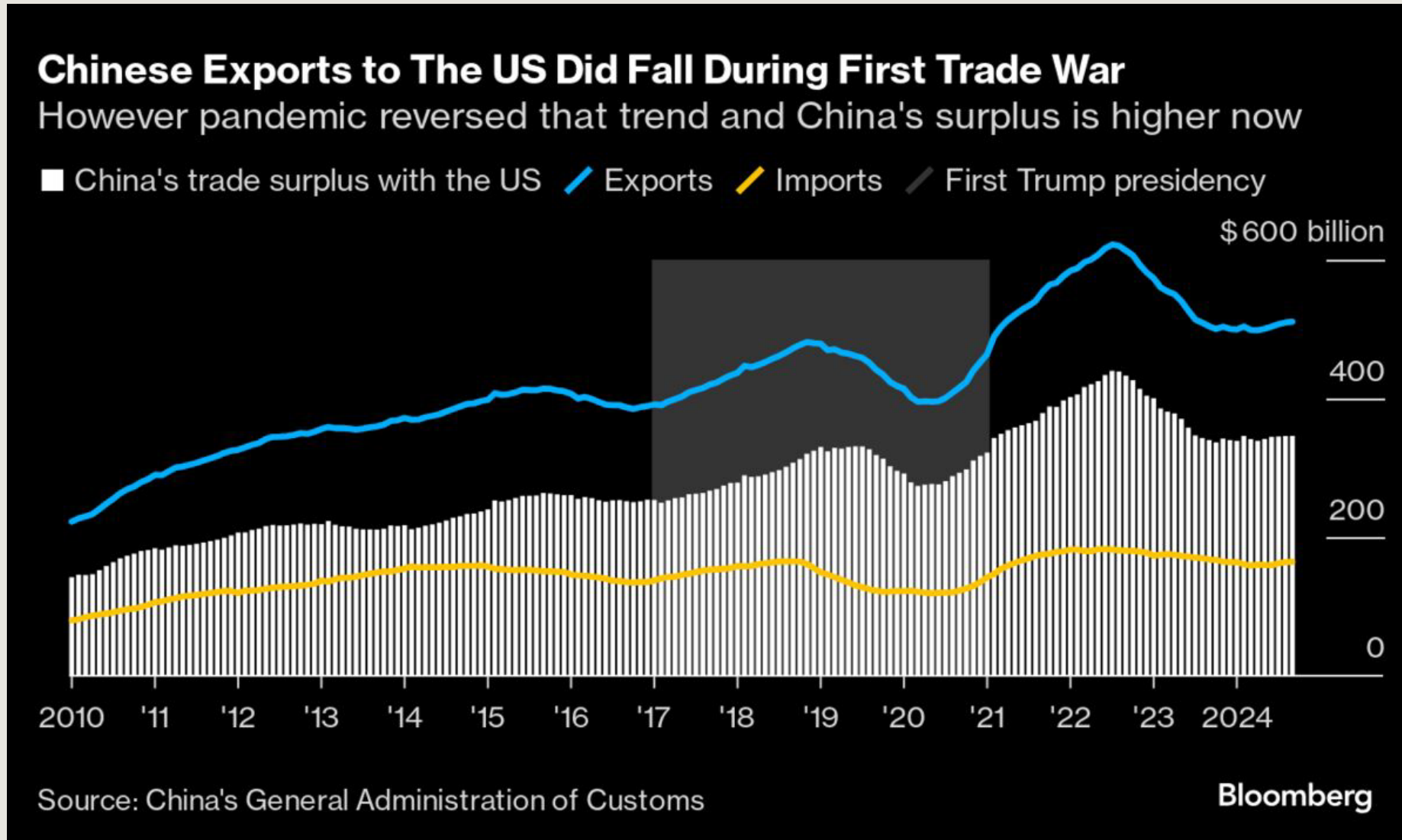


Share buybacks have soared in mainland China this year

Rmb bn



# Trump presidency, tariffs and the impact on China



Potential impact of 60% tariffs:  
**2%** of GDP unadjusted





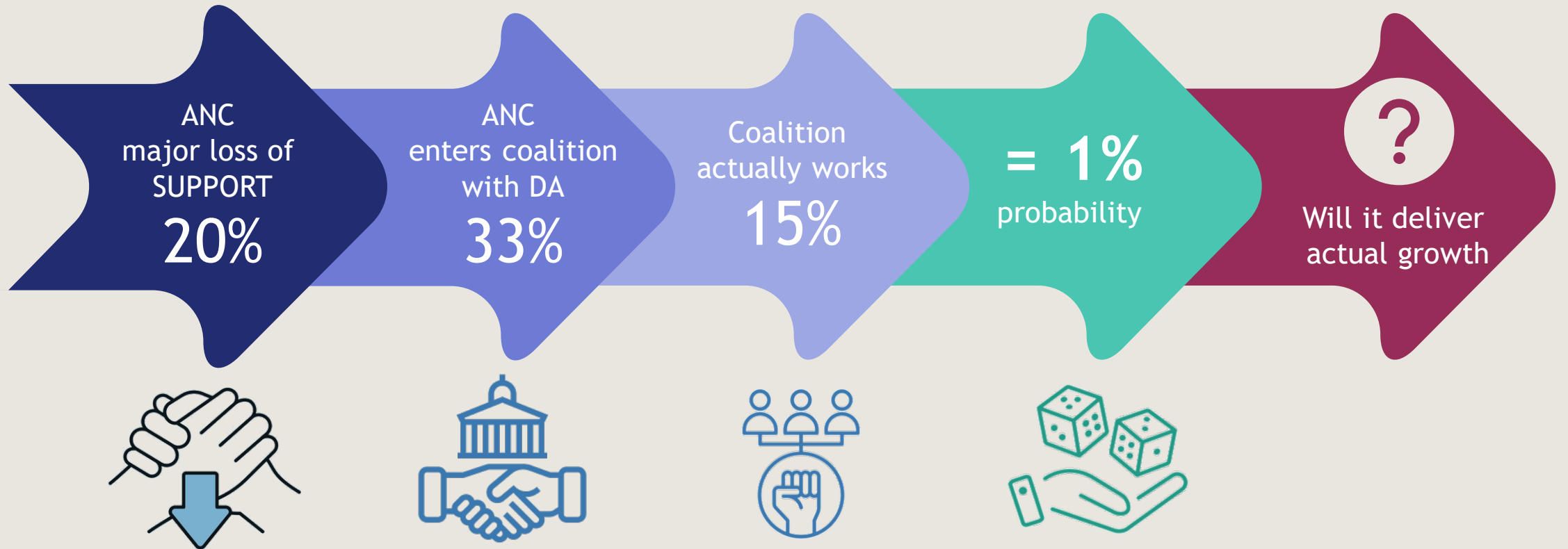
# SA macro economic environment



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# Looking back, this has been an incredible outcome. Looking forward ?





# Will the GNU deliver enduring and positive change?



We have become more constructive on the outlook for the GNU since its inception

- + There is a real commitment to make the GNU work
  - We believe it is in the best interests of both the ANC and the DA to make the GNU work
  
- + There is an urgency to deliver
  - The underlying economy is very stressed
  - The ANC needs to show tangible evidence of delivery ahead of local elections and the 2027 NEC vote
  - The DA needs to demonstrate its ability to govern outside of the WC
  
- + The ability of the president to deliver reform has strengthened
  - The ANC appears a less divided party post its split as those that have remained are more supportive of reform
  - The GNU is more aligned on delivering reform as its mandate than was the case under an ANC governing party
  - The competency of cabinet has improved

**We are cautiously optimistic**

- + There is more upside risk than there has been for some time
- + We do not yet model an economic uplift driven by reform

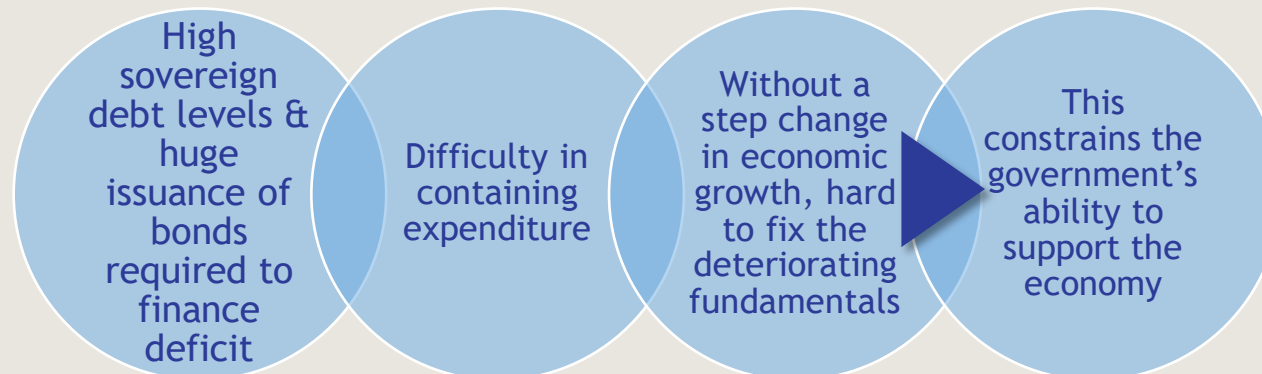


## Short term cyclical upswing evident

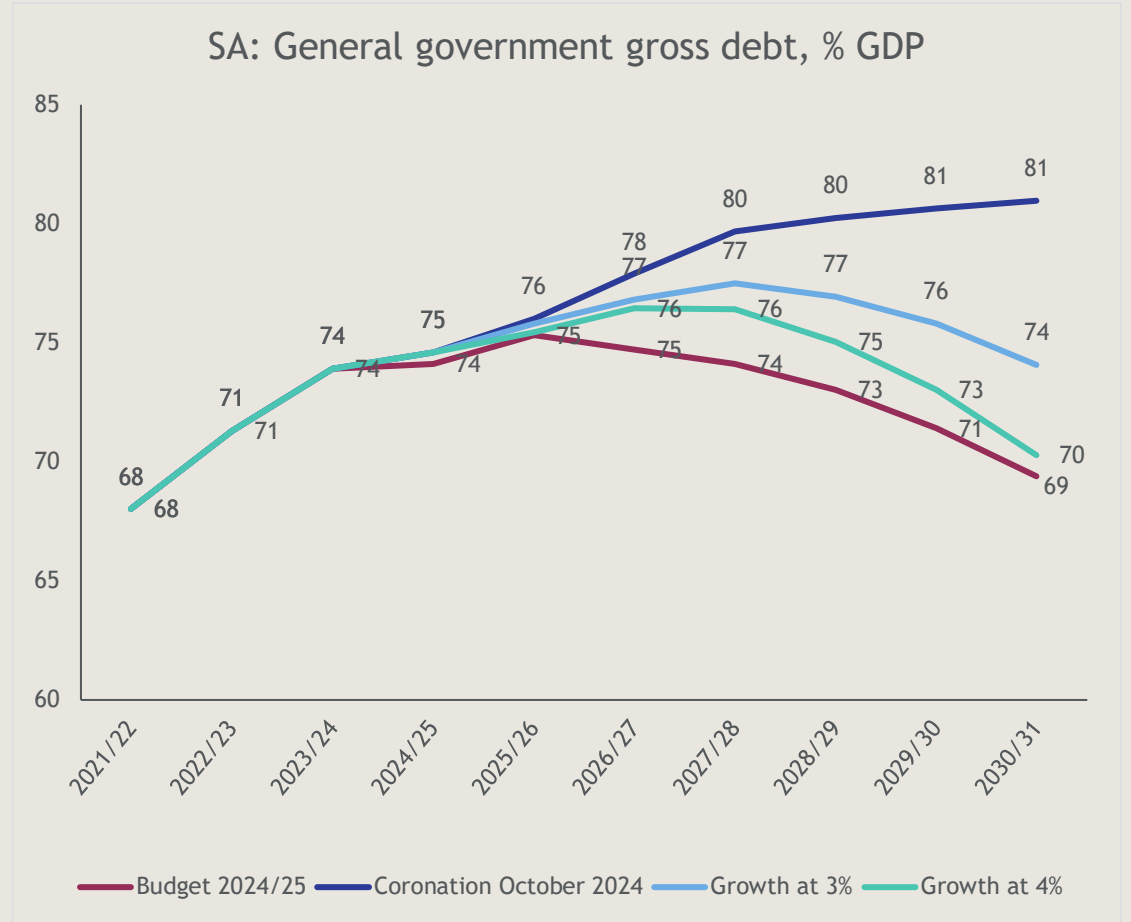
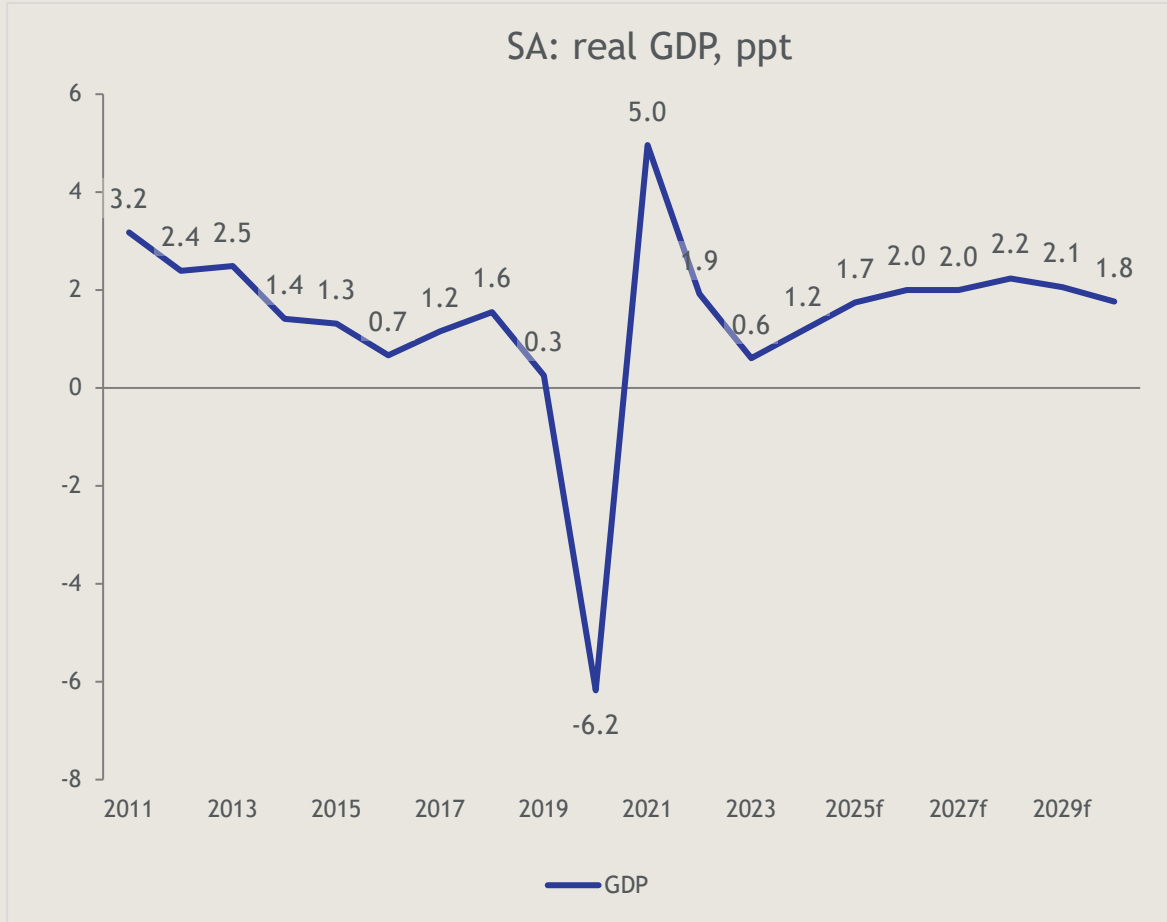
- ✓ Improved performance of Eskom
- ✓ SARB has cut interest rates, with more to follow?
- ✓ Two-pot retirement system will lead to higher consumer spending
- ✓ Lower fuel prices and strong ZAR will be positive for inflation
- ✓ Good chance that SA gets itself off the FATF grey list by late 2025
- ✓ This is translating into improved consumer & business confidence

## Growth can improve off a very low base, but economy has been profoundly damaged by decade of mismanagement

- + Three decades of underinvestment in infrastructure cannot be fixed overnight
- + Eskom on the path to repair. Fixing Transnet is critical
- + Massive stress for consumer after decade of poor employment, high inflation etc.
- + Long term fiscal outlook remains concerning



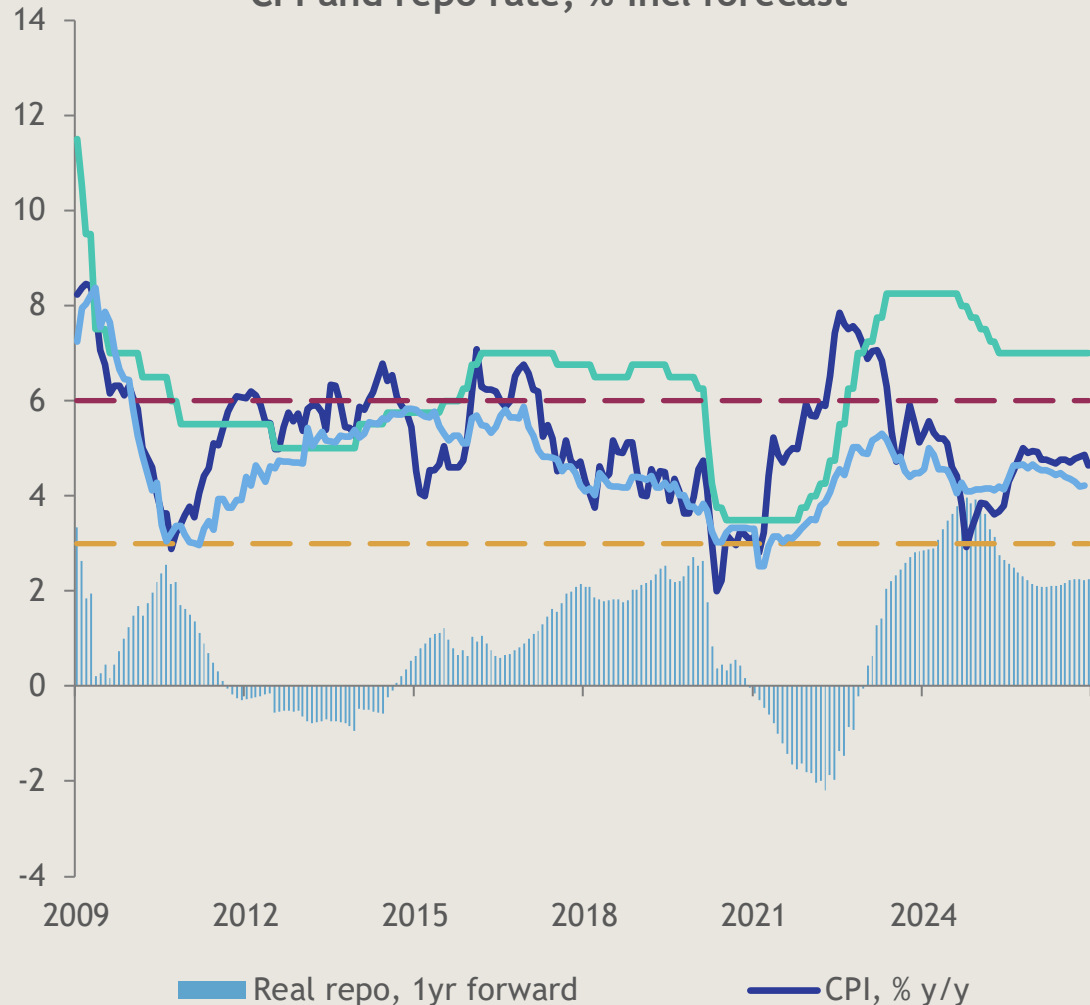
# Cyclical lift for GDP - structural reform needed longer-term



# SA inflation outlook



CPI and repo rate, % incl forecast



- + Forecasts for CPI have improved meaningfully
- + Moderation driven by strong currency, lower oil prices and muted domestic demand
- + Headline CPI likely to have '3 handle' to mid-2025
- + Creates room for lower interest rates
- + Expect CPI average 4.5% in 2024, 4.2% in 2025 and 4.8% in 2026
- + MPC expected to cut a further 100bps to bring repo to 7.0% mid-2025

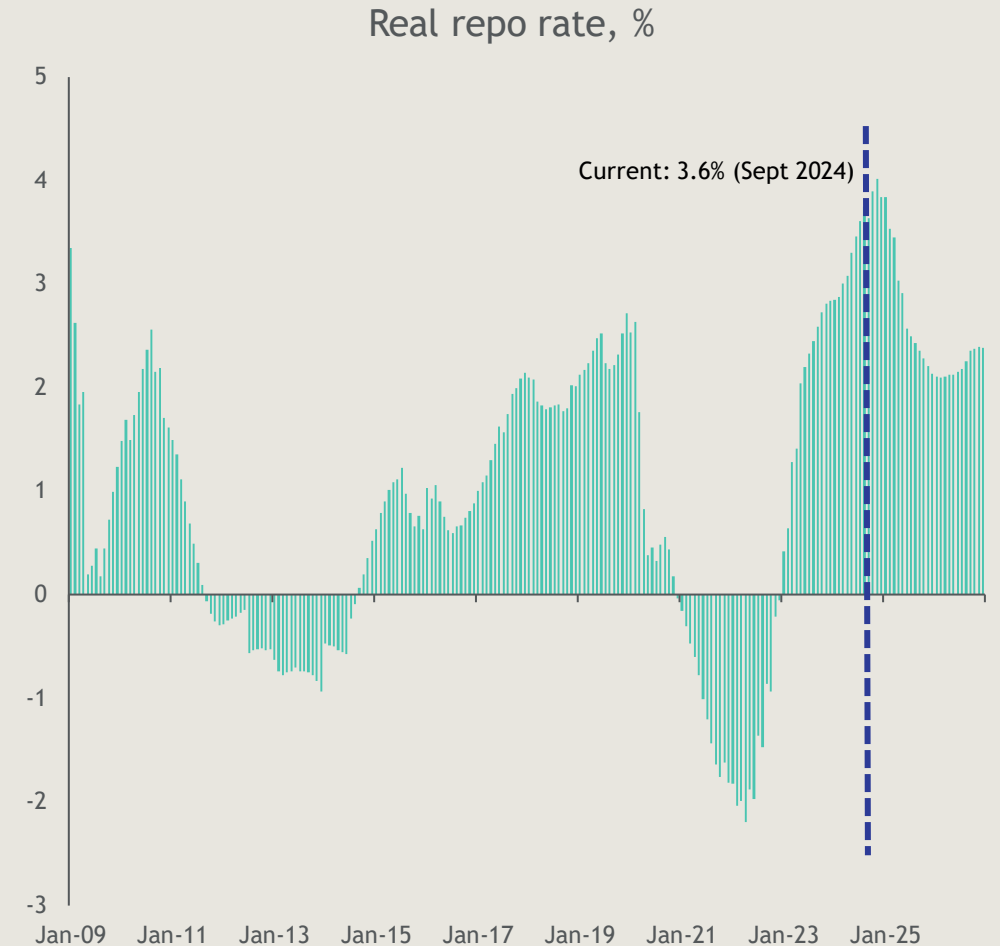
*“A lower [inflation] target could be achieved at little cost”*



# SARB inflation targetting debate



- + Governor's latest focus is to lower the inflation target
- + Prepared to further drive economy into the ground to achieve it
- + Misguided view that this will reduce SA's funding costs
- + Inflation in SA remains cost-push not demand-pull
- + SA desperately needs economic growth if GNU is to succeed
- + Treasury has not approved new target but SARB applying it by stealth?







# Nicholas Hops

## HEAD OF SOUTH AFRICAN EQUITY RESEARCH

BBusSc, CFA

- + Nicholas is Head of South African Equity Research and a portfolio manager within the SA investment team
- + He has 10 years of investment experience
- + Joined Coronation in 2014 and co-manages the Coronation Resources, Industrial & Market Plus unit trusts



# Does the GNU drive new stock ideas?



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# We have had 3 important surprises from the SA elections



1

## Election results

- Unexpected decline in support for ANC
- Big electoral support for new MK party

2

## ANC's reaction to election results

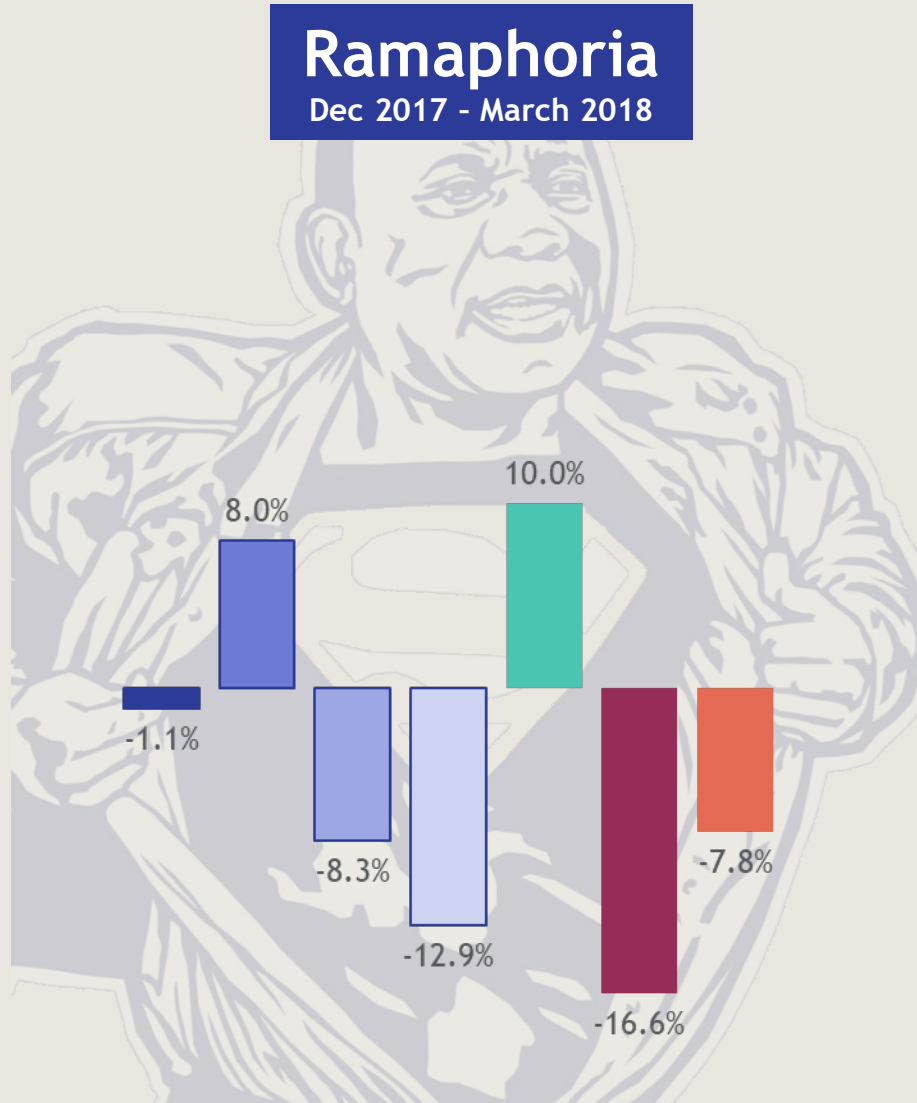
- Acceptance of loss of majority
- Decision to form a coalition government with a centrist party like the DA instead of cutting a deal with the EFF or MK

3

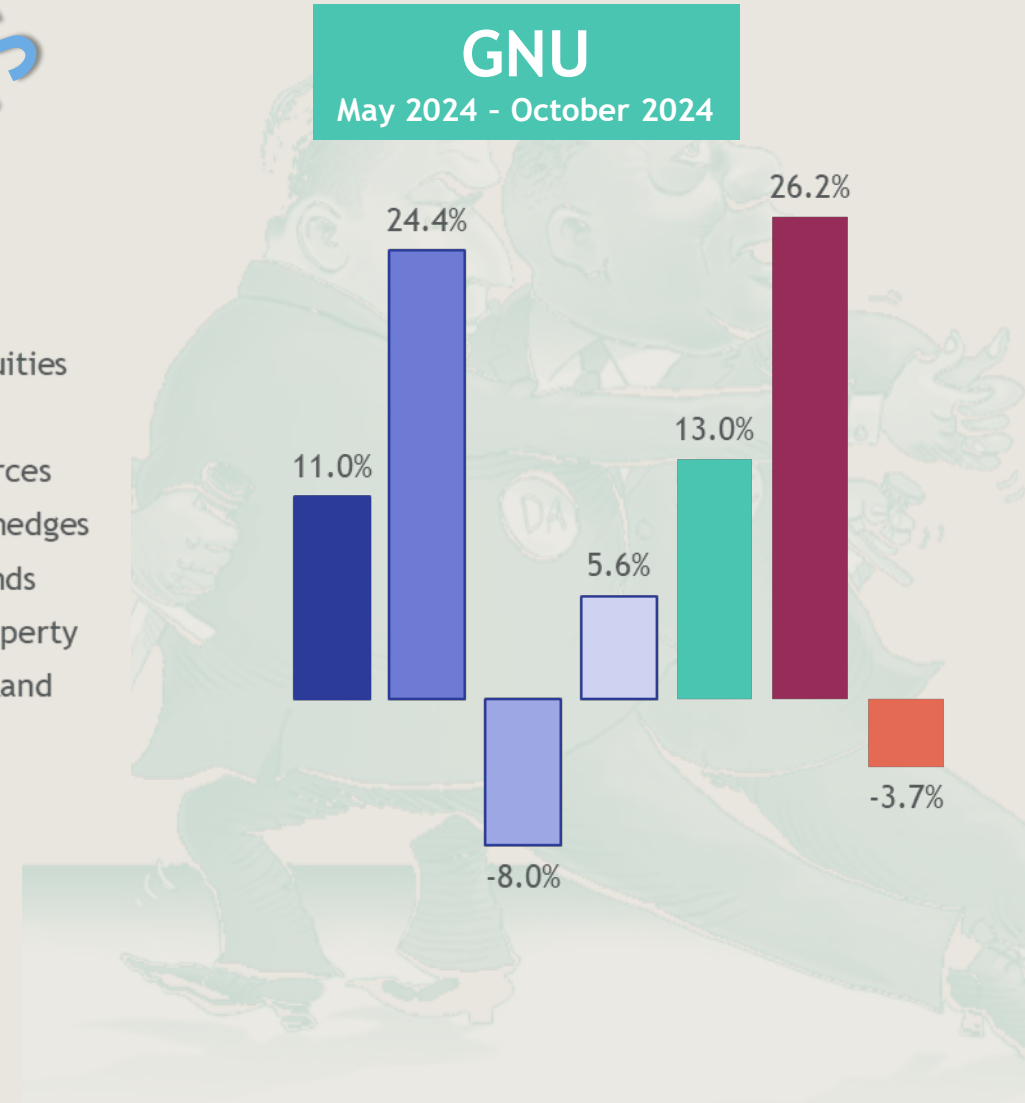
## The GNU government is working well together

- The President's ability to drive reform may be strengthened within the GNU

# SA assets have enjoyed a strong rally



VS



- SA equities
- SA inc
- Resources
- Rand hedges
- SA bonds
- SA property
- USD/Rand

# The starting point was low



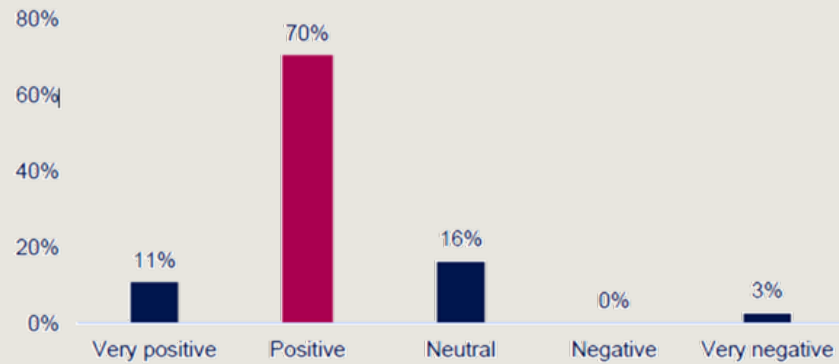
## SA INC 12-MONTH PE



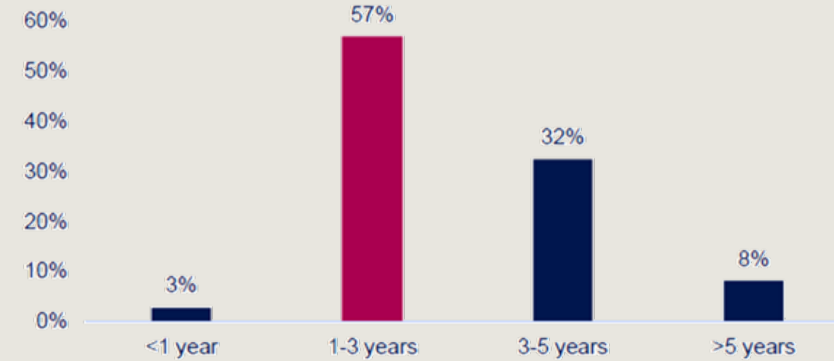
# Foreigners are interested...



## VIEWS ON SA NOW, AFTER THE ELECTIONS?



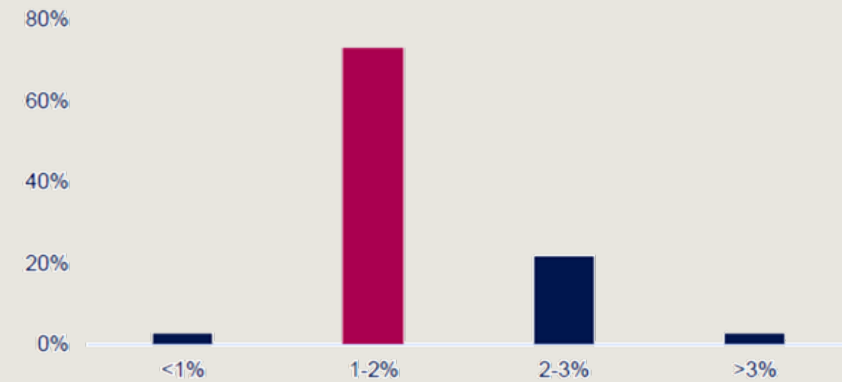
## HOW LONG WILL THE ANC/DA GNU LAST?



## INTENTIONS TO INVEST IN SA?



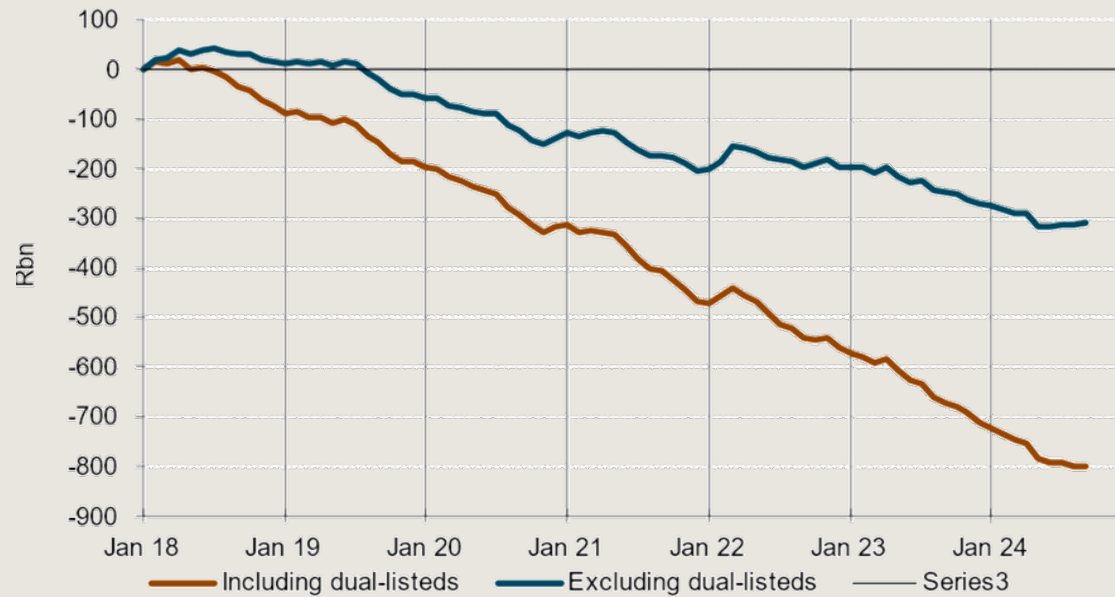
## EXPECTATIONS OF TREND GROWTH?



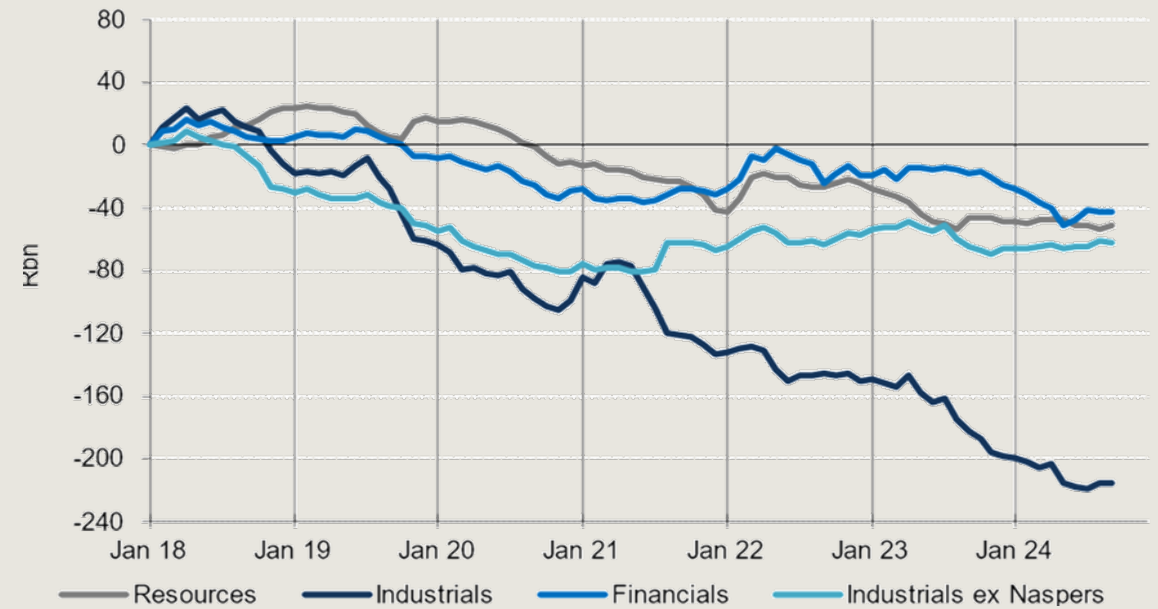
# ...but not invested



Cumulative net foreign equity transactions



Cumulative net foreign equity transactions, ex dual listed



# Delivering through the cycle



+ Portfolio focus remains on companies who can deliver no matter the economic outcome

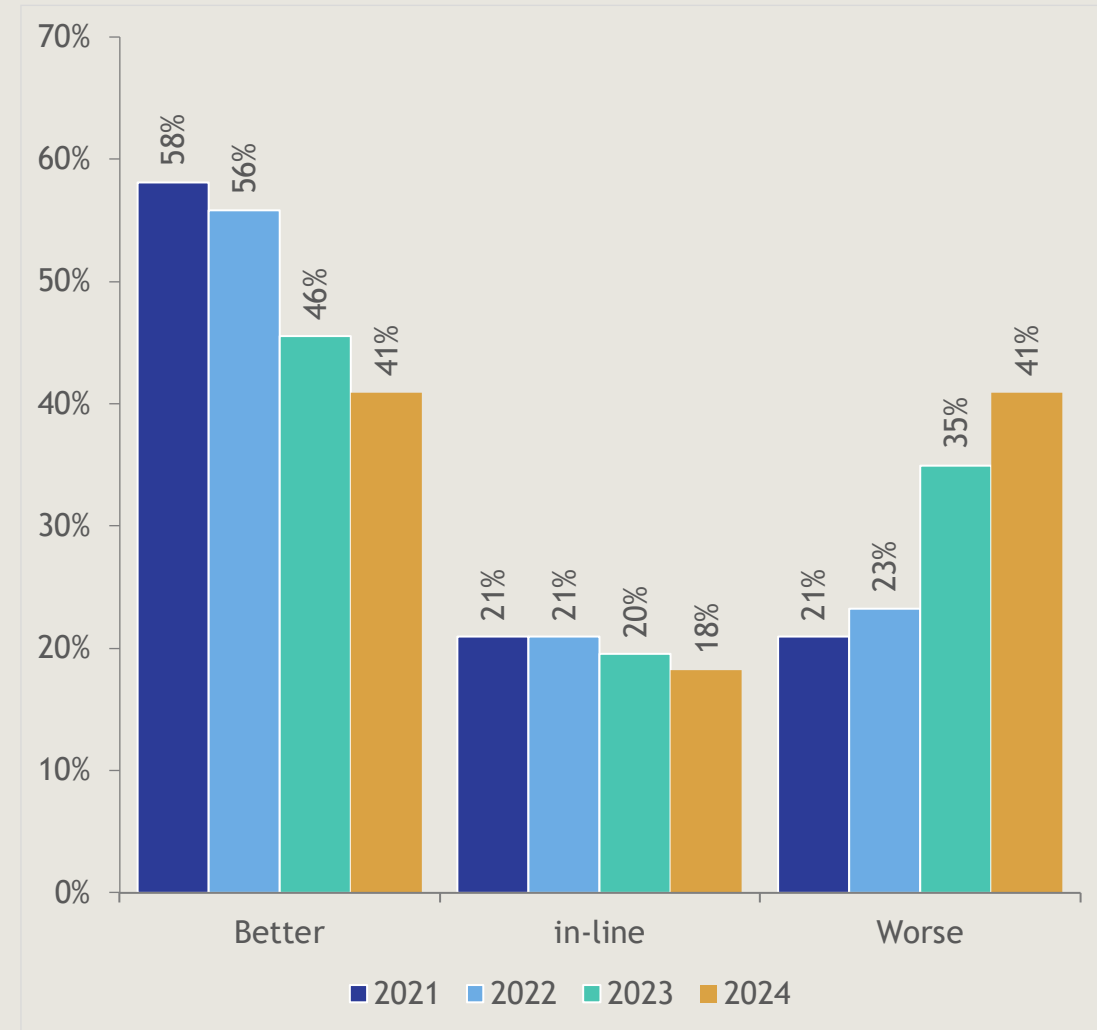
## Market share gainers within mature sectors



## Companies with exposure to growing markets



+ We are not being tempted by cheap, low quality stocks





Undoing years of decline takes time, while new major issues arise...







# Platinum Group Metals

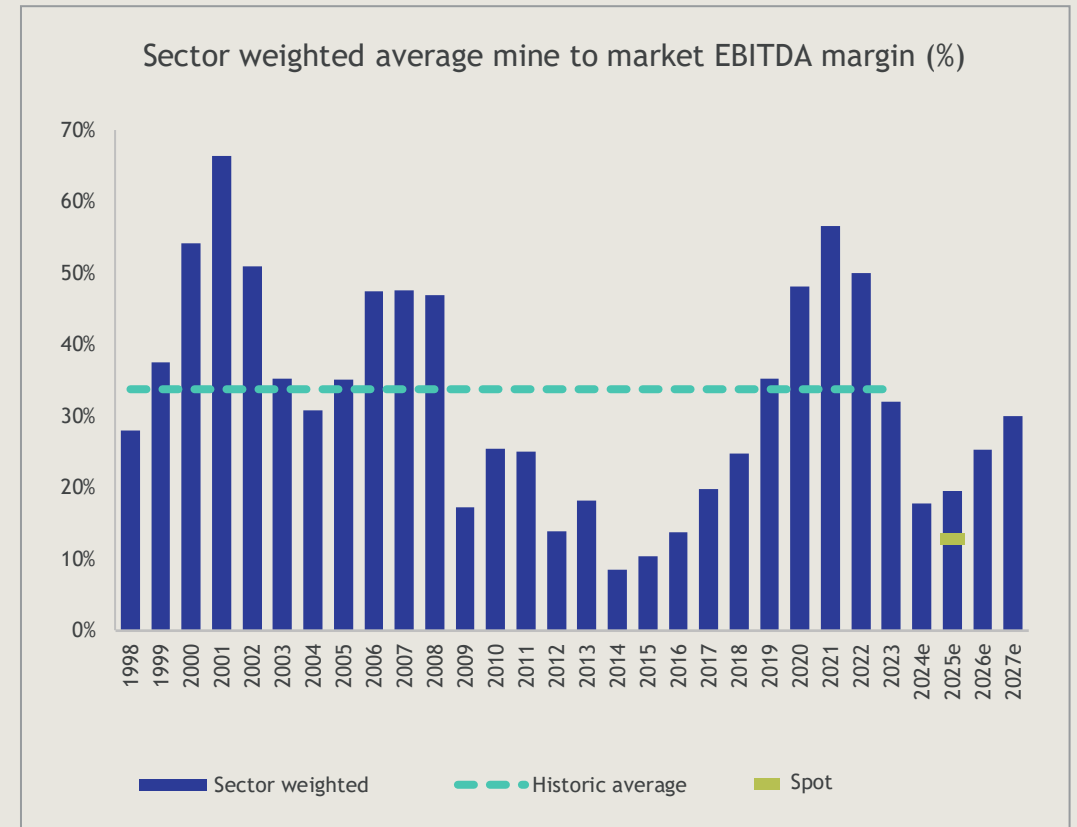
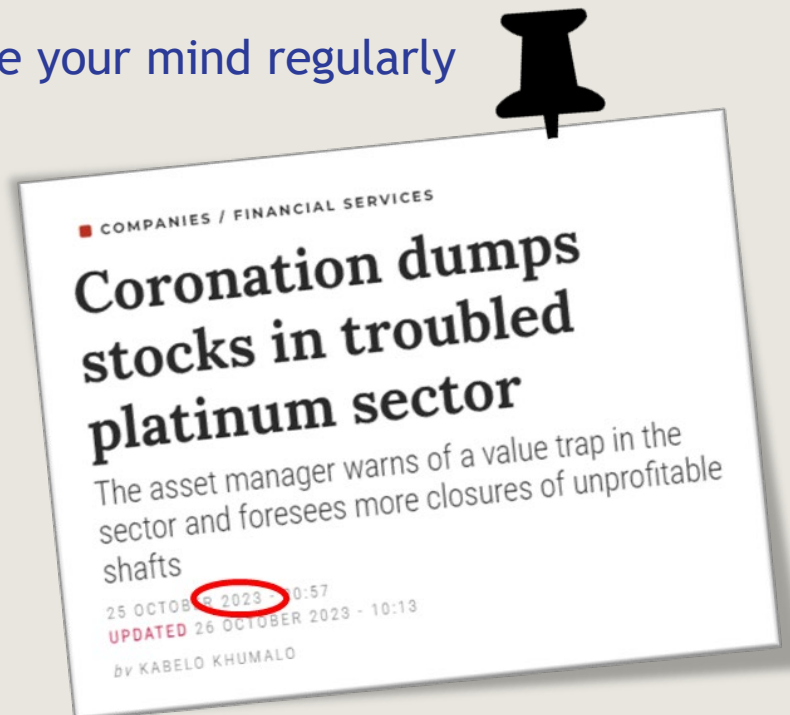
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# Cyclical commodities



- + Commodity markets are highly cyclical
- + Single stock commodities especially so
- + Deep research & a long term time horizon are required
  - 149 channel checks in 5 years
- + Required to change your mind regularly



# Cyclical commodities



+ Moved underweight PGMs in 2021

	Basket	Impala	Northam	Amplats	Sibanye
Peak to 2024 trough	-56%	-80%	-67%	-80%	-81%

+ Prices have fallen while opex and capex have risen

+ PGM sector free cash negative at spot

+ Fundamentals have improved....

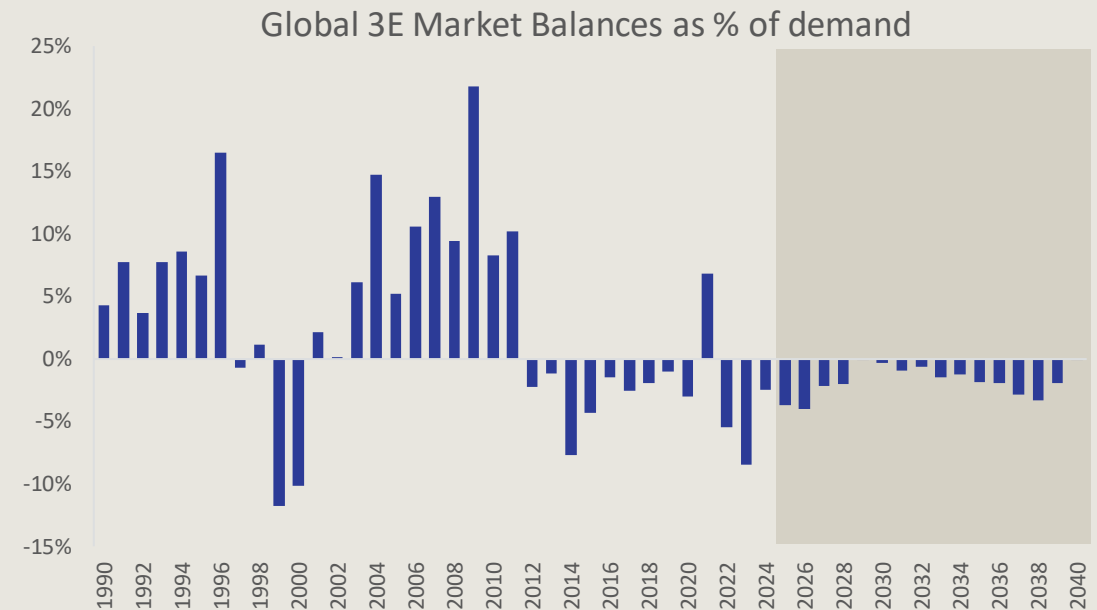
PGM Basket Price



# Cyclical commodities



- + BEV development has continued but cheap models are out of reach ex- China
- + US/EU putting tariffs up to 100%
  - Local economy trumping decarbonization
- + Increasing acceptance of hybridization and that the top of the BEV S-curve is not as high as once thought
  - 2040 BEV share forecast 50% from 12% today
- + Recycled supply growth has halted
- + Mine supply underinvested and reducing. Projects cancelled & some mine closures



# Northam and Impala

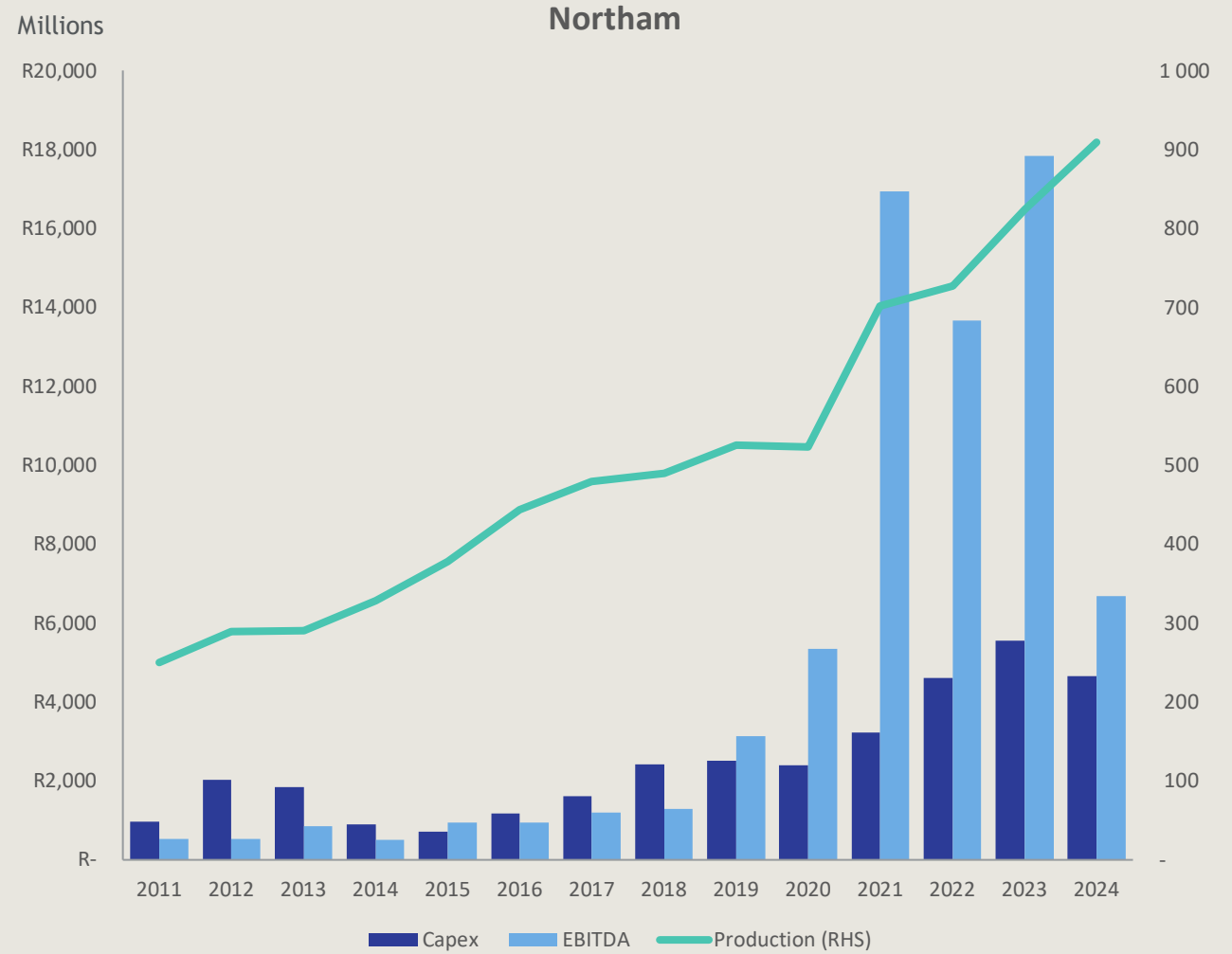


## + Northam

- Superior production growth over time
- Well invested capital base
- Limited restructuring required
- Worried about potential M&A
- 85% upside

## + Implats

- Core business delivering well
- Restructuring required in SA and Canada
- Net cash position
- Worried about future capital allocation
- 41% upside



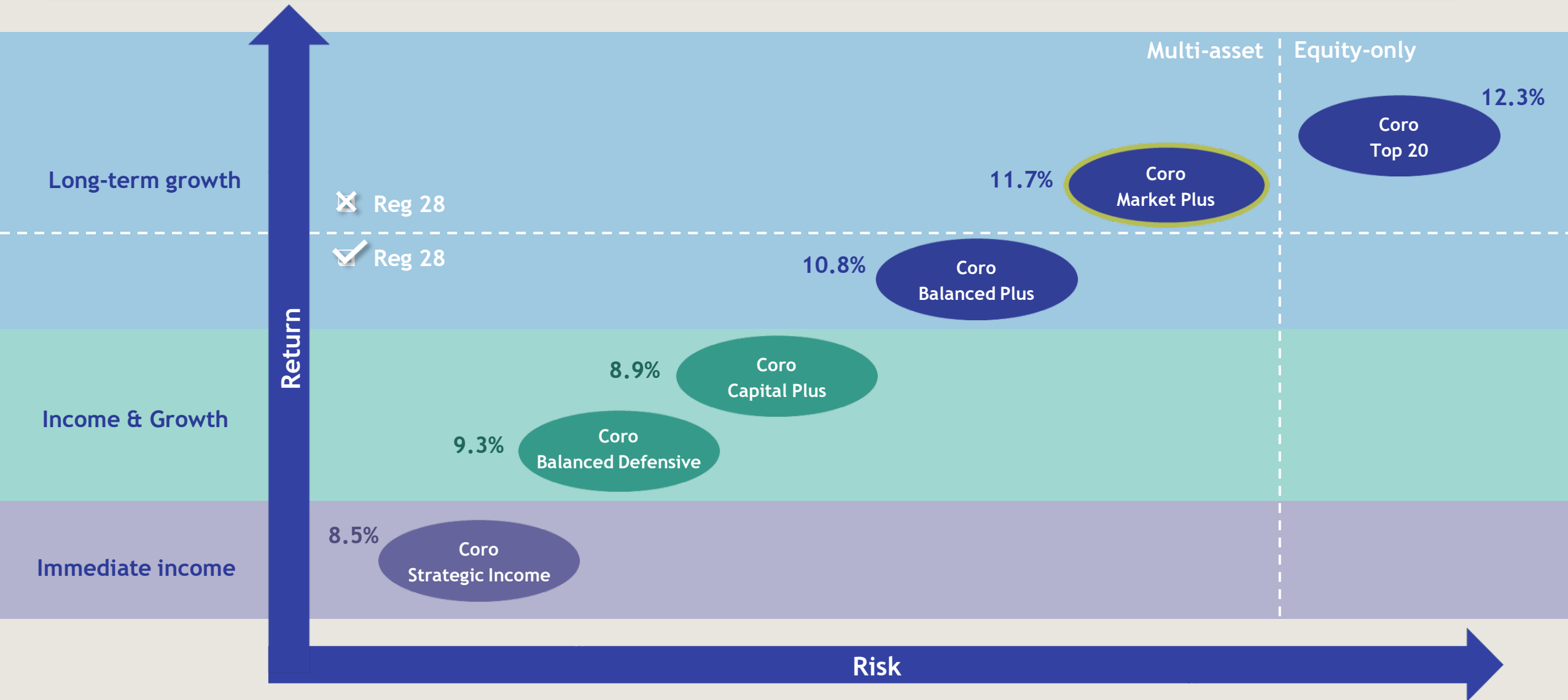


# Coronation Market Plus Fund

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# Where does Market Plus fit in?



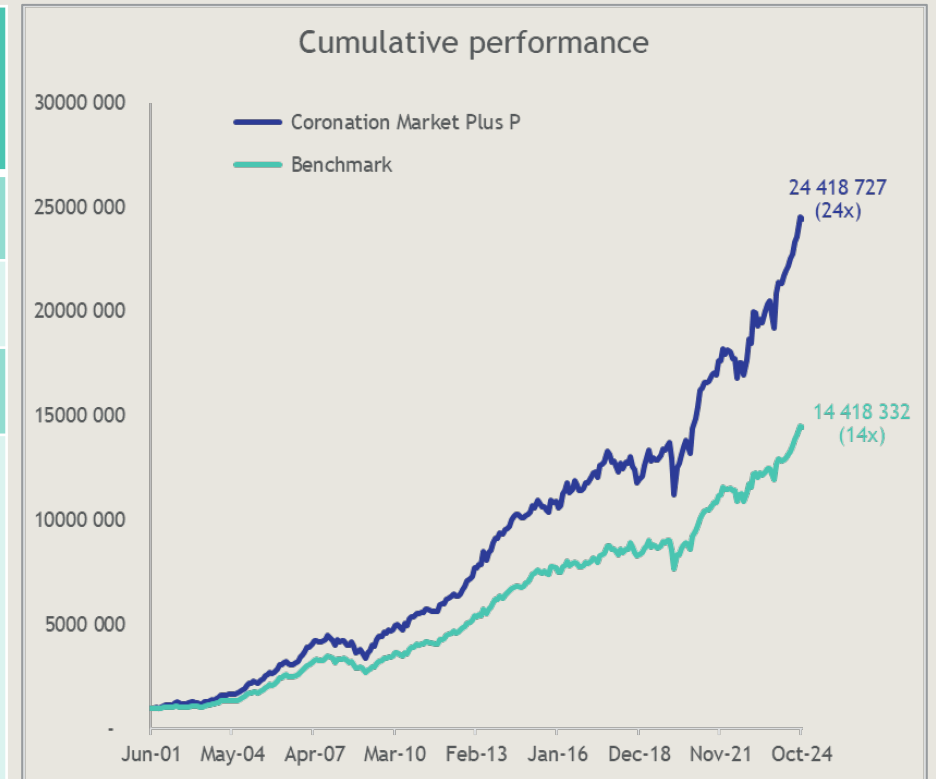


# Coronation Market Plus Fund



## ALPHA COMPOUNDS TO SIGNIFICANT VALUE UPLIFT OVER TIME

	Coronation Market Plus Fund A	Coronation Market Plus Fund P	CPI + 5%	Peer group average**	Out performance of peers	P-class uplift on R1m
* SI (annualised)	14.4%	14.7%	10.7%	12.1%	2.6%	R10 000 395
20 years (p.a.)	13.2%	13.5%	10.5%	11.8%	1.7%	R3 254 896
15 years (p.a.)	11.4%	11.8%	10.1%	10.2%	1.6%	R1 026 175
10 years (p.a.)	8.7%	9.2%	10.0%	7.7%	1.5%	
5 years (p.a.)	12.3%	12.8%	10.1%	10.0%	2.8%	
3 years (p.a.)	11.0%	11.5%	10.8%	8.9%	2.6%	
1 year	26.8%	27.4%	9.0%	21.0%	6.4%	



Performance for periods ending 31 October 2024

\* Since inception of the A-class in July 2001. P-class inception date is April 2013. Returns are spliced with A-class returns for the period prior to the launch of the P-class. Highest annual return (A-class): 50.0% (Aug 2004 - Jul 2005); lowest annual return: -20.1% (Mar 2008 - Feb 2009)

\*\* South African - Multi Asset - Flexible category average (excluding Coronation funds)

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# How have we delivered Alpha?



## SA Equity

- + Overweight SA equity
- + Strong alpha within this

## SA property

- + Outsized weighting to specific counters

## Global credits

- + Diverse portfolio of hard currency global credits
- + Peaked at 14% of Fund

## Global stock substitutions

- + Bought attractive US and European oil names instead of owning Sasol

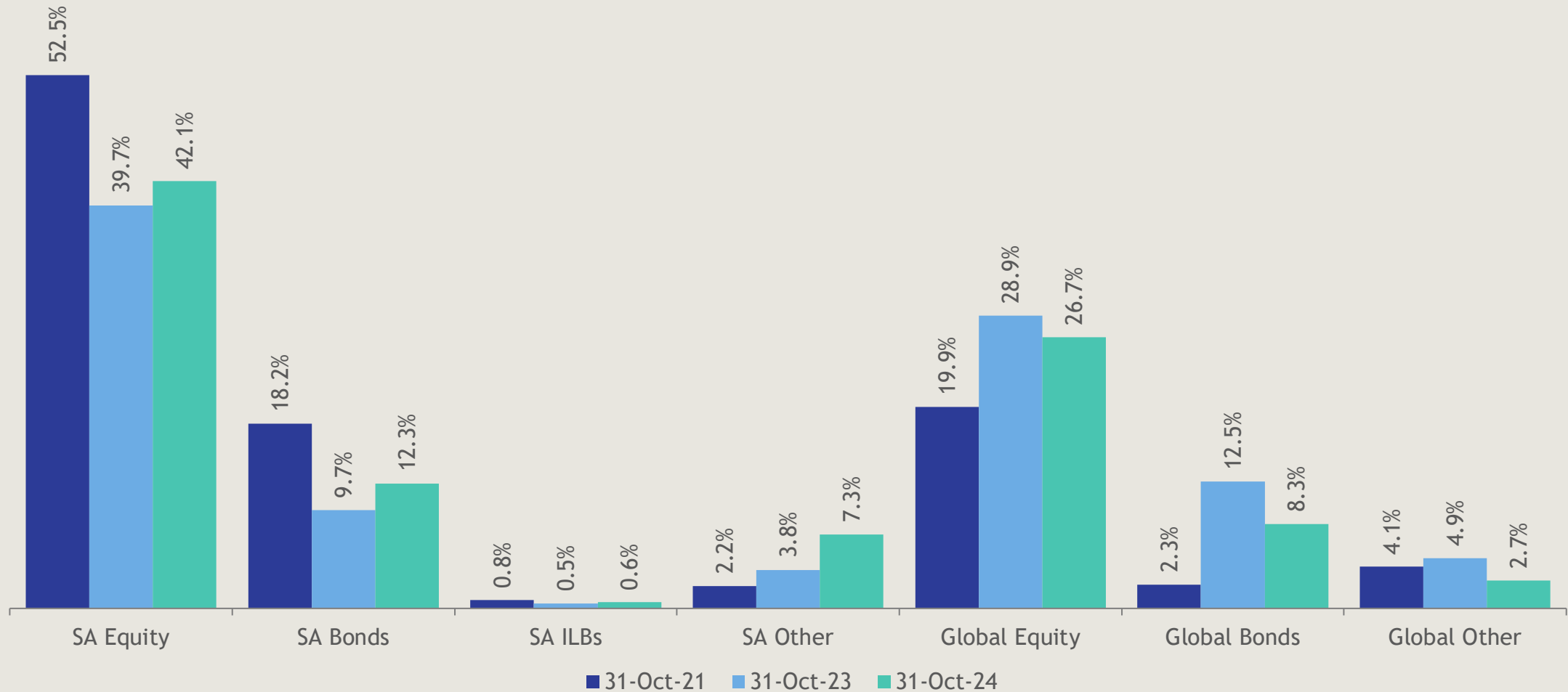
## Euro property

- + Attractively priced as markets priced in higher interest rates

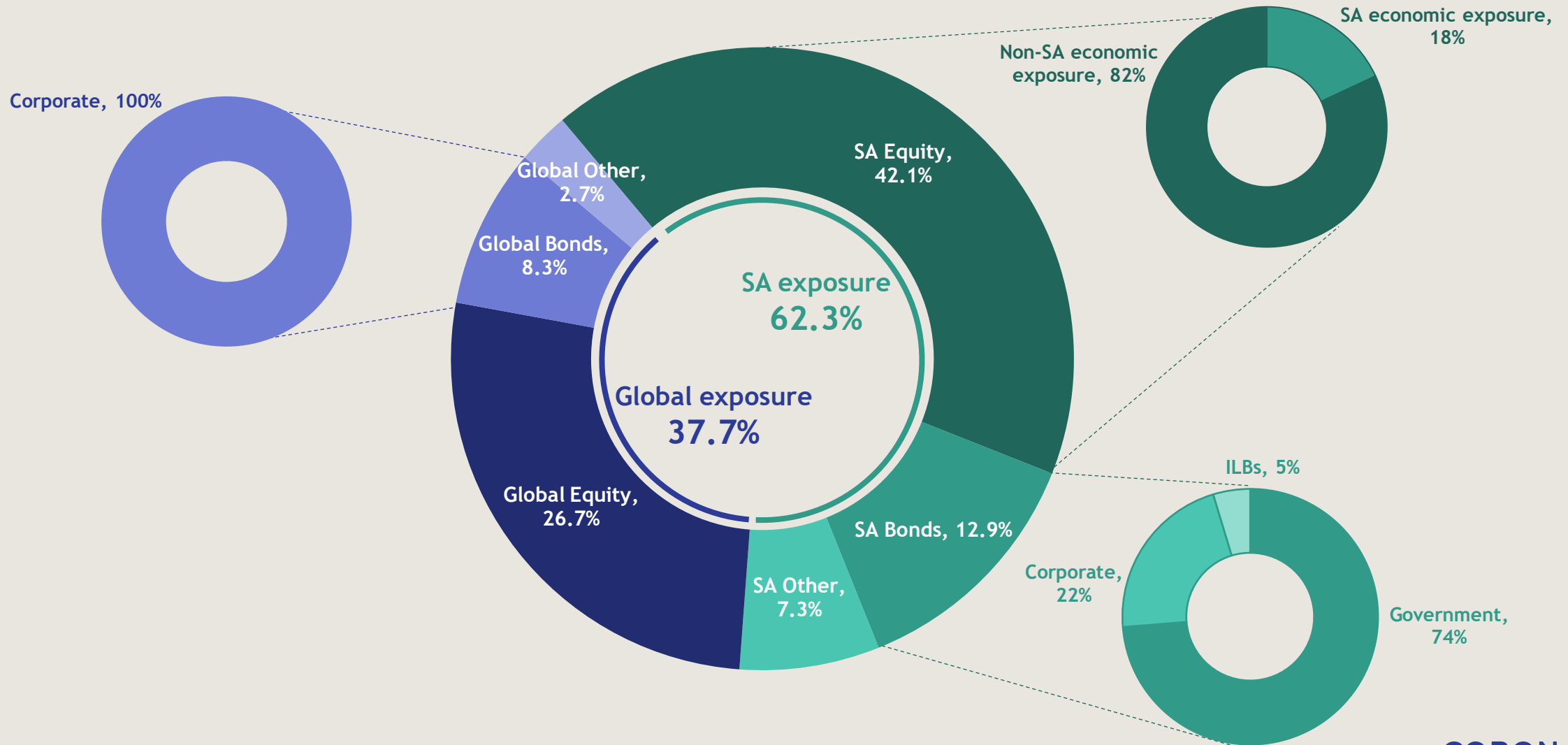
# Asset allocation



## CORONATION MARKET PLUS FUND



# Making the most off a global opportunity set





# Tumisho Motlanthe

## PORTFOLIO MANAGER / ANALYST

BBusSc, CFA

- + Joined Coronation in 2007
- + He co-manages institutional portfolios
- + He also analyses several shares spanning retail, food producers, information, communications & technology sectors
- + Has 17 years' investment experience

# Portfolio construction in this GNU world



## BACK-DROP IMPLICATIONS FOR FUND SETUP

Capped SWIX up more than 10% since the election

- + Heavily skewed to SA Inc names

Fund and Ranking Table upside is the lowest in some time

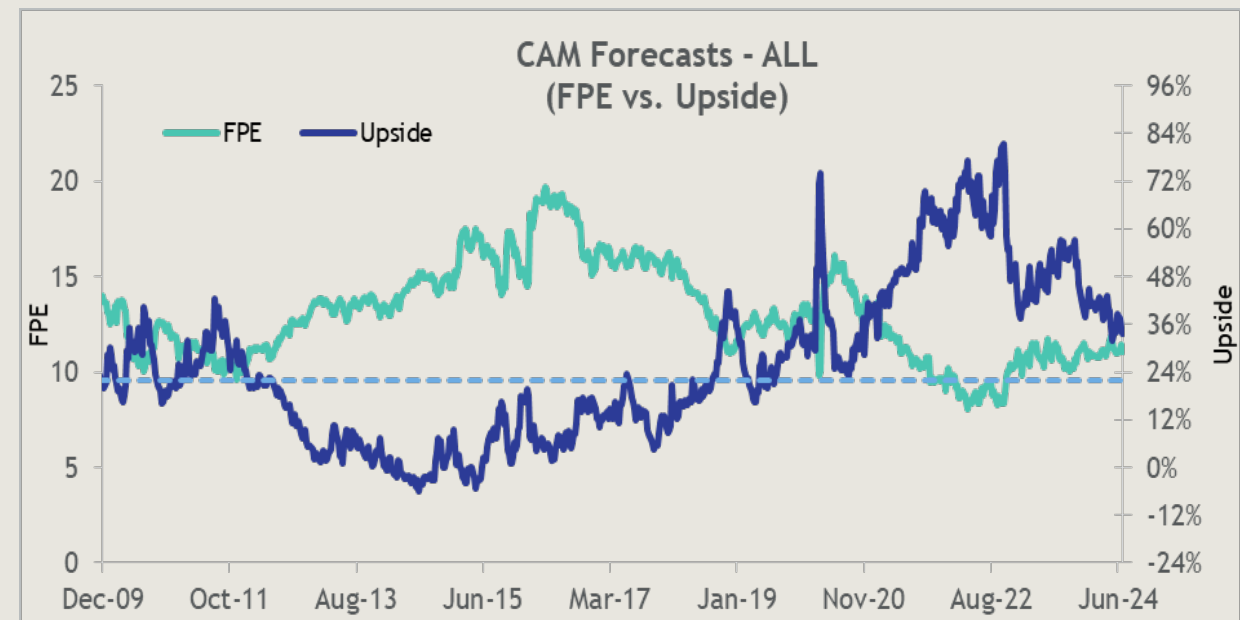
- + Much fewer stocks showing meaningful upside over 1 year
- + SA Inc re-rating has reduced margin of safety
- + Rand Hedges still attractive on this basis

Continue to focus on 5-year Total Return/IRRs

- + Earnings growth prospects
- + Dividend Yield underpins
  - Potential re-rating for stocks that deliver on these

An uncertain environment also necessitating thinking about some 'portfolio insurance'

	Ramaphoria	GNU	Difference
SA Inc	8.0%	24.4%	16.4%
Resources	-8.3%	-8.0%	0.43%
Rand hedges	-12.9%	5.6%	18.5%
Property	2.7%	25.6%	22.9%



# Coronation Top 20 Fund check



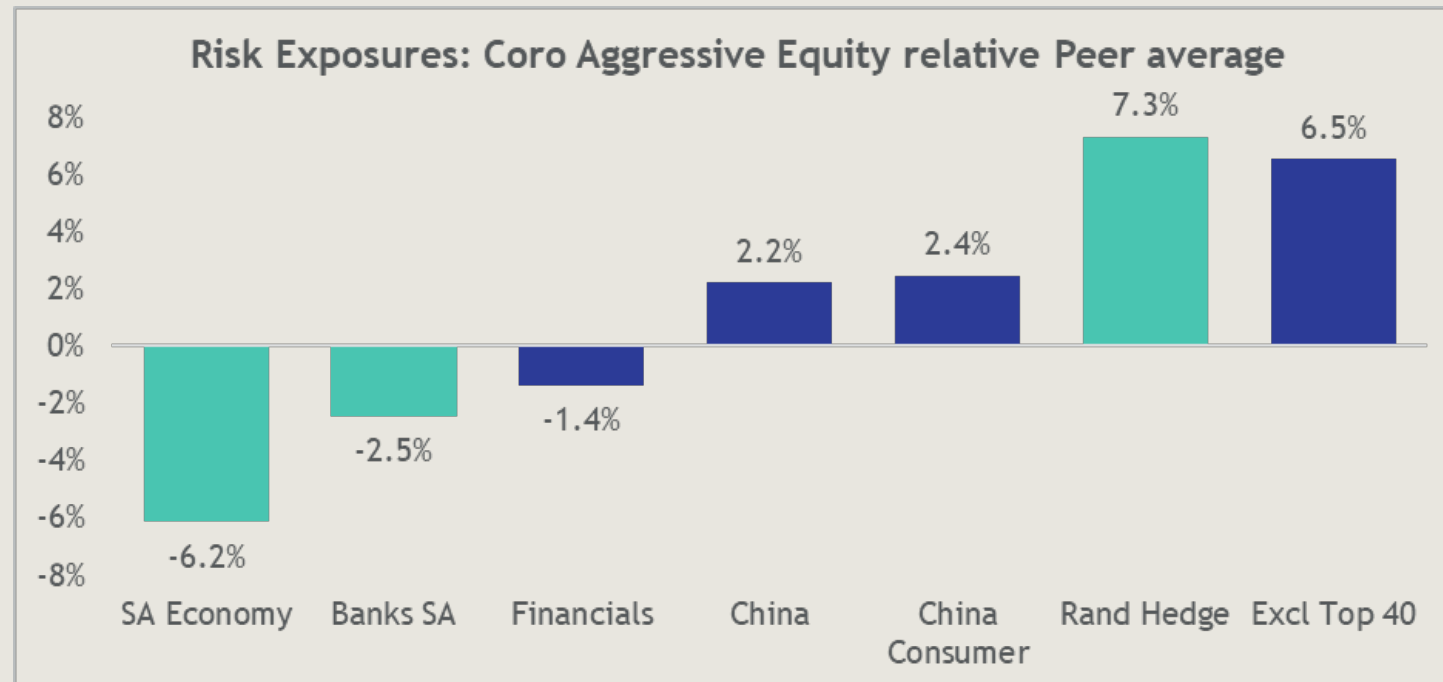
## DIFFERENTIATED POSITIONING

While incrementally positive on SA since the elections, our positioning reflects caution

- + As we search for proof of structural underlying improvement

Remain overweight Rand Hedges on valuation and less reliance on SA macro/political turnaround

- + But have been reducing our SA Inc underweight





# Two stock opportunities



Both geared to SA optimism, but in different & complementary ways

## Investec

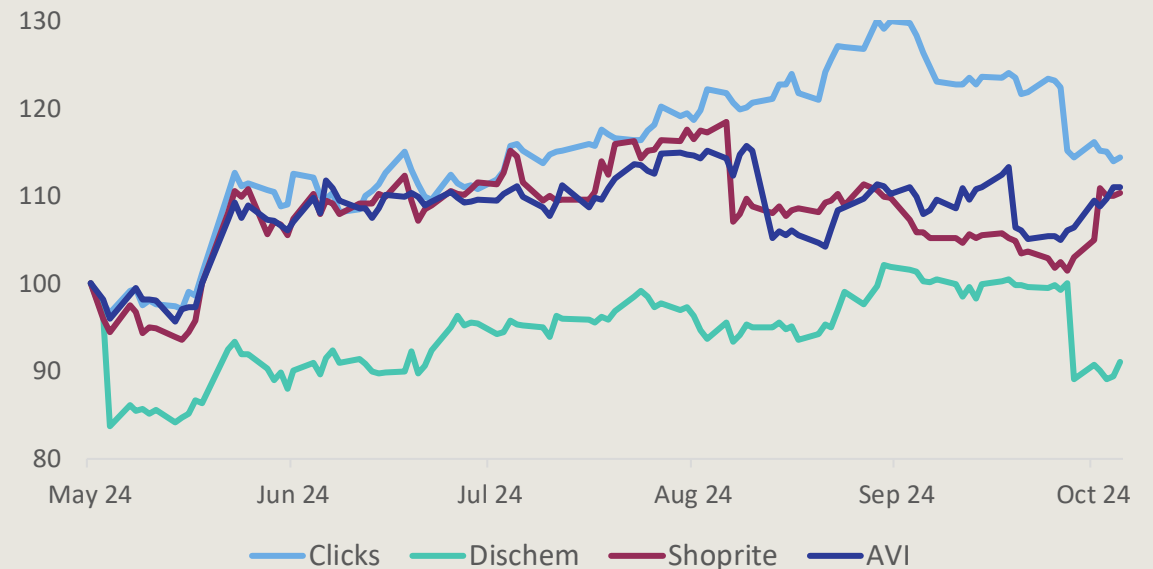
- + 40% SA / 60% UK
- + But 100% geared to economic recovery + improved sentiment
- + Left behind by other SA banks in the GNU rally
  - Gone from 0% to 5% of fund over the last few months

## Dis-Chem +

- + 100% SA
- + Unique opportunity set in retail, combined with compelling self-help
- + A highly-rated defensive name going into the election, done little since
  - Been an anchor tenant of the fund the last 3-4 years

	Price % 1W	Price % 1M	Price % 3M	Price % 6M	Price % YTD	PB ratio (fwd)
SA Banks	-2%	-2%	3%	26%	18%	1.8x
Big-4 Banks	-2%	-4%	2%	26%	13%	1.6x
Absa	0%	-4%	5%	16%	3%	0.9x
Capitec	-2%	4%	11%	36%	56%	7.3x
FirstRand	-7%	-7%	-6%	18%	5%	2.0x
Investec	0%	4%	-5%	13%	9%	1.0x
Nedbank	-1%	-1%	6%	29%	37%	1.2x
Standard Bank	1%	0%	9%	36%	16%	1.6x

Post-election re-ratings





# Investec

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# Underperformed the Banks index over long periods



## DUE TO EXCESSIVE RISK TAKING



# Quality has shifted



## Business is better run

- + Bank has tightened risk management under CEO Fani Titi
- + Business been meaningfully simplified
- + More focused on getting the basics right, growing in respective niches

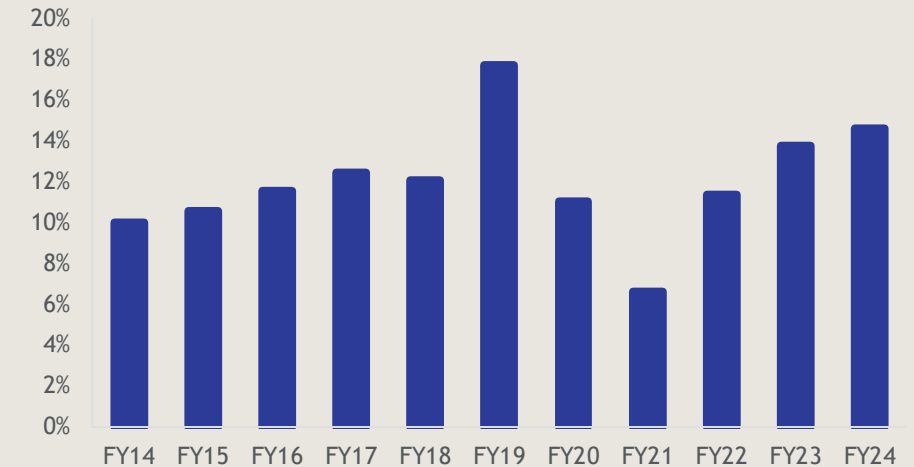
## Yet the valuation doesn't reflect this

- + 6.8x forward PE
- + 6.9% dividend yield
  - 1x P/B, insufficiently captures the improved ROE of the bank
  - And doesn't recognize the capital-light, high-return wealth business

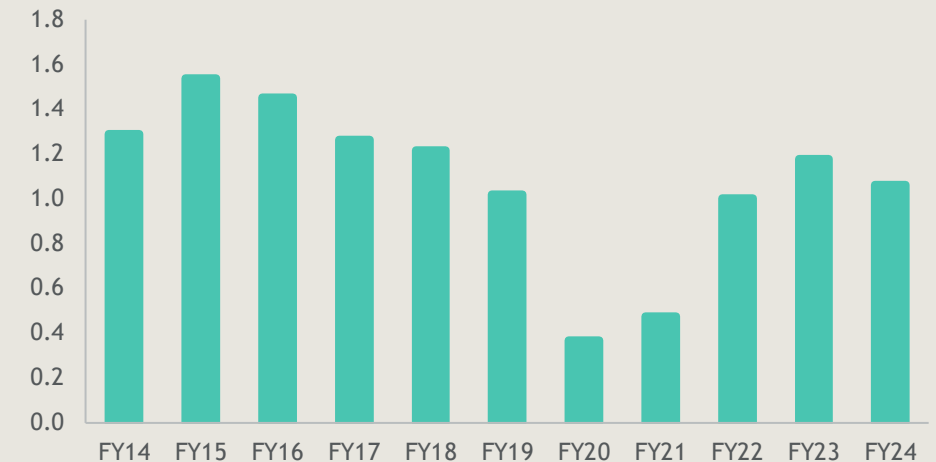
## Macro setup possibly at a positive inflection point

- + UK
  - Budget now tabled, removing uncertainty. Less bad than feared.
  - Labour manifesto supports financial services growth and the streamlining of regulations
- + SA
  - Prospects for higher economic growth under GNU

Group ROE



Price-to-book value



# Better quality: the proof is in the pudding



## Superb delivery since March 2020 (the pre-Covid base):

- + 20%+ Earnings CAGR
- + 20% improvement in Cost-to-Income
- + 10% reduction in issued shares
- + Returns have nearly doubled

## UK Bank (47% of fair value)

- + UK Private Bank scaling up, improving CTI and ROE
- + Potential synergies between UK Bank and Rathbones

## SA Bank (33% of fair value)

- + ROE in targeted 16-20% range, justifies a prem to NAV
- + Likely to generate excess capital

## Wealth business (20% of fair value)

- + £23.2bn FUMA: SA and international (ex-UK) platform
- + £108.8bn FUMA: UK wealth platform
  - via 41% stake in Rathbones Group
  - Attractive on a 10x fwd P/E and 5% DY

## Taking stock

Consistent execution of our strategy underpinned the achievement of all our medium-term

£'mn	FY20	FY21	FY22	FY23	FY24
<b>Adjusted EPS - pence per share</b>	<b>33.9</b>	<b>28.9</b>	<b>55.1</b>	<b>68.9</b>	<b>78.1</b>
Total operating income	1807	1641	1990	1986	2085
Total costs	1186	1165	1234	1086	1120
Cost to income (%)	68.2	70.9	63.3	54.7	53.8
ECL impairment charge	133	99	29	81	79
<b>WANOS - millions</b>	<b>945.8</b>	<b>929.1</b>	<b>917.5</b>	<b>891.9</b>	<b>848.8</b>
Ordinary shareholders' equity	3862	4235	4614	4323	4761
Required equity in Group Investments	389	518	561	561	238
<b>ROE - %</b>	<b>8.3</b>	<b>6.6</b>	<b>11.4</b>	<b>13.7</b>	<b>14.6</b>
<b>ROTE - %</b>	<b>9.2</b>	<b>7.2</b>	<b>12.3</b>	<b>14.7</b>	<b>16.5</b>
<b>CET1 - %</b>					
Investec Limited* - FIRB / Increased scope AIRB	10.9	12.8	14.0	14.7	13.6
Investec plc - Standardised	10.7	11.2	11.7	12.0	12.4

# Optionality: Capital Optimization



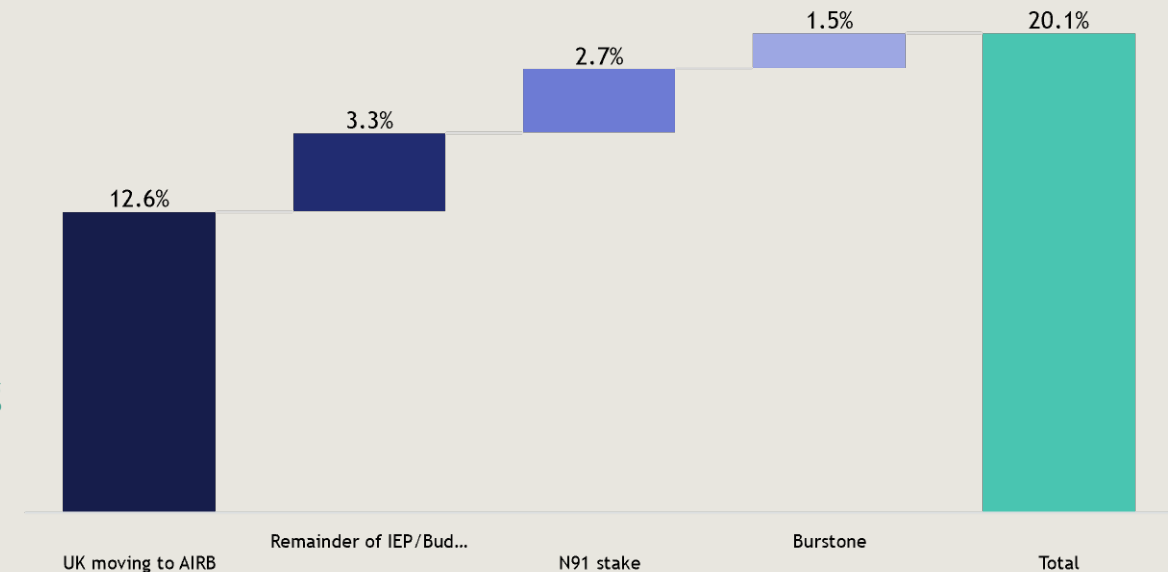
## UK Bank still on Standardised Approach, peers mostly already on AIRB

- + Will embark on a multi-year process to free up capital, currently holding more than peers
- + E.g., Investec UK has half the leverage of Barclays

## Balance Sheet value unlock from asset sales

- + Bud Group exit is going according to plan
  - R1.7bn received for Assupol sale, in October
  - R2.6bn remains in the 3 assets they are busy exiting
- + Own 10% of N91 and 24% of Burstone
  - N91 stake likely to be used to raise Rathbones shareholding
  - Burstone could be unbundled in time

Capital release as % of current market capitalisation



All of this on top of the high-teens IRR we're already getting in our valuation over 5 years

- + We think there's lots to like here



# Dis-chem

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# A Reminder of why we like it



## AND WHY WE'VE DONE SO FOR SO LONG

### Formalization of the retail pharmacy market

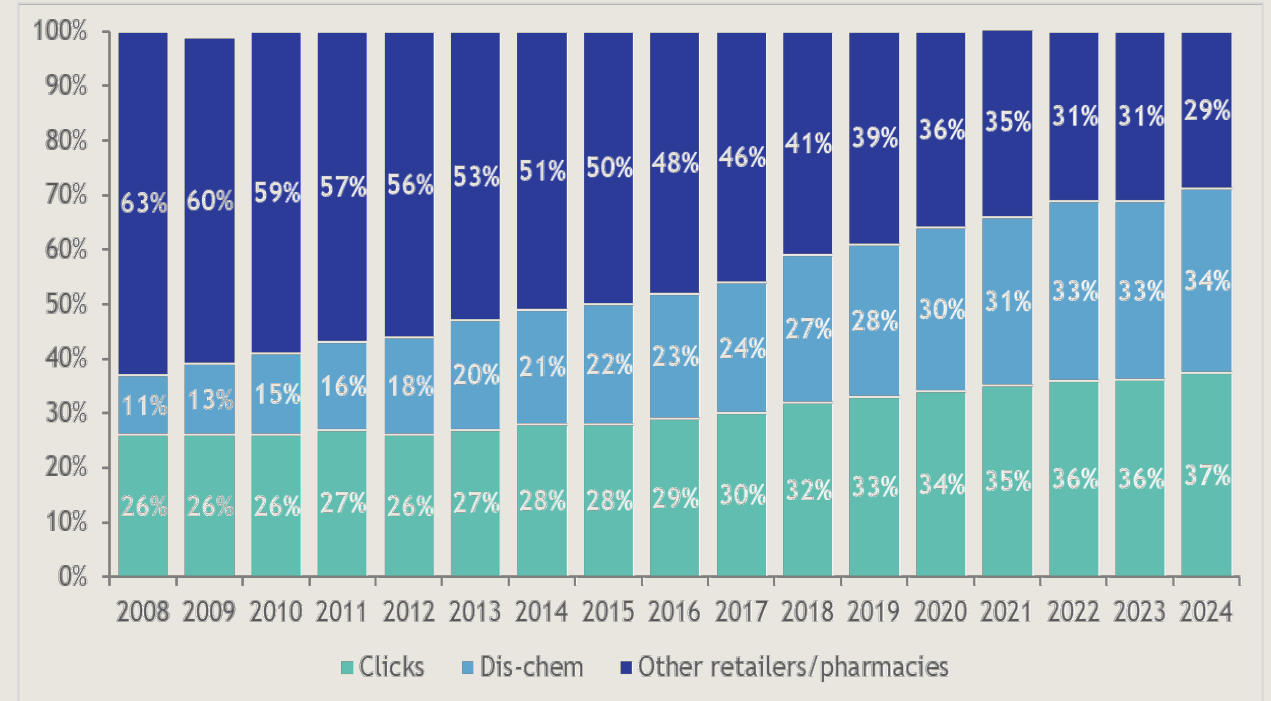
- + Structural sales growth tailwind
- + Increasingly rare in SA industry

### Dis-chem and Clicks leading the charge

- + Natural share takers, poised to continue doing so

### Dis-chem space opportunity is still significant

- + Footprint currently skews towards Gauteng
- + Looking to add 40% space in the next 4 years
  - Focused on other provinces
- + Real revenues supported by this space maturing





# Exciting margin normalization opportunity



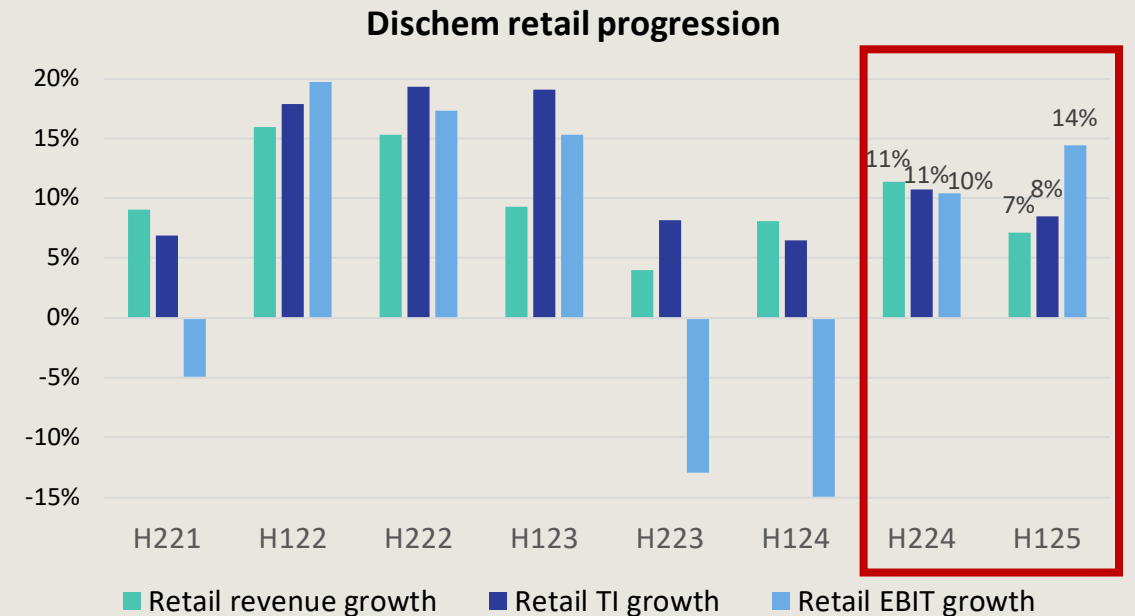
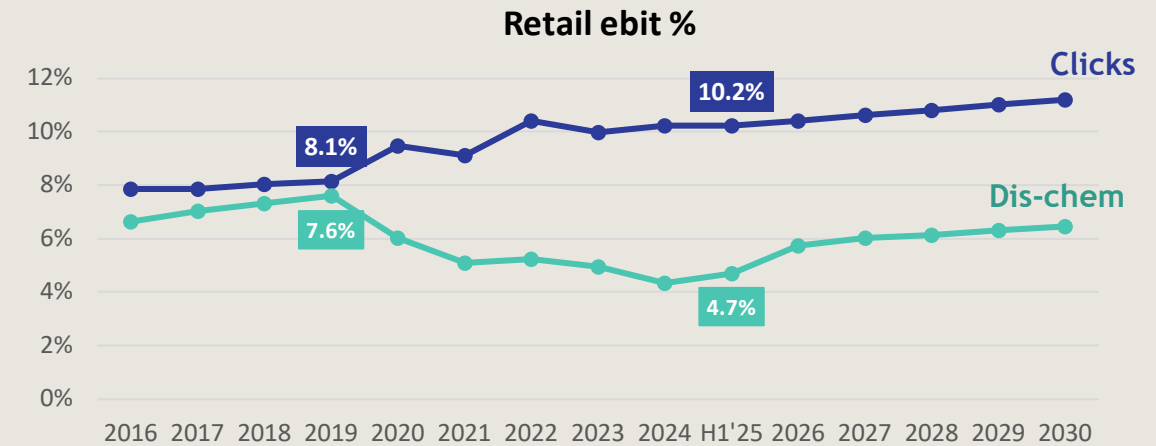
## WITH A HELPFUL (LOW) STARTING POSITION

Margin expansion will be delivered as scale increases

- + Operational efficiency program currently in effect
  - Which is yielding benefits
- + Potential to close the yawning gap vs Clicks
  - Having been thereabouts just 5 years ago

Business has also been investing in developing an integrated healthcare system

- + 1) Providing low-cost medical aid product
- + 2) Offering clinic services in their pharmacy stores
- + 3) Expanding into offering low-cost life insurance
- + Leverages retail business's customer data + store network
  - Still small, and not explicitly valued
  - Potentially material income stream in the future



# Enviably fundamentals



## ESPECIALLY ON A PROSPECTIVE BASIS

Topline delivery + Margin delivery = leverage earnings growth

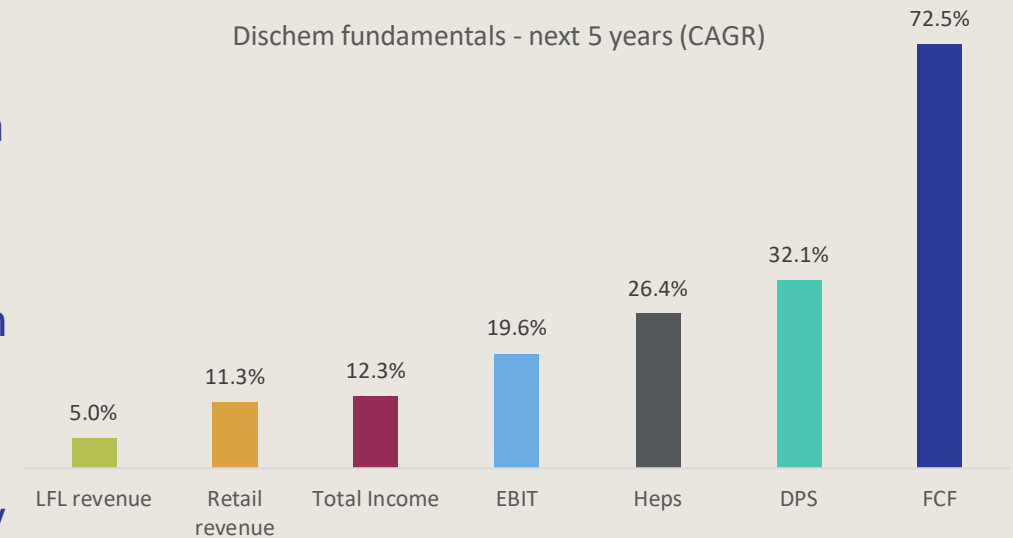
To be backed by robust cash generation

- + Strategic investments have depressed historic FCF conversion
  - New stores
  - DC capacity expansion
- + Future FCF conversion higher on normalized capital intensity

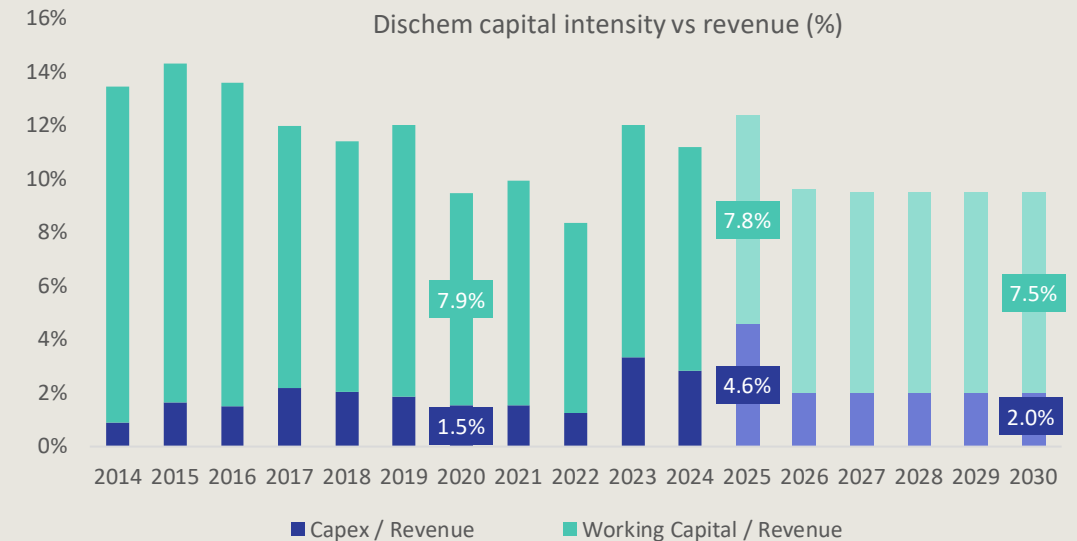
Dividend payout ratio likely increases as a result

- + Clicks returns all its cash to shareholders through dividends (65% payout ratio) and share buybacks
- + Dis-chem currently pays out 40% of earnings as dividends
  - We step this up to 50% in three years' time

Dischem fundamentals - next 5 years (CAGR)



Dischem capital intensity vs revenue (%)



Our GNU positioning in gold

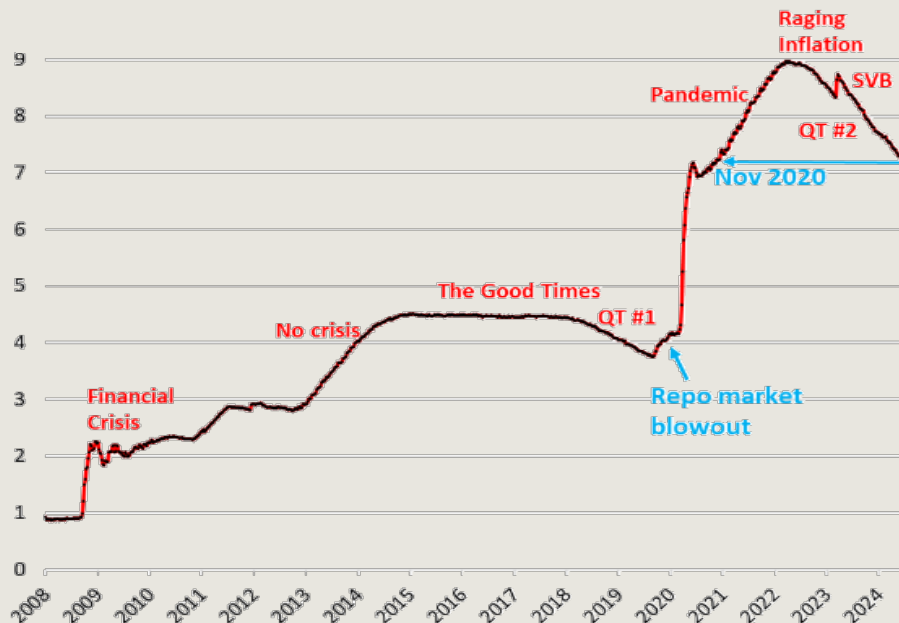


# Conducive Gold Price Environment

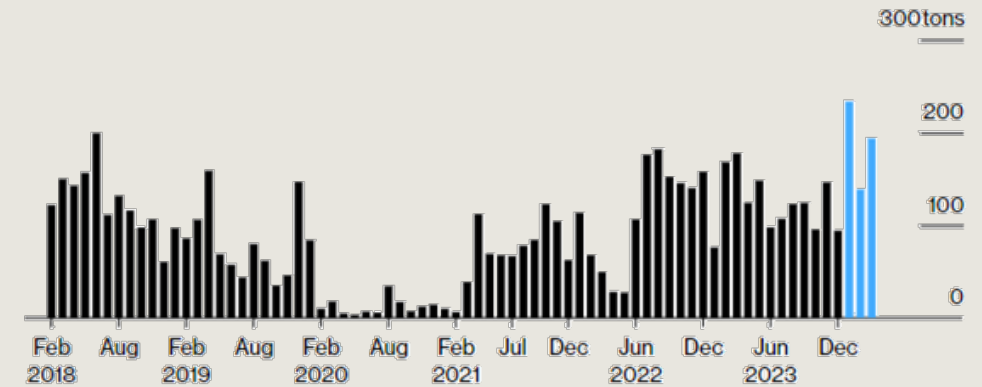


- + Heightened global uncertainty
- + EM countries boosting non-USD reserves
- + Worries about profligate money printing in DM
  - Can't print more gold

## Fed's total assets, USD trillion

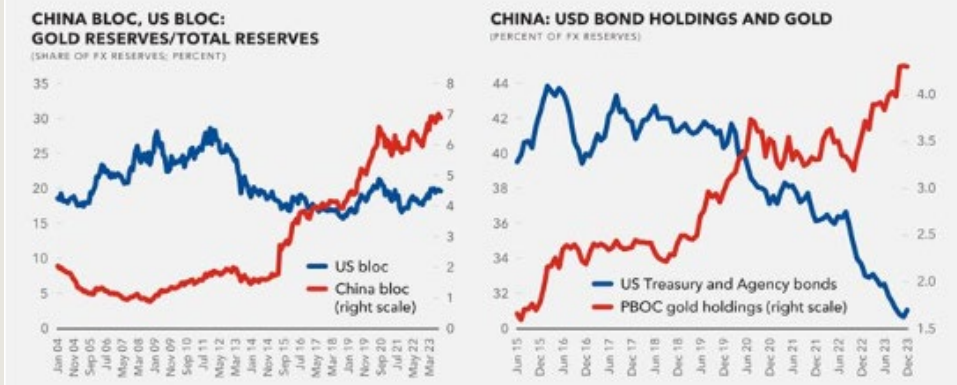


## Non-monetary gold imports into China



Source: China Customs

## Foreign exchange reserves and gold in China and China-leaning countries



Source: IFS, staff calculations

Source: Haver Analytics, US Treasury International Capital (TIC) Data, staff calculations

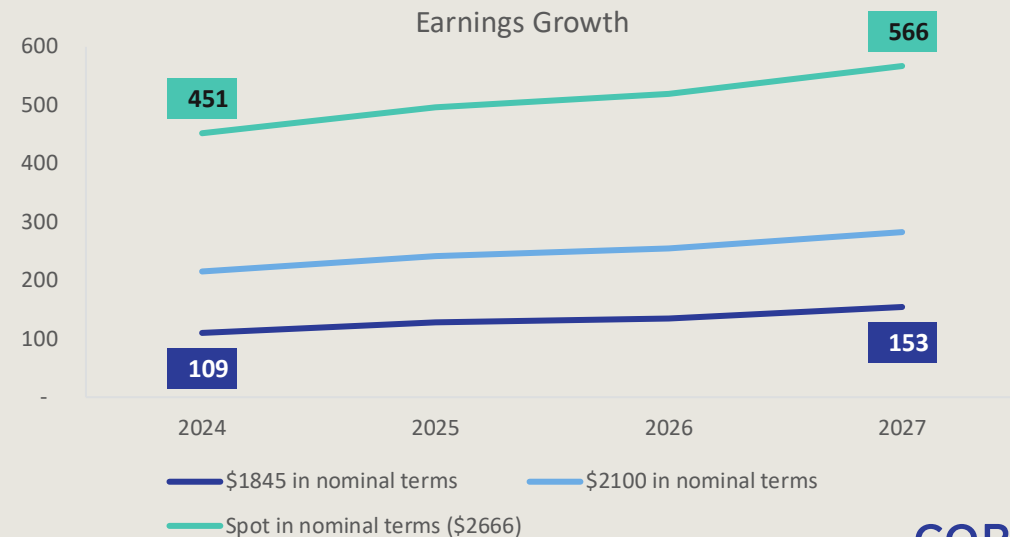
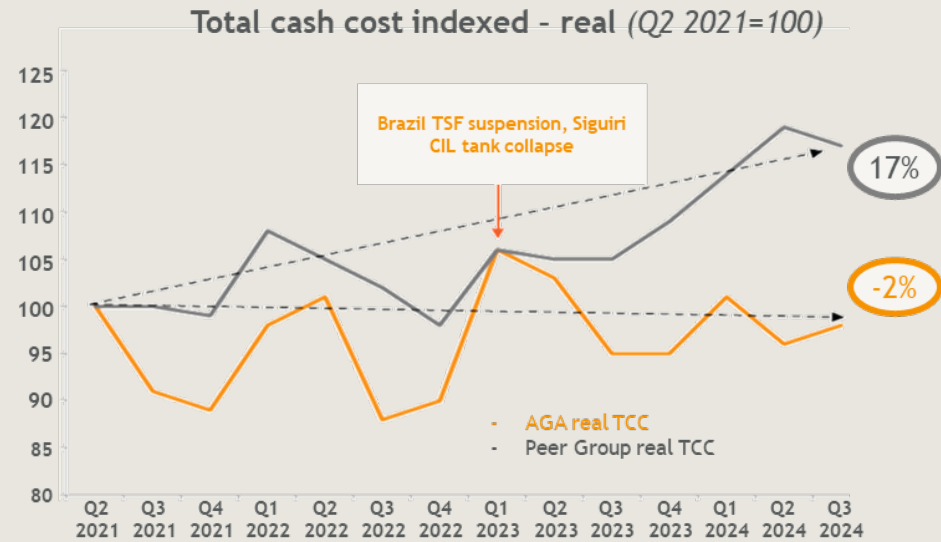


- + Decent collection of assets with improved operational performance
- + Q3 on the cost curve and improving
- + Recent M&A looks sensible
- + All in cost of \$1 871 vs. spot gold of \$2 666

+ Fairly valued at \$1850 normal gold

Gold price	Upside
\$2 100	35%
\$2 400	82%
\$2 666	123%

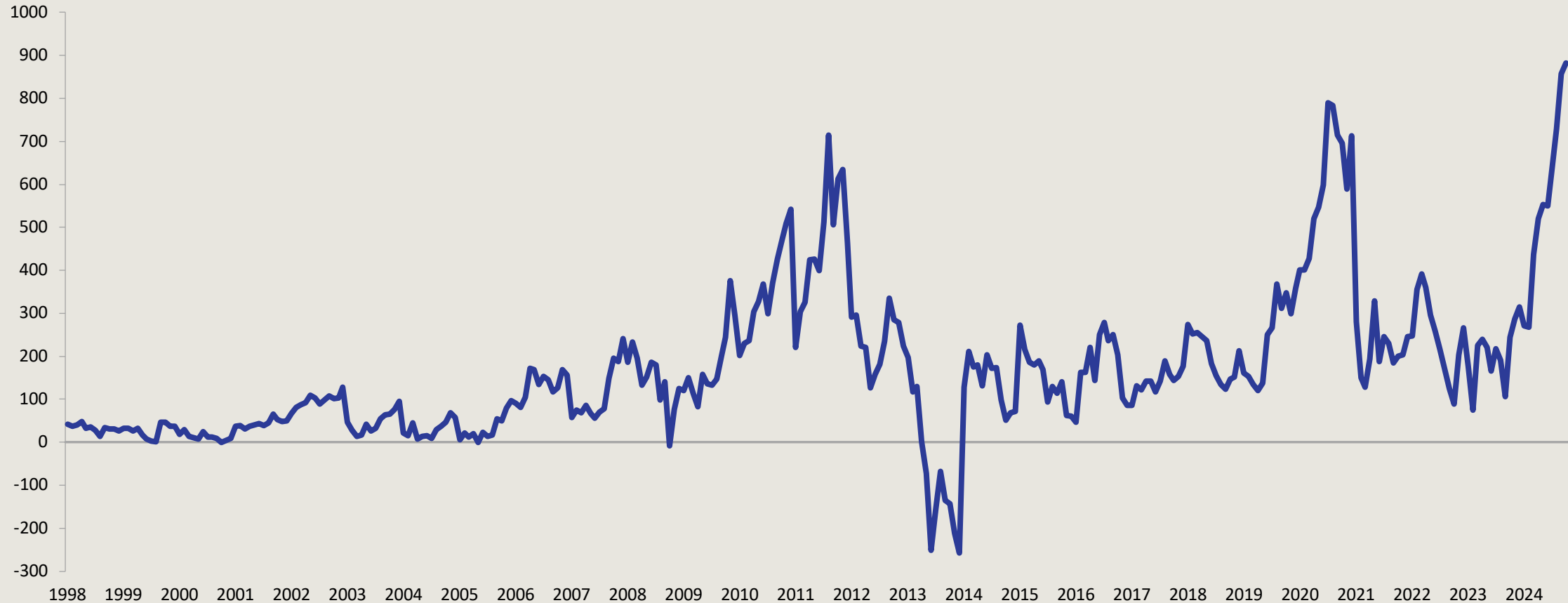
+ *Inexpensive insurance*



# Record margins imply a margin of safety



Anglo Gold margin over AIC (\$/oz - nominal)



# Coronation Top 20 Fund



## TOP 10 HOLDINGS - AS AT 31 October 2024

	% holding	PE Normal	Div Yield (f)	Upside
Naspers & Prosus	18.0%	6.0	0.2%	
Standard Bank	9.5%	8.7	6.3%	
Nedbank	7.7%	8.4	7.1%	
Anheuser	7.3%	13.3	1.9%	
AngloGold Ashanti	5.4%	10.1	2.5%	
Quilter	5.3%	12.8	4.5%	
Sanlam	4.3%	10.6	5.8%	
Investec	4.3%	6.5	6.9%	
African Rainbow Minerals	4.3%	6.0	7.0%	
Mondi	4.1%	9.5	4.6%	
<b>Fund</b>			<b>3.9%</b>	<b>36%</b>





# *Questions*

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Registration No. 1993/002807/07

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The following employees have been appointed as Key Individuals and/or Authorised Representatives:

### Key individuals

Anton Pillay; Karl Leinberger; Kirshni Totaram; Neville Chester; Llewellyn Smith; Nishan Maharaj.

### Authorised representatives

Adrian van Pallander; Hendrik Groenewald; Alistair Lea; Karl Leinberger; Anton de Goede; Kirshni Totaram; Pranay Chagan; Quinton Ivan; Charles de Kock; Sarah-Jane Morley (married Alexander); Dirk Kotzé; Sean Morris; Neill Young; Gavin Joubert; Neville Chester; Pallavi Ambekar; Suhail Suleman; Peter Leger; Tracy Burton; Nishan Maharaj; Nicholas Hops; Steve Janson; Mauro Longano; Henry Moolman; Gus Robertson; Sinovuyo Ndalen, Greg Longe; Neil Padoa; Nicholas Stein; Anthony Gibson, Seamus Vasey, Steven Barber; Humaira Surve; Godwill Chahwahwa; Danie Pretorius; Lisa Haakman; Marc Talpert; Iakovos Mekios; Azola Lowan; Tumisho Motlanthe; Paul Neethling; Floris Steenkamp; Chris Cheetham; Siviwe Mazwana; Kgahliso Molabe; Zukisa Luswazi (supervised); Siyabonga Mseleku (supervised); Tracy Brodziak; Jonathan Kinnear (supervised); Siphesihle Nzuzza (supervised)

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The appointed Compliance Officers are:

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Moses Mills  
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#### Key individuals

Kirshni Totaram; Karl Leinberger; Neil Padoa, Suhail Suleman

#### Authorised representatives

Gus Robertson; Gavin Joubert; Karl Leinberger; Kirshni Totaram; Peter Leger; Suhail Suleman; Greg Longe; Neil Padoa; Anthony Gibson, Steven Barber; Humaira Surve; Danie Pretorius; Lisa Haakman; Marc Talpert; Iakovos Mekios; Paul Neethling; Floris Steenkamp; Chris Cheetham; Hendrik Groenewald; Nishan Maharaj; Seamus Vasey

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#### Key individuals

Neville Chester; Nishan Maharaj

#### Authorised representatives

Adrian van Pallander; Neville Chester; Nicholas Stein; Nishan Maharaj; Quinton Ivan; Seamus Vasey; Jonathan Kinnear (supervised)

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