CORONATION FINANCIAL FUND

Fund Information as at 31 August 2018

CORONATION
TRUST IS EARNED™

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

Risk Profile

10/10

Aggressive

Maximum growth/
minimum income exposures

Growth Assets: 100%

Income Assets: 0%

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

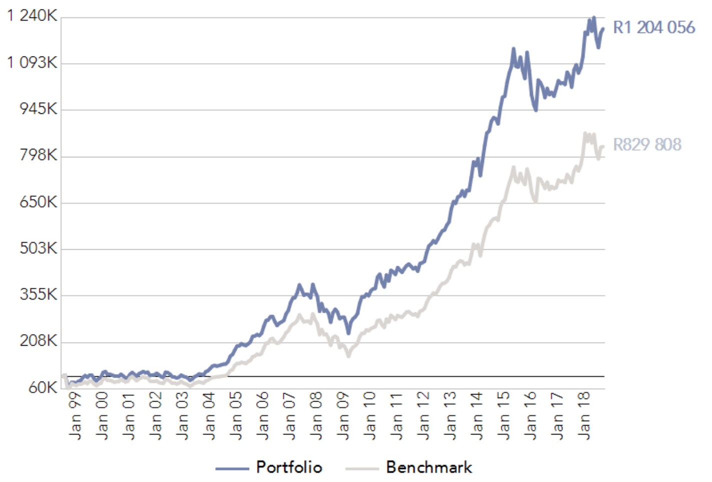
CLASS A as at 31 August 2018

Fund category	South African - Equity - Financial
Launch date	01 July 1998
Fund size	R478.29 million
NAV	6721.06 cents
Benchmark/Performance Fee Hurdle	FTSE/JSE Financial Index
Portfolio manager/s	Neill Young and Godwill Chahwahwa

	1 Year	3 Year
Total Expense Ratio	1.48%	1.47%
Fund management fee	1.24%	1.24%
Fund expenses	0.06%	0.05%
VAT	0.17%	0.17%
Transaction costs (inc. VAT)	0.23%	0.21%
Total Investment Charge	1.71%	1.68%

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)	1104.1%	729.8%	374.3%
Since Launch (annualised)	13.1%	11.1%	2.1%
Latest 20 years (annualised)	14.9%	13.8%	1.1%
Latest 15 years (annualised)	17.5%	16.8%	0.7%
Latest 10 years (annualised)	14.4%	13.8%	0.6%
Latest 5 years (annualised)	11.8%	12.7%	(0.9)%
Latest 3 years (annualised)	3.9%	4.7%	(0.8)%
Latest 1 year	10.5%	8.2%	2.3%
Year to date	0.9%	(4.9)%	5.8%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	18.7%	20.1%
Sharpe Ratio	0.22	0.10
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(39.7)%	(45.3)%
Positive Months	60.7%	61.2%

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

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Aug 2018
Domestic Assets	**100.0%**
Equities	**82.6%**
Financials	82.6%
Preference Shares & Other Securities	**5.2%**
Real Estate	**11.8%**
Cash	**0.5%**

TOP 10 HOLDINGS

As at 30 Jun 2018	% of Fund
Standard Bank of SA Ltd	12.4%
RMB Holdings	12.3%
Investec Limited	10.6%
Old Mutual LTD	6.7%
Nedbank Ltd	6.2%
Discovery Holdings Ltd	6.0%
INTU Properties	4.4%
Reinet Investment SCA	4.4%
Quilter plc	4.0%
PSG Group	3.4%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Mar 2018	03 Apr 2018	28.92	27.21	1.71
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

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2018	(0.5)%	3.8%	(2.8)%	3.6%	(5.3)%	(2.5)%	4.0%	1.1%					0.9%
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%

Issue date: 2018/09/07

Please refer to page 4 of the Comprehensive Fact Sheet for important additional infomation, including change in cost disclosures.

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

Quarter 2 saw a retracement in the gains made by banks and life insurers in Q1. Despite outperforming, the fund returned a negative return of -4.4% against the benchmark return of -6.0%. Over more meaningful periods of five and 10 years, the fund has generated compound annual returns of 11.2% and 15.5% respectively, which should be seen in the context of index returns of 11.7% and 14.8%. At the end of June, the fund celebrated a 20-year track record. Since inception, the fund has delivered a compound annual return of 13.0%, which compares favourably to both peers and the benchmark.

The quarter under review was a challenging one for the sector, the South African market and emerging markets in general. As the spectre of global protectionism and the threat of a trade war rises, emerging markets are caught in the crossfire. A move towards normalisation of interest rates in developed markets has also had a negative impact on emerging markets. Following a brief honeymoon period, the reality of the challenges faced by the Ramaphosa administration are becoming increasingly apparent. Uncertainty over land redistribution policy and a still-contested revised mining charter are just two examples of this. The rand ended the quarter at 13.73 to the US dollar, the same level it was at just a week before the ANC elective conference in December. The decline in share prices of banks and insurers that started in March continued into the second quarter, with banks down 7.8% and life companies down 11.0%. A more resilient performance from property and general financials cushioned the blow slightly.

Contributors to fund performance for the quarter included overweight positions in Investec, PSG Konsult and Hammerson, as well as an underweight position in Sanlam and a zero holding in Barclays Group Africa. Detractors from performance were overweight positions in MMI, Nedbank and Afrocentric and a recovery in the share prices of Resilient and Capitec, neither of which the fund holds.

At the end of June, Old Mutual completed the first step of its managed separation process - the listing and unbundling of its shareholding in the UK wealth management business, Quilter plc. The second step will come towards the end of the year when it distributes 35% of its 55% shareholding in Nedbank. In the lead up to this event, the fund held a significant position in Old Mutual (c.12%) as we felt that the market was undervaluing the sum of its parts. Quilter is an attractive asset operating in a market under-pinned by strong structural growth drivers. Reforms in the UK savings industry in recent years have resulted in two supporting pieces of regulation: RDR has had the effect of reducing the supply of independent financial advice; while pensions freedom has increased demand for the same advice by placing greater responsibility on the individual to plan and save for his or her retirement.

Quilter, previously known as Old Mutual Wealth, has been built in large part by acquisition off the base of the UK business inherited when Old Mutual bought Skandia in 2006. Some misadventures have taken place along the way, but today the business is an intelligently constructed operation spanning virtually the entire savings value chain. It consists of a financial advice force of c.1 600 restricted financial planners, a platform providing administrative/reporting capabilities and tax wrappers, and an investment component providing multi-manager solutions as well as a more traditional private wealth offering. At c. £100m of AUA, Quilter is a sizable player in the market, comparable to peers St James Place and Hargreaves Lansdown. Underpinned by the changes in the UK savings market, net flows to the business have exceeded 6% of opening AUA for the last three years. Advised assets placed on a platform tend to be relatively sticky, and we expect the market to continue to grow strongly for some time. As a meaningful participant, we expect Quilter to benefit from this growth.

As is often the case, the investment case is not without risk. Revenue margins have declined for each of the last three years as competition in the space has increased. Some additional fee pressure is likely to be felt, although this should be more than offset by asset growth. Most importantly, the business will transition to a new IT platform towards the end of the current year / early next, and the risk of lasting brand damage exists if not done seamlessly. Having discussed this in some detail with company management, we believe that the steps put in place to mitigate this risk are as comprehensive as one could expect.

As part of the listing process, Old Mutual sold 10% of its shareholding in Quilter at a price that we felt meaningfully undervalued the business, in advance of unbundling the remaining holding. The fund participated in this placement, and in addition to the shares received on the unbundling, holds 4% of Quilter. In addition to the acquisition of Quilter, which was funded by the sale of Old Mutual, we increased exposure to FirstRand, Discovery and Intu during the quarter, and reduced exposure to Investec, HCI and Nedbank. In addition, we exited the fund's positions in Afrocentric and Brait.

As a general comment, following the selloff in Q2, financial share valuations now look more reasonable but we expect share prices to remain under pressure in the near term. Pre-close updates from the banks towards the end of the quarter reaffirmed our view that economic activity remains subdued, and that translating the improvement in consumer and business confidence into loan growth / new policy sales will take time. We are hopeful that this will start to manifest more clearly in 2019, but the risks to sustaining this confidence are increasingly evident.

Portfolio managers
Neill Young and Godwill Chahwahwa
as at 30 June 2018

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 Sector Conduct Authority 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 adviser, advice fees are contracted directly between you and the adviser. For more information please contact the relevant platform (Linked Investment Service Provider or Life Assurance Provider).

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

This document is for information purposes only and does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase any particular investment. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance upon the information.