

## WHAT IS THE FUND'S OBJECTIVE?

Optimum Growth aims to maximise long-term investment growth by investing in a range of opportunities available in public asset markets from both South Africa and around the world. Our intent is to provide competitive after inflation returns measured in rand over all five year periods.

## WHAT DOES THE FUND INVEST IN?

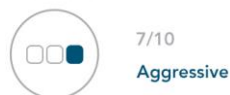
Optimum Growth will normally have a significant bias towards shares, but can invest in a variety of assets including listed property, bonds and cash. The fund has a flexible mandate and can invest in any combination of developed economies (including the US, Europe and Japan), South African assets and other emerging market assets.

The fund will vary exposure to South African, developed and emerging market assets based on where the most attractive valuations are available. We expect the fund to have the majority of its assets invested in global equities over time. Its exposure will be in a variety of currencies, primarily the US dollar, British pound, euro and yen.

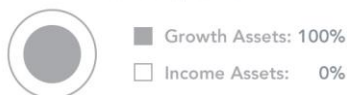
The fund may use exchange traded funds and other financial instruments (eg. derivatives) to implement specific investment views.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

### Risk Profile



### Maximum growth/ minimum income exposures



Optimum Growth aims to achieve the best possible long-term growth for investors.

Consequently, it will have a sizeable exposure to shares, which typically offer the best returns over the long run.

Optimum Growth will only invest in assets we view as being attractively valued and that could offer strong long-term investment growth. The fund's share selection is the result of rigorous international research conducted by Coronation's investment team.

While shares typically offer superior long-term returns, this comes with higher levels of risk and volatility. We have a disciplined approach to reducing risk, but shares can be volatile investments and may suffer capital losses over the short term. Global currency movements may intensify investment gains or declines.

## HOW LONG SHOULD INVESTORS REMAIN INVESTED?

An investment term of more than five years is recommended.

## WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are building wealth, and who

- are looking for the best growth opportunities available in both South African and international markets;
- are comfortable with allowing Coronation a wide degree of discretion, in allowing us to make both the equity and international allocation decisions;
- require investment growth over the long term and accept the possibility of volatility and the risk of short-term losses;
- do not require an income from their investment.

## WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of a minimum of 0.85% and a maximum of 2.40%, depending on the fund's performance, is payable.

If the fund's return (after fees and costs) is equal to that of its benchmark, a fee of 1.00% will be charged.

We share in 20% of the outperformance above the benchmark, up to a maximum total annual fee of 2.40%. Performance is measured over a rolling 24-month period.

When the fund return is below the benchmark over a rolling 60-month period the fee is discounted by 0.15%.

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 portfolio costs.

We do not charge any 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?

### GAVIN JOUBERT

BBusSc, CA (SA), CFA

### NEVILLE CHESTER

BCom, CA (SA), CFA

### KARL LEINBERGER

BBusSc, CA (SA), CFA

### MARK LE ROUX

BCom

### LOUIS STASSEN

BSc, BCom (Hons), CFA

## GENERAL FUND INFORMATION

Launch Date	15 March 1999
Fund Class	A
Benchmark	Composite: 35% JSE CAPI, 15% ALBI, 35% MSCI ACWI, 15% BGBA
Fund Category	Worldwide – Multi-asset – Flexible
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment Minimum	R5 000 or R500/m debit order
Bloomberg Code	COROPTG
ISIN Code	ZAE000019782
JSE Code	CNOG

# CORONATION OPTIMUM GROWTH FUND

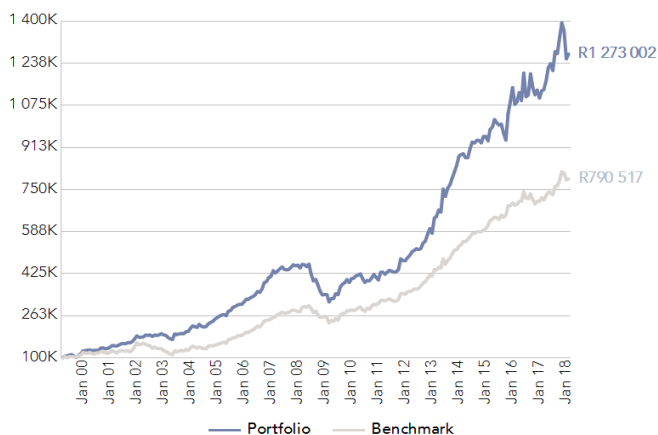
CLASS A as at 31 January 2018

Fund category	Worldwide - Multi Asset - Flexible
Launch date	15 March 1999
Fund size	R 6.79 billion
NAV	10157.34 cents
Benchmark/Performance	Composite (35% JSE CAPI, 15% ALBI, 35% MSCI ACWI, 15% BGBA)
Fee Hurdle	
Portfolio manager/s	Neville Chester, Gavin Joubert, Karl Leinberger, Mark le Roux and Louis Stassen

Total Expense Ratio	1 Year	3 Year
Fee for performance in line with benchmark	1.60%	1.35%
Adjusted for out/(under)-performance	1.00%	1.00%
Fund expenses	0.35%	0.11%
VAT	0.07%	0.08%
Transaction costs (inc. VAT)	0.19%	0.16%
Total Investment Charge	0.18%	0.20%
	1.78%	1.55%

## PERFORMANCE AND RISK STATISTICS

### GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Jan 2018
<b>Equities</b>	<b>65.1%</b>
North America	30.5%
Europe	16.9%
Asia	7.6%
Latin American	4.2%
United Kingdom	4.1%
South Africa	1.7%
<b>Cash</b>	<b>27.0%</b>
USD	13.0%
Other	8.7%
ZAR	5.2%
<b>Commodities</b>	<b>2.3%</b>
Gold	2.3%
<b>Preference Shares &amp; Other Securities</b>	<b>0.0%</b>
South Africa	0.0%
<b>Real Estate</b>	<b>5.6%</b>
United Kingdom	2.8%
North America	1.7%
Europe	1.1%

### PERFORMANCE FOR VARIOUS PERIODS VS BENCHMARK (AFTER FEES) (ZAR)

	Fund	Benchmark	Inflation
Since Launch (unannualised)	1173.0%	690.5%	207.8%
Since Launch (annualised)	14.5%	11.6%	6.2%
Latest 15 years (annualised)	13.7%	13.1%	5.6%
Latest 10 years (annualised)	11.0%	11.0%	5.8%
Latest 5 years (annualised)	14.7%	12.4%	5.5%
Latest 3 years (annualised)	10.7%	8.9%	5.8%
Latest 1 year (annualised)	12.6%	10.1%	4.6%
Year to date	1.5%	0.4%	0.5%
Annualised Deviation	12.1%	10.8%	1.5%
Sharpe Ratio	0.48	0.27	(1.66)
Downside Deviation	7.1%	5.7%	0.7%
Positive Months	65.9%	63.7%	92.5%
	Fund		Date Range
Highest annual return	51.1%		Jan 2013 - Dec 2013
Lowest annual return	(31.5%)		Mar 2008 - Feb 2009

### TOP 10 HOLDINGS

As at 31 Dec 2017	% of Fund
Charter Communication A	3.3%
Alphabet Inc	3.2%
Porsche Automobil Hldg-Prf	3.1%
Airbus Group SE	3.1%
Naspers Ltd	3.0%
Coronation Global Emerging Markets Flexible Fund	2.9%
Vivendi	2.9%
JD.com Inc Adr	2.9%
L Brands Inc	2.8%
Blackstone Group	2.8%

### PERFORMANCE FOR VARIOUS PERIODS VS MSCI ACWI (AFTER FEES) (USD)

	Fund	Benchmark	MSCI ACWI
Since Launch (unannualised)	564.1%	312.1%	189.5%
Since Launch (annualised)	10.6%	7.8%	5.8%
Latest 10 years (annualised)	6.0%	6.0%	7.1%
Latest 5 years (annualised)	8.5%	6.2%	12.3%
Latest 3 years (annualised)	10.0%	8.2%	12.5%
Latest 1 year (annualised)	27.7%	24.9%	27.5%
Year to date	5.8%	4.7%	5.6%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Sep 2017	02 Oct 2017	15.67	13.67	2.00
31 Mar 2017	03 Apr 2017	23.05	23.05	0.00
31 Mar 2016	01 Apr 2016	2.88	0.82	2.06
30 Sep 2015	01 Oct 2015	27.61	21.60	6.01

### MONTHLY PERFORMANCE RETURNS (AFTER FEES) (ZAR)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2018	1.5%												1.5%
Fund 2017	2.5%	0.4%	3.0%	4.3%	1.3%	(2.1)%	6.0%	(0.6)%	4.8%	4.3%	(2.1)%	(8.0)%	13.7%
Fund 2016	(5.7)%	0.9%	3.3%	(2.7)%	9.7%	(7.6)%	0.5%	7.4%	(4.4)%	(2.5)%	1.6%	(2.7)%	(3.5)%

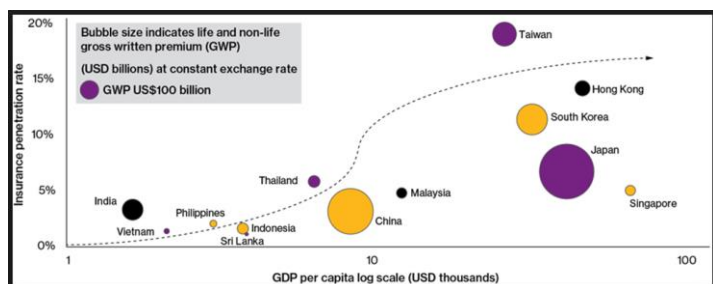
**Please note that the commentary is for the retail class of the fund.**

The fund appreciated by 13.7% in ZAR (+25.8% in USD) in 2017. This was around 2% ahead of its benchmark. The fund's equity exposure over the year averaged around 75% and in an environment of rising global equity markets, this positioning was a key part of the return. Emerging markets continued to outperform developed markets and the fund's emerging market exposure (around 35% of total equity exposure on average during the year) was also therefore a positive contributor. In terms of specific stocks, the significant contributors were Naspers (+72%, 1.8% contribution), the leading Chinese online classified site 58.com (+127%, 1.7% contribution), the 2nd largest Chinese ecommerce company JD.com (+46%, 1.5% contribution), Facebook (+38%, 1.2% contribution), Porsche (+40%, 1.1% contribution) and the 2nd largest Brazilian education company Estácio (+84%, 1.0% contribution). In terms of detractors for the year, 2 stocks had more than a 1% impact: Steinhoff (-2.5% contribution) and Magnit (-1.1% contribution). Over the past 5 years, the fund has generated a return of 16.6% per annum and since inception 18 years ago, it has produced a return of 14.4% per annum.

The fund ended the quarter with 71.4% of its capital invested in equities, with 73% of the equity exposure being invested in developed market equities, 22% in emerging market equities and 5% in South African equities, largely Naspers. The equity exposure has come down gradually over the year: global equities are clearly not as attractive as they were a few years ago, but we are still able to find good selected value in a number of global stocks. The fund's equity exposure remains reasonably concentrated, with the largest positions being in technology (both global and Chinese internet businesses), the private equity investment managers, selected global car companies, selected global consumer companies, Brazil education and Russian food retail.

Our negative view on global bonds remains unchanged and we continue to have no exposure to the asset class. The fund has 6.4% invested in global property: we are still finding selected value in the UK retail/commercial, US retail and German residential property stocks. Lastly, the fund has a physical gold position of 2.3%. The balance of the fund is invested in cash, largely offshore. As has been the case for a number of years now, the bulk of the fund (over 90%) is invested offshore, with very little being invested in South Africa.

The fund bought a new position in Ping An Insurance Group (Ping An) over the past few months. Ping An is the largest private insurance company in China. The company has 153m customers in China and besides insurance products (life and non-life) also offers asset management and banking services. The company is very entrepreneurial with a founder chairman who is still very involved in the business and who owns a significant stake. Ping An's VNB (value of new business) has grown by 33.7% per annum over the past 5 years, net profit by 32.8% per annum and dividends per share by 35.1% per annum over this same period. The insurance market in China is one of the lowest penetrated insurance markets globally and Ping An have a number of competitive advantages – a high quality brand, large and productive salesforce (1.4m agents with industry leading productivity), significant investment in technology and resultant leadership in fintech, privately run compared to most competitors who are state owned - that makes them well placed to take a high share of the growing Chinese insurance market over time.



Source: Bank of America

Whilst we have not owned Ping An before, we have followed it for many years and have owned AIA (the pan-Asian insurer and a key Ping An competitor in China) for the past few years, as well as owning Discovery (a JV partner to Ping An in China) until recently. Over time, these holdings have given us additional (positive) insight into Ping An. We have always held the view that the insurance assets of Ping An are very good assets and that the company is entrepreneurial and well run. Ping An Bank (part of the Ping An Group) in contrast has historically been a concern of ours but over time as the insurance business has grown at a high rate the contribution from the bank has declined and is now only 17% of profits (from 35% of profits a few years ago) and a far smaller part of our fair value.

Besides an underpenetrated insurance market, Ping An has the opportunity to continue to drive cross-selling through their large customer base of 153m customers in our view. As per the graph below, over the past 5 years the cross-selling ratio (% of customers who have more than 1 contract with the Ping An Group) has increased from 20.7% to 27.1%. The use of technology together with a productive, well paid and incentivised agency force should lead to further gains in this regard.



Source: Ping An

Ping An generates a return on embedded value north of 20% and today trades on around 14x earnings (9x embedded value earnings) with a 2% dividend yield. Given the long-term prospects for Ping An we believe this is a very attractive valuation.

The largest new developed market purchase over the quarter was Altice, a global telecommunications company whose main assets are a 70% stake in a US cable business (Altice USA) and a French cable and mobile business (SFR). The fund had a small position in Altice at the end of September but increased the position substantially after a sharp decline in the share price following poorer than expected results and resultant concern over the company's debt levels. In our view, Altice is a well-run group that has been successful over time in enhancing the customer offering, and profitability, of its main units (US and France) through investment in network quality and speed, and through generating synergies. The gearing levels of the company are high, but the group is very cash generative and trades on a 11% free cash flow yield in 2018 and which on our forecasts increases to a 15%+ free cash flow yield within a few years after that. The valuation of Altice is very attractive in our view, with the current market value of just the Altice US stake making up the entire current market capitalisation of Altice.

Global markets are clearly far less attractive than they were one, two or three years ago and the fund's equity exposure will likely continue to decline if equity markets continue to rise. We are however still able to find good selected value in both developed markets (e.g. Altice) and emerging markets (e.g. Ping An), and we remain optimistic about the potential returns that can be generated by the fund.

**Portfolio managers**  
**Neville Chester, Gavin Joubert, Karl Leinberger, Mark le Roux and Louis Stassen**  
 as at 31 December 2017

**IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION OPTIMUM GROWTH FUND**

The Optimum Growth Fund should be considered a medium- to 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. The fund is mandated to invest up to 100% of its portfolio into foreign securities and may as a result be exposed to macroeconomic, settlement, political, tax, reporting or illiquidity risk factors that may be different to similar investments in the South African markets. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Asset allocation is reflected on a look-through basis. 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.

**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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