

WHAT IS THE FUND'S OBJECTIVE?

The fund aims to maximise long-term investment growth from investing in a select group of South African listed industrial and consumer companies.

It seeks to outperform an index of industrial companies listed on the Johannesburg Stock Exchange (the JSE Industrial Index) over the longer term.

WHAT DOES THE FUND INVEST IN?

The fund will remain fully invested in companies listed on the JSE, most excluding those involved in mining and financial services. It can invest in a wide range of industries, including technology, telecommunication, healthcare and consumer goods.

While the fund may not invest in foreign markets, it can have exposure to international companies that are listed in South Africa. The fund is mandated to use derivative instruments for efficient portfolio management purposes.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS



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

Shares are selected following rigorous and independent 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

- want to diversify their investments to include exposure to a wide range of industrial companies;
- accept that the fund may underperform the market significantly in the short term in pursuit of superior long-term gains;
- want to hold the Industrial Fund as one of multiple funds in their investment portfolio.

WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 1.00% (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?



**SARAH-JANE
ALEXANDER**
BBusSc, CFA



ADRIAN ZETLER
BCom (Hons), CA
(SA), CFA

GENERAL FUND INFORMATION

Launch Date	1 July 1998
Fund Class	P (previously class A)
Benchmark	FTSE/JSE Industrial Index
Fund Category	South African – Equity – Industrial
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORCGRO
ISIN Code	ZA000019741
JSE Code	CNCG

CORONATION INDUSTRIAL FUND

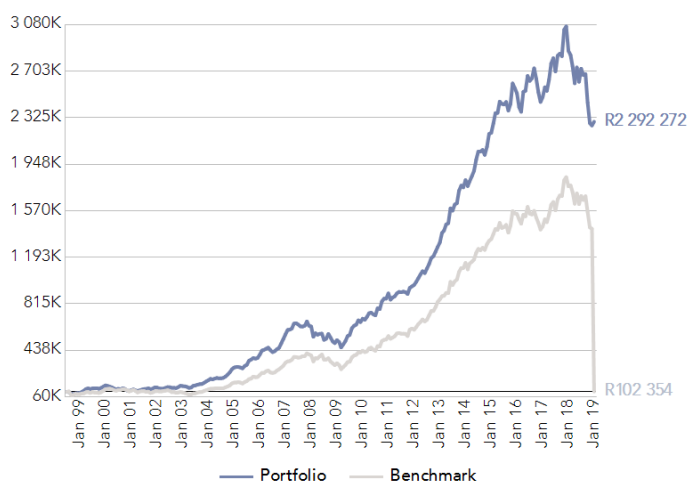
CLASS P as at 31 December 2018

Fund category	South African - Equity - Industrial
Launch date	01 July 1998
Fund size	R920.09 million
NAV	16169.68 cents
Benchmark/Performance	FTSE/JSE Industrial Index
Fee Hurdle	
Portfolio manager/s	Sarah-Jane Alexander and Adrian Zetler

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.16%	1.16%
Fund expenses	1.00%	1.00%
VAT	0.02%	0.02%
Transaction costs (inc. VAT)	0.14%	0.14%
Total Investment Charge	0.21%	0.20%
	1.37%	1.36%

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)	2192.3%	1323.5%	868.8%
Since Launch (annualised)	16.5%	13.8%	2.7%
Latest 20 years (annualised)	17.5%	15.5%	2.0%
Latest 15 years (annualised)	17.9%	18.1%	(0.3)%
Latest 10 years (annualised)	16.0%	15.9%	0.1%
Latest 5 years (annualised)	4.7%	4.9%	(0.2)%
Latest 3 years (annualised)	(3.1)%	(1.9)%	(1.2)%
Latest 1 year	(20.0)%	(17.5)%	(2.5)%
Year to date	(20.0)%	(17.5)%	(2.5)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	15.4%	17.9%
Sharpe Ratio	0.49	0.27
Maximum Gain	55.8%	61.7%
Maximum Drawdown	(31.6)%	(38.5)%
Positive Months	64.2%	63.8%

	Fund	Date Range
Highest annual return	68.0%	Jan 1999 - Dec 1999
Lowest annual return	(26.2)%	Dec 2017 - Nov 2018

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2018	(1.2)%	(3.2)%	(5.0)%	5.0%	(4.3)%	4.1%	(1.9)%	0.3%	(8.7)%	(6.8)%	(0.8)%	1.4%	(20.0)%
Fund 2017	3.2%	(1.2)%	3.6%	5.0%	1.6%	(3.9)%	4.8%	0.6%	(0.8)%	7.6%	0.9%	(6.5)%	15.0%
Fund 2016	(4.5)%	(1.6)%	6.9%	0.3%	4.8%	(1.6)%	0.8%	3.1%	(3.1)%	(4.2)%	(3.1)%	1.6%	(1.2)%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2018
Domestic Assets	100.0%
Equities	97.8%
Industrials	4.7%
Consumer Goods	23.6%
Health Care	8.3%
Consumer Services	50.3%
Telecommunications	5.2%
Financials	3.5%
Technology	2.2%
Preference Shares & Other Securities	1.1%
Real Estate	0.7%
Cash	0.4%

TOP 10 HOLDINGS

As at 31 Dec 2018	% of Fund
Naspers Ltd	35.0%
Compagnie Financiere Richemont SA	7.5%
British American Tobacco Plc	7.3%
MTN Group Ltd	5.2%
Shoprite Holdings Ltd	3.1%
Distell Group Ltd	2.7%
Remgro Ltd	2.4%
Pick 'N Pay Stores	2.4%
Mediclinic Internat PLC	2.3%
Zeder Investments Ltd	2.3%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
28 Sep 2018	01 Oct 2018	110.24	109.34	0.91
29 Mar 2018	03 Apr 2018	86.67	81.55	5.12
29 Sep 2017	02 Oct 2017	72.22	69.82	2.40
31 Mar 2017	03 Apr 2017	108.99	107.77	1.22

It was a disappointing year, with the industrial sector declining meaningfully by 17.6% and the fund underperforming its benchmark to end the year at -20%. In the fourth quarter of 2018, the fund was down 6.3% -marginally above the benchmark -6.5%. Over 10 years the fund has averaged 16.0%, slightly beating the benchmark. Since inception, the fund has delivered a compound annual return of 16.5%, which is 2.7% above its benchmark.

Over the year, investor sentiment in South Africa deteriorated as Ramaphoria evaporated and structural concerns reasserted themselves as the dire state of many state-owned enterprises (SOEs) was further revealed. Most sit with inflated wage bills from overstaffing and years of above-inflation pay increases. The job cuts required to rein in costs are a tough call for a divided governing party facing an election in the next few months. Following the election, we are hopeful that a stronger mandate for the incumbent will enable more decisive reform. Eskom remains a significant problem, with its strained balance sheet and years of poor maintenance, resulting in the reoccurrence of load-shedding in an economy already struggling to grow. Positively, there has been progress on governance, with SOE boards being reconstituted and underperforming management teams being replaced. In addition, third-quarter GDP figures indicated a return to growth, although a further hurdle came in the form of the South African Reserve Bank's surprise repo rate increase of 25 basis points (bps) in November. This action was premised on a depreciating rand, persistent electricity price increases and a high oil price, which has subsequently declined. Food inflation also looks set to rise in 2019, with maize prices spiking in response to a poor rainy season in key planting areas.

The JSE Capped SWIX All Share Index ended 2018 down 10.9% (down 3.8% in Q4) as the euphoria of the first quarter subsided, resulting in both weak equity markets and a marked deterioration in the currency, down 13.8% for the year. The rand was one of the weakest currencies globally. Worldwide markets were also weak as fears of trade wars and slowing global growth momentum plagued sentiment.

We have the fortunate dilemma of seeing attractive value in both the offshore shares and domestic industrial shares, given the increased upside to our estimates of fair values after a year of market declines. The portfolios core building blocks remain in place, with significant positions in offshore stocks, including Naspers, British American Tobacco, Richemont and MTN. All of these companies have faced various challenges over the past year.

Earlier during the year, MTN was hit by claims from the Central Bank of Nigeria (CBN) and the Nigerian Attorney General for capital repatriation of US\$8 billion and US\$2 billion in back taxes. The share reacted violently to the news flow, with sharp declines and priced in a severe outcome with seemingly no value placed on the Nigerian operations. The actions of the Nigerian bodies attracted international attention as the investment climate was broadly undermined. The fund added to its position at this time. The issue of repatriation has subsequently been resolved for a notional amount of US\$52 million. Despite resolution, shaken investor confidence means MTN continues to trade well below our opinion of fair value as we view investors as placing an excessive discount on African operations.

British American Tobacco (BTI), a major holding in the fund, ended the quarter at -27.4% and the year at -43.4%. The company significantly increased its exposure to the US market with its 2017 acquisition of Reynolds, and since then, US tobacco companies have been plagued by a barrage of negative regulatory developments. The Food and Drug Administration seeks to clampdown on tobacco levels in conventional cigarettes and reduce flavoured tobacco, particularly menthol, where BTI is the market leader. In addition, the market is facing structural change as reduced-harm offerings, such as vaping, could result in an accelerated volume decline in combustible cigarettes. New entrants (particularly Juul in the US market) have managed to establish good distribution channels and gain market share through a well-designed product with youth appeal. The share has been punished in response to these factors and the high levels of gearing from the Reynolds acquisition. Trading on 7.6 times its forward earnings and with a dividend yield of 9%, we believe the share offers exceptional value. BTI's healthy free cash flow conversion, and the likelihood that any regulatory change will take a few years to implement, will support balance sheet de-gearing. Given the ongoing negative news flow (regulatory developments, rise of e-cigarettes), there seems to be little price

support, despite the valuation underpin. Ultimately, we believe fundamentals will reassert themselves.

Naspers remains a large holding in the fund, given the compelling opportunity set latent in this business. We remain cognisant of the inherent risk in Tencent, particularly given its size and dominance within a single, centrally-controlled market such as China. During the past year, delays in Chinese gaming licences have proved a headwind. Despite this, we expect strong growth to continue. Tencent is building a payments business in a financial services market segment many times larger than the gaming market as well as growing rapidly in areas such as cloud services and advertising. Within Naspers, streamlining of the portfolio continues, with more focused investment in core pillars such as the rapidly-growing food delivery businesses. A planned unbundling of the MultiChoice business in 2019, as well as a potential offshore listing of some of the internet assets further underpin management's commitment to reduce the discount to fair value.

Domestically, we believe earnings bases are low as cost bases have been trimmed and companies have faced several years of tough economic conditions with little volume. The food retailers owned by the fund are a good example. Rising food inflation and a (hopefully) stronger economy should provide food retailers and producers with the ability to raise prices and recover cost increases. A little bit of volume should deliver positive operating leverage given the lean cost bases.

Performance attributions over the past three years have been boosted by our holdings in Pick n Pay, Netcare, Naspers, Spar, and Barloworld, while British American Tobacco, Mediclinic and Steinhoff have been detractors. During the quarter, our overweight positions in Netcare, Pepkor, Clover, Cartrack and Rhodes Food Group, as well as our underweight position in Richemont all contributed to performance.

Portfolio activity during the quarter included building positions in Shoprite and Rhodes Food Group as well as adding to the British American Tobacco holding as its share price underperformed and valuation became more attractive. These purchases were funded from a variety of sources as individual names relatively outperformed.

It has been a challenging year. Shares prices plummeted on disappointing news flow and there have been few marginal buyers for assets with uncertainty. Given the extent of share price declines, we see compelling value in many names which now trade at significant discounts to our assessment of fair value. The team continues to do as we have done before; cut out the noise, work hard to interrogate investment theses and invest for the long term, where we believe the inherent value in many of our holdings will reassert itself.

Portfolio managers
Sarah-Jane Alexander and Adrian Zetler
 as at 31 December 2018

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

The Industrial 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. Asset allocation and top 10 holdings are reflected on a look-through basis. 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 P 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

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