

# CORONATION SA EQUITY FUND

Fund Information as at 28 February 2018

## WHAT IS THE FUND'S OBJECTIVE?

The SA Equity Fund aims to achieve the best possible long-term growth from investing in South African shares.

## WHAT DOES THE FUND INVEST IN?

The SA Equity Fund invests in the shares of companies listed on the Johannesburg Stock Exchange. While investments in foreign markets are specifically excluded, the fund can invest in international companies that are listed in South Africa.

There are no restrictions on how much exposure the fund can have to different sectors (for example, to mining, financial or industrial companies).

The fund will be fully invested in shares at all times. 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 shares that could achieve strong investment growth over the long run. Rigorous research is conducted into the long-term potential of a company and whether it is attractively valued relative to other companies, before its shares are selected for the fund.

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

## HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The fund is managed to deliver the best possible returns over the long term; an investment horizon of 10 years or more is therefore ideal. It is not suitable as a single investment for investors who need to preserve their capital over five years or less.

## WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are building wealth, and who

- are comfortable with full exposure to shares listed in South Africa;
- accept that the fund may underperform the market in the short term in pursuit of superior long-term gains.
- do not require an income in the short term.
- The fund is less concentrated than the Coronation Top 20 fund, making it more suitable for investors holding only one equity fund.

## WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of a minimum of 0.75% and a maximum of 2.60%, depending on the fund's performance, is payable.

If the fund's return (after fees and costs) is equal to that of the benchmark, a fee of 1.10% will be charged. We share in 20% of the performance above the benchmark, up to a total annual fee of 2.60%. Performance is measured over a rolling 24-month period.

When the fund return (after fees) is below the benchmark over a rolling 60-month period the fee is discounted by 0.35%.

All fees exclude VAT. 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 fund costs. We do not charge fees to access or withdraw from the fund.

More detail is available on [www.coronation.com](http://www.coronation.com).

## WHO ARE THE FUND MANAGERS?



**KARL LEINBERGER**  
BBusSc, CA (SA), CFA



**SARAH-JANE ALEXANDER**  
BBusSc, CFA



**ADRIAN ZETLER**  
BCor (Hons), CA  
(SA), CFA

## GENERAL FUND INFORMATION

Launch Date	30 September 2015
Fund Class	A
Benchmark	FTSE/JSE Capped All Share Index (CAPI)
Fund Category	South African – Equity – General
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORSAEA
ISIN Code	ZAE000209441
JSE Code	CSEFA

# CORONATION SA EQUITY FUND

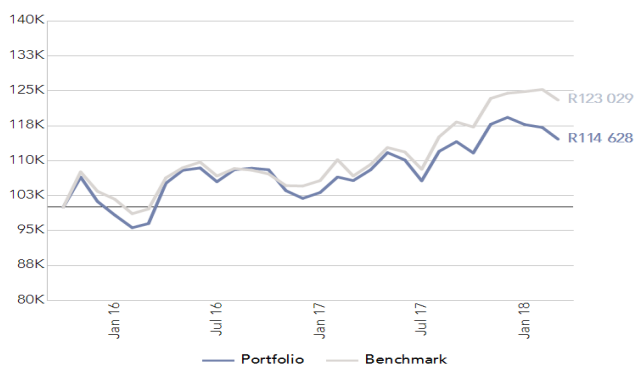
CLASS A as at 28 February 2018

FundCategory	South African - Equity - General
Launch date	30 September 2015
Fund size	R94.35 million
NAV	112.34 cents
Benchmark/Performance	FTSE/JSE Capped All Share Index
Fee Hurdle	
Portfolio manager/s	Karl Leinberger, Sarah-Jane Alexander & Adrian Zetler

Total Expense Ratio	1 Year	3 Year
Fee for performance in line with benchmark	1.27%	1.28%
Adjusted for out/(under)-performance	1.10%	1.10%
Fund expenses	-	0.01%
VAT	0.02%	0.02%
Transaction costs (inc. VAT)	0.15%	0.15%
Total Investment Charge	0.07%	0.22%
	1.34%	1.50%

## 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)	14.6%	23.0%	(8.4)%
Since Launch (annualised)	5.8%	9.0%	(3.1)%
Latest 1 year	8.4%	15.3%	(6.9)%
Year to date	(2.6)%	(1.4)%	(1.2)%

### RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	11.8%	10.8%
Sharpe Ratio	(0.13)	0.15
Maximum Gain	13.4%	11.2%
Maximum Drawdown	(10.2%)	(8.3%)
Positive Months	51.7%	55.2%

	Fund	Date Range
Highest annual return	17.1%	Dec 2016 - Nov 2017
Lowest annual return	(2.7%)	Nov 2015 - Oct 2016

### MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2018	(0.5)%	(2.1)%											(2.6)%
Fund 2017	3.2%	(0.7)%	2.2%	3.4%	(1.4)%	(4.1)%	6.0%	1.9%	(2.1)%	5.5%	1.3%	(1.3)%	14.1%
Fund 2016	(2.7)%	0.9%	9.0%	2.6%	0.5%	(2.7)%	2.4%	0.3%	(0.3)%	(4.2)%	(1.6)%	1.2%	4.9%

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	28 Feb 2018
<b>Domestic Assets</b>	<b>100.0%</b>
■ <b>Equities</b>	<b>92.3%</b>
Oil & Gas	0.1%
Basic Materials	14.8%
Industrials	2.4%
Consumer Goods	12.4%
Health Care	6.0%
Consumer Services	19.4%
Telecommunications	7.6%
Financials	21.6%
Technology	0.6%
Derivatives	7.5%
■ <b>Real Estate</b>	<b>7.3%</b>
■ <b>Cash</b>	<b>0.4%</b>

### TOP 10 HOLDINGS

As at 31 Dec 2017	% of Fund
Naspers Ltd	12.0%
British American Tobacco Plc	8.4%
MTN Group Ltd	7.6%
Standard Bank Group Ltd	5.7%
Sasol Ltd	4.0%
INTU Properties	3.9%
Anglo American Plc	3.7%
Northam Platinum Ltd	3.7%
Nedbank Group Ltd	3.5%
Spar Group Ltd	3.2%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Sep 2017	02 Oct 2017	0.73	0.67	0.06
31 Mar 2017	03 Apr 2017	0.54	0.48	0.06
30 Sep 2016	03 Oct 2016	0.76	0.66	0.10
31 Mar 2016	01 Apr 2016	0.15	0.13	0.02

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

The fund returned 5.44% for the quarter and 14.1% for the year, which is a good absolute return as markets performed strongly. This is a relatively new fund without a meaningful long-term track record.

Equity markets delivered good returns in 2017, reversing the lacklustre performance of the past few years. The Capped All Share Index (CAPI) returned 18.06% for the year and 6.5% for the fourth quarter. This compares to an annualised 8.9% over three years. The return in US dollar terms is 30.6% over the year as the rand strengthened, reflecting a positive shift in sentiment on the back of the appointment of Cyril Ramaphosa as ANC president in December. Mr Ramaphosa is expected to herald better fiscal discipline, though a divided party leadership will make necessary policy reform challenging.

From an earnings perspective domestic shares had a challenging year and had underperformed going into the final quarter of the year. However, the past quarter saw a rally in their share prices with notable performers including banks (+28%) and general retailers (+23%). The large rand hedges such as Naspers (+72%) and Richemont (+25%) had a good year, outperforming the market. The fund's Naspers position was consistently trimmed throughout the 12-month period on the back of strong performance particularly in the underlying Tencent investment. Despite this, our absolute position in Naspers remains large, reflecting our continued assessment of the company as an attractive share as it streamlines its investment portfolio and Tencent expands its portfolio of services in large and growing markets. For the full year, resources (+16.8%) lagged the returns delivered by industrials (+22.6%) and financials (+24.4%) (JASIN and FINI 15).

The fund remains overweight offshore stocks, though the buying of domestic shares during the year has reduced the extent of this overweight position. The fund added selectively to better quality domestic industrial names (including Spar, Netcare, Famous Brands, Curro and Pick n Pay) during the year as they underperformed. These positions all contributed to performance during the fourth quarter domestic rally. Notwithstanding this, we believe valuation remains attractive. Offshore names where the fund continues to have meaningful exposure include Naspers, British American Tobacco, MTN and Hammerson.

British American Tobacco in particular looks cheap for a global consumer staple on a one-year forward PE of 15.4x, with the opportunity to grow earnings through next generation tobacco products and margin uplift on the back of the recently completed Reynolds take out. The fund added significantly to this position during 2017 and remains convinced of its compelling valuation.

Steinhoff has been a significant detractor from performance over the year exacerbated by the share price collapse on the announcement that the company would delay the release of its 2017 audited financial results, launch an investigation into accounting irregularities and that the CEO had resigned. The fund held Steinhoff for the expanding, cash generative value retailer Pepkor as well as the opportunity to consolidate a rapidly growing but fragmented European furniture market through its vertically integrated European operations. Despite concerns about its acquisitive nature and aggressive tax structuring, the valuation looked compelling on a single digit PE multiple. We did extensive reference checks including meeting many of the high calibre board members and well respected regional managers. To date, limited information has been released to further our understanding of where the accounting irregularities occurred. We continue to monitor events closely and will take action as considered appropriate.

The rally in domestic banks and life insurers is cause for review with higher earnings expectations being priced in. Discovery was one of the biggest contributors to performance in 2017 with particular strength in the past quarter. The position size has been trimmed in line with the reduced margin of safety. Domestic bank valuations are also pricing in a more optimistic outcome. Slow advances growth over the last few years could be accelerated with more accommodative economic growth though a benign credit cycle leaves little room for credit loss improvements. Here too, positions sizes reflect a reduced margin of safety.

Brexit-related market uncertainty continued to undermine the outlook for UK property stocks. Global corporate activity picked up in the property sector in the past quarter with bids such as Unibail for Westfield and Brookfield for GGP highlighting inherent longer term value. In the UK specifically, an all share offer for Intu by Hammerson in early December provided some support to our view that there is long term value in the sector. It is hoped that Hammerson's excellent management team can further unlock the potential in Intu by combining two leading retail portfolios. Valuation remains attractive with the shares trading at significant discounts to NAV. The fund retains a significant holding in UK property via Hammerson PLC, Intu PLC and Capital and Counties.

Calendar 2017 was a relatively robust year for commodity prices with most strengthening as Chinese demand remained resilient. Supply remained constrained as miners persisted with disciplined allocation of capital and Chinese environmental regulation capped domestic supply. While higher commodity prices have reduced the margin of safety in resource valuations, the fund retains a reasonable exposure with contributions to full year performance from Exxaro, Anglo American and Mondi. Exxaro, in particular, performed well with associate Kumba Iron Ore profiting from robust iron ore prices, high coal prices and a recovery in Tronox. A recent pullback in Mondi has meant the valuation again looks attractive and we are adding to our position.

The past quarter's domestic rally has created the opportunity for us to buy some of the more attractively valued rand hedge shares as the market prices in a very optimistic economic outcome domestically despite lingering challenges. The overall portfolio remains largely unchanged, consistent with our commitment to invest where we see long-term opportunity.

#### Portfolio managers

**Karl Leinberger, Sarah-Jane Alexander and Adrian Zetler**  
 as at 31 December 2017

#### IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION SA EQUITY FUND

The SA Equity 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](http://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. The fund's performance and fee benchmark is the FTSE/JSE Capped All Share Index (CAPI). Note that we use the formal SA – Equity – General category benchmark as specified in the ASISA Standard on Fund Classification, which is currently the FSTE/JSE All Share Index, for compliance monitoring purposes.

#### 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](http://www.coronation.com)

#### IMPORTANT INFORMATION REGARDING TERMS OF USE

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