

WHAT IS THE FUND'S OBJECTIVE?

The fund aims to maximise long-term growth from investing in the financial services industry. It seeks to outperform an index of financial companies listed on the Johannesburg Stock Exchange (the JSE Financial Index) over the longer term.

WHAT DOES THE FUND INVEST IN?

The fund will remain fully invested in JSE-listed companies that earn a significant portion of their earnings from financial services. These include banks, insurance companies and related businesses.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS



The fund's managers actively seek out attractively valued financial companies that could offer strong long-term investment growth.

Shares are selected following rigorous research into the long-term potential of a company, and whether it is currently attractively valued relative to its sector.

Shares can be volatile investments and there is a meaningful risk of capital loss over the short term. However, given its focus on investing only in attractively valued shares that could offer long-term growth, the fund may preserve capital better than its benchmark over the long run.

The fund is concentrated and only invests in one sector of the market, making it riskier than a general equity fund.

HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The fund is managed to deliver the best possible returns over the long term; an investment horizon of five years or more is therefore ideal.

WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are building wealth, and who

- want to diversify their investments to include specific exposure to banks, insurers and related businesses;
- believe that the financial sector offers compelling value;
- accept that the fund may underperform the broader market significantly in the short term as a result of its sector focus;
- seek to hold the Financial Fund as one of multiple funds in their investment portfolio.

WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 1.25% (excl. VAT) is payable.

Fund expenses that are incurred in the fund include trading, custody and audit charges. All performance information is disclosed after deducting all fees and other portfolio costs.

We do not charge fees to access or withdraw from the fund.

More detail is available on www.coronation.com.

WHO ARE THE FUND MANAGERS?



NEILL YOUNG
BBusSc (Hons Fin), CA
(SA), CFA



GODWILL CHAHWAHWA
BCompt, CA (SA)
CFA

GENERAL FUND INFORMATION

Launch Date	1 July 1998
Fund Class	A
Benchmark	FTSE/JSE Financial Index
Fund Category	South African – Equity – Financial
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORFING
ISIN Code	ZAE000019766
JSE Code	CNFG

CORONATION FINANCIAL FUND

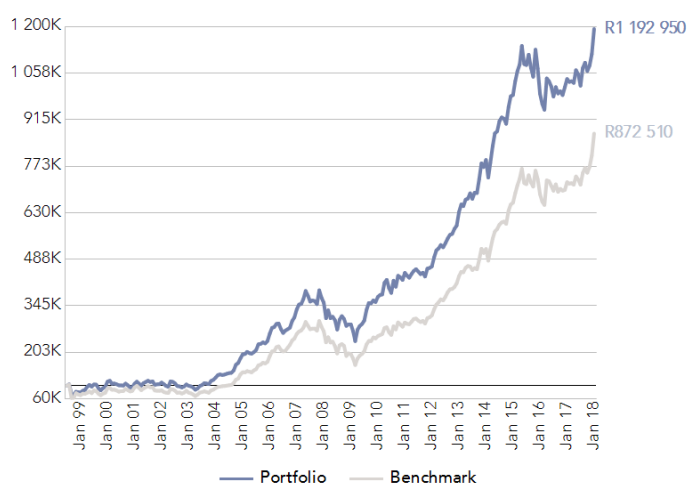
CLASS A as at 31 December 2017

Fund category	South African - Equity - Financial
Launch date	01 July 1998
Fund size	R515.35 million
NAV	6688.04 cents
Benchmark/Performance	FTSE/JSE Financial Index
Fee Hurdle	
Portfolio manager/s	Neill Young and Godwill Chahwahwa

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.48%	1.47%
Fund expenses	1.24%	1.24%
VAT	0.06%	0.05%
Transaction costs (inc. VAT)	0.17%	0.17%
Total Investment Charge	0.23%	0.22%
	1.71%	1.69%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1093.0%	772.5%	320.4%
Since Launch (annualised)	13.6%	11.7%	1.8%
Latest 15 years (annualised)	18.0%	17.4%	0.6%
Latest 10 years (annualised)	12.9%	12.6%	0.3%
Latest 5 years (annualised)	13.5%	14.9%	(1.4)%
Latest 3 years (annualised)	6.4%	9.7%	(3.3)%
Latest 1 year	14.8%	20.6%	(5.8)%
Year to date	14.8%	20.6%	(5.8)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	18.9%	20.3%
Sharpe Ratio	0.24	0.13
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(39.7)%	(45.3)%
Positive Months	61.1%	61.5%

	Fund	Date Range
Highest annual return	63.0%	Aug 2004 - Jul 2005
Lowest annual return	(28.6)%	Mar 2008 - Feb 2009

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2017	(0.9)%	0.2%	(0.5)%	3.8%	(1.3)%	(3.3)%	5.3%	1.6%	(2.4)%	1.6%	3.2%	6.9%	14.8%
Fund 2016	(3.1)%	(1.8)%	10.2%	(0.8)%	(1.6)%	(3.0)%	3.0%	(2.0)%	0.8%	(1.2)%	2.4%	2.5%	4.6%
Fund 2015	4.4%	2.9%	2.0%	5.3%	(4.9)%	(0.3)%	3.0%	(3.7)%	(2.5)%	8.0%	(5.1)%	(7.3)%	0.4%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2017
Domestic Assets	100.0%
Equities	85.8%
Health Care	1.8%
Financials	84.0%
Preference Shares & Other Securities	3.8%
Real Estate	8.6%
Cash	1.8%

TOP 10 HOLDINGS

As at 31 Dec 2017	% of Fund
Standard Bank Group Ltd	13.3%
RMB Holdings	12.7%
Old Mutual Life Assurance SA	10.6%
Investec	9.1%
Nedbank Group Ltd	7.1%
Discovery Holdings Ltd	6.0%
PSG Group	5.4%
MMI Holdings Ltd	4.1%
Reinet Investment SCA	3.8%
INTU Properties	3.7%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Sep 2017	02 Oct 2017	73.33	73.33	0.00
31 Mar 2017	03 Apr 2017	73.16	72.16	1.00
30 Sep 2016	03 Oct 2016	98.05	97.66	0.39
31 Mar 2016	01 Apr 2016	62.75	62.01	0.74

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

The financial sector ended the year on a very strong note, delivering 16% for the final quarter. The fund returned 12.2% for the fourth quarter and over more meaningful periods of 5 and 10 years the fund delivered 13.6% and 12.9% relative to benchmark returns of 14.9% and 12.6% respectively. Since inception the fund has returned a compound annual return of 13.6%. The long-term track record of the fund remains respectable relative to peers and the benchmark.

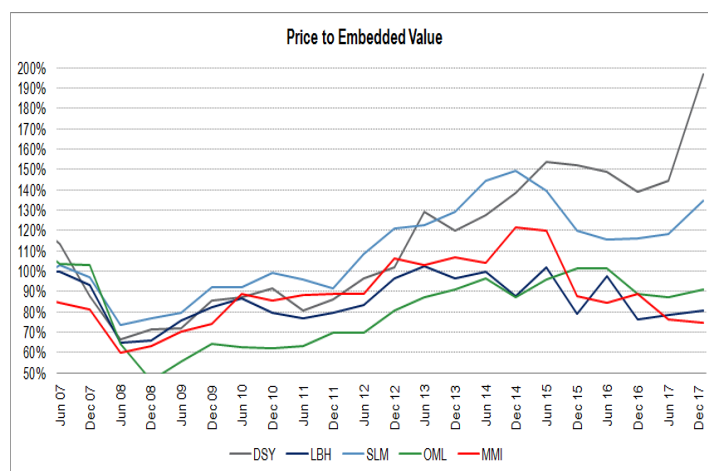
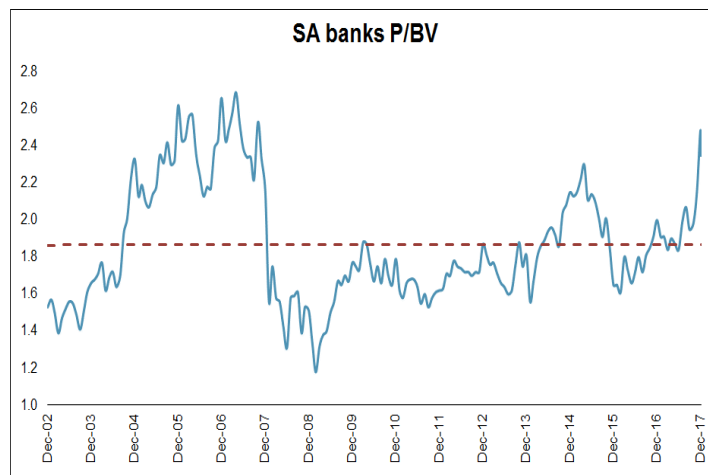
The outperformance by the banking sector relative to the life insurance sector, that characterised the previous quarter, continued. Banks delivered 28.3% for the final quarter, compared to 18.9% from the life sector. Returns from listed domestic property and general financials were modest at 8.3% and 2.8% respectively.

Contributors to fund performance for the quarter were overweight positions in Discovery, Nedbank, and Standard Bank as well as underweight positions in PSG and the domestic property sector. Detractors from quarterly performance include an overweight position in PSG Konsult (where interim results were softer than market expectations; still, we remain positive on the longer-term growth opportunity) as well as in stocks with rand hedge characteristics, including Investec and Hammerson. Underweight positions in Barclays Group Africa and Sanlam also detracted.

The rand strengthened 9% during the quarter and proved to be a material headwind for the rand hedge stocks in the fund. Much of this rand strength came in December after Cyril Ramaphosa was elected as ANC president. The SA economy faces some tough challenges and the possibility of a local currency ratings downgrade to junk status. The ascendancy of Ramaphosa, who is generally viewed as more market friendly than his predecessor, was well received by the market. It now remains to be seen whether the new ANC leadership can overcome the internal conflicts which characterised the run-up to the elective conference and deliver the required fiscal discipline and policy reform. Domestic stocks rallied strongly on the outcome of the ANC conference to levels at which we believe a lot of good news has now been factored into valuations, with little margin of safety should there be any disappointment in execution by the new leadership. We therefore retain the rand hedge holdings in the fund which offer more attractive valuations and ample margin of safety.

During the quarter we took the opportunity to reduce holdings in Standard Bank, Nedbank, Discovery and FirstRand as these stocks rallied and their margin of safety reduced. We increased the fund's positions in Investec, Intu, MMI and Santam, as well as initiating a new position in PSG. The latter is a stock we have always liked, but in the past its valuation has rarely offered the adequate margin of safety we would require to include it in the fund. During the quarter, PSG sold down meaningfully following the financial irregularities which emerged at one of its large shareholders, Steinhoff (formerly a 25% shareholder). While these irregularities did not directly impact PSG or its operations, Steinhoff's decision to sell down its holding to shore up liquidity provided us with an attractive entry point into PSG. The management team of PSG has delivered exceptional shareholder value over the long term and the business currently holds an attractive portfolio of businesses including Capitec, PSG Konsult, Curro and Zeder. We are confident in the PSG management team and their ability to grow and unlock shareholder value in these assets.

Following the strong rally in the quarter, valuations across financial stocks are now looking full. The charts below provide some key valuation metrics for banks (price-to-book multiples) and life insurance companies (price-to-embedded-value multiples) over the long term.



Banks now trade at price-to-book multiples comparable to the valuations last seen before the financial crisis, despite current sustainable return-on-equity levels being lower than those achieved before 2007. The life sector has seen a steady improvement in price-to-embedded-value multiples since the financial crisis, with Discovery and Sanlam showing the strongest re-rating over the last year. Given these valuations, we would caution against expecting returns from the sector over the past decade to be repeated in the next ten years. That said, opportunities for the astute stock picker still exist. Still, in today's environment, it becomes even more important to remain focussed on valuation-driven investing and to avoid the risk of permanent loss of capital by seeking out only those opportunities that offer an attractive margin of safety relative to intrinsic value.

Portfolio managers
Neill Young and Godwill Chahwahwa
 as at 31 December 2017

IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION FINANCIAL FUND

The Financial Fund should be considered a long-term investment. The value of units may go down as well as up, and therefore Coronation does not make any guarantees with respect to the protection of capital or returns. Past performance is not necessarily an indication of future performance. Coronation Management Company (RF) (Pty) Ltd is a Collective Investment Schemes Manager approved by the Financial Services Board in terms of the Collective Investment Schemes Control Act. Portfolio managed by Coronation Asset Management (Pty) (FSP 548) Ltd, an authorised financial services provider. The Management Company reserves the right to close the fund to new investors if we deem it necessary to limit further inflows in order for it to be managed in accordance with its mandate. Unit trusts are allowed to engage in scrip lending and borrowing. Standard Chartered has been appointed as trustees for the fund (www.sc.com/za; 011-2176600). Coronation is a full member of the Association for Savings & Investment SA (ASISA).

HOW ARE UNITS PRICED AND AT WHICH PRICE WILL MY TRANSACTION BE EXECUTED?

Unit trusts are traded at ruling prices set on every trading day. Fund valuations take place at approximately 15h00 each business day, except at month end when the valuation is performed at approximately 17h00 (JSE market close) and forward pricing is used. Instructions must reach the Management Company before 14h00 (12h00 for the Money Market Fund) to ensure same day value. The payment of withdrawals may be delayed in extraordinary circumstances, when the manager with the consent of the fund trustees deem this to be in the interest of all fund investors. These circumstances may include periods when significant underlying markets suspend trading which will prevent accurate valuation of the instruments held in the fund. When the suspension of trading relates to only certain assets held by the fund, these assets may be side-pocketed. This process allows normal liquidity on the assets that can be valued, but will delay liquidity on the affected portion of the fund. If the fund is faced with excessive withdrawals, the affected withdrawals may be ring-fenced, which is the separation and delayed sale of the assets reflecting the interest of the liquidity seeking investors. It ensures that the sale of a large number of units will not force Coronation to sell the underlying investments in a manner that may have a negative impact on remaining investors of the fund.

HOW WAS THE PERFORMANCE INFORMATION INCLUDED IN THIS FACT SHEET CALCULATED?

Performance is calculated by Coronation as at the last day of the month for a lump sum investment using Class A NAV prices with income distributions reinvested. All underlying price and distribution data is sourced from Morningstar. Performance figures are quoted after the deduction of all costs (including manager fees and trading costs) incurred within the fund. Note that individual investor performance may differ as a result of the actual investment date, the date of reinvestment of distributions and dividend withholding tax, where applicable. Annualised performance figures represent the geometric average return earned by the fund over the given time period. Unannualised performance represents the total return earned by the fund over the given time period, expressed as a percentage.

WHAT IS THE TOTAL EXPENSE RATIO (TER) AND TRANSACTION COSTS (TC)?

TER is calculated as a percentage of the average net asset value of the portfolio incurred as charges, levies and fees in the management of the portfolio. The TER charged by any underlying fund held as part of a fund's portfolio is included in the fund expenses portion of the TER, but trading and implementation costs incurred in managing the fund are excluded. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's. The 1 year TER is for the 12 months to end of September 2017 (updated annually). The 3 year TER is for a rolling 36-month period to the last quarter end (December, March, June and September).

Transaction costs are a necessary cost in managing a fund and impacts the fund's return. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER.

The Total Investment Charge is the sum of the Total Expense Ratio (TER) and transaction costs.

ADVICE AND PLATFORM COSTS

Coronation does not provide financial advice. If you appoint an advisor, advice fees are contracted directly between you and the advisor. We will facilitate the collection of advice fees only upon receiving your instruction, up to a maximum of an initial fee of 3.00% and an ongoing fee of 1.00% per annum (where an initial advice fee of more than 1.50% is selected, the maximum annual advice fee that we will collect is 0.50%). Advice fees are usually collected through the redemption of units. You may cancel the instruction to facilitate the payment of advice fees at any time. Advisors will only share in Coronation fees subject to prior approval by and/or disclosure to the investor. A portion of Coronation's annual management fee may be paid to administration platforms such as Linked Investment Service Providers (LISPs) as a payment for administration and distribution services.

WHERE CAN I FIND ADDITIONAL INFORMATION?

Additional information such as daily fund prices, brochures, application forms and a schedule of fund fees and charges is available on our website, www.coronation.com

IMPORTANT INFORMATION REGARDING TERMS OF USE

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