

CORONATION SMALLER COMPANIES FUND

Fund Information as at 31 January 2018

WHAT IS THE FUND'S OBJECTIVE?

The fund aims to maximise long-term growth from investing in a select group of small to medium-sized JSE-listed companies.

It seeks to outperform the combined JSE Mid and Small Cap Indices.

WHAT DOES THE FUND INVEST IN?

The fund invests in companies outside the forty largest companies on the JSE, across all primary equity sectors (resources, industrials and financials).

The fund will be fully invested in shares.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS



The fund actively seeks out attractively valued companies that could offer strong long-term 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 smaller companies in particular may experience price swings. Smaller companies have fewer shares trading freely in the market, which can restrict trading and amplify price movements. Consequently, there is a heightened 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

- wish to benefit from the potential growth in medium-size and small companies;
- want to diversify their investments to include specific exposure to companies outside of the top forty largest listings;
- accept the inherent volatility in investing in less liquid shares;
- want to hold the Smaller Companies 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?



ALISTAIR LEA
CA (SA), CFA



SIPHAMANDLA SHOJI
BSc (Actuarial)

GENERAL FUND INFORMATION

Launch Date	1 April 1997
Fund Class	R
Benchmark	Composite: JSE Mid & Small Cap Indices
Fund Category	South African – Equity – Mid and Small Cap
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORSPEG
ISIN Code	ZAE000019824
JSE Code	COSG

CORONATION SMALLER COMPANIES FUND

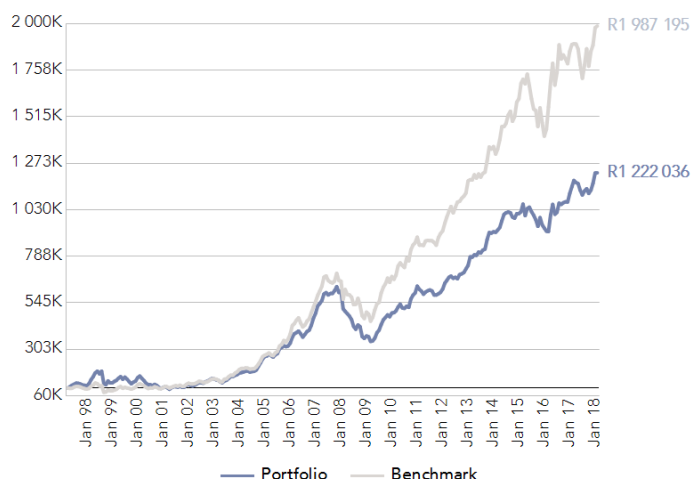
CLASS R as at 31 January 2018

Fund category	South African - Equity - Mid & Small Cap
Launch date	01 April 1997
Fund size	R190.50 million
NAV	7935.23 cents
Benchmark/Performance	Composite: FTSE/JSE Africa Mid & Small
Fee Hurdle	Cap Indices
Portfolio manager/s	Alistair Lea and Siphamandla Shoji

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.21%	1.21%
Fund expenses	0.99%	1.00%
VAT	0.08%	0.07%
Transaction costs (inc. VAT)	0.14%	0.14%
Total Investment Charge	0.27%	0.24%
	1.48%	1.45%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Jan 2018
Domestic Assets	100.0%
■ Equities	93.3%
Basic Materials	6.8%
Industrials	13.9%
Consumer Goods	14.6%
Health Care	2.0%
Consumer Services	23.8%
Financials	27.7%
Technology	2.2%
Derivatives	2.4%
■ Real Estate	6.1%
■ Cash	0.6%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1122.0%	1887.2%	(765.2)%
Since Launch (annualised)	12.8%	15.4%	(2.7)%
Latest 20 years (annualised)	12.2%	16.2%	(4.1)%
Latest 15 years (annualised)	15.3%	19.0%	(3.6)%
Latest 10 years (annualised)	9.1%	13.5%	(4.4)%
Latest 5 years (annualised)	9.3%	10.9%	(1.6)%
Latest 3 years (annualised)	6.2%	5.6%	0.6%
Latest 1 year	6.3%	5.1%	1.2%
Year to date	0.1%	0.4%	(0.4)%

TOP 10 HOLDINGS

As at 31 Dec 2017	% of Fund
Spar Group Ltd	7.3%
Capevin Holdings	5.4%
Long4Life Ltd	4.0%
PSG Group	4.0%
Famous Brands Ltd	3.9%
Advtech Ltd	3.9%
Hosken Consolidated	3.6%
RMI Holdings	3.4%
Metair Investments Ltd	3.1%
Omnia Holdings Ltd	3.1%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	18.3%	17.1%
Sharpe Ratio	0.18	0.35
Maximum Gain	67.2%	63.6%
Maximum Drawdown	(50.2)%	(38.2)%
Positive Months	62.8%	62.4%

	Fund	Date Range
Highest annual return	68.3%	May 1997 - Apr 1998
Lowest annual return	(41.4)%	Nov 2007 - Oct 2008

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Sep 2017	02 Oct 2017	62.61	60.27	2.34
31 Mar 2017	03 Apr 2017	57.52	52.08	5.44
30 Sep 2016	03 Oct 2016	106.68	102.82	3.86
31 Mar 2016	01 Apr 2016	47.72	44.93	2.79

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2018	0.1%												0.1%
Fund 2017	3.2%	2.8%	(0.9)%	(0.5)%	(3.0)%	(2.2)%	1.9%	1.0%	(2.2)%	1.6%	3.1%	4.6%	9.6%
Fund 2016	(1.7)%	(0.2)%	9.5%	5.4%	(4.9)%	1.0%	4.7%	(0.6)%	0.8%	0.5%	(0.1)%	4.2%	19.3%

Over the past year, the fund returned 9.58%, ahead of comparable indices and average competitor funds. The fund has delivered 6.55% and 10.55% over three and five years respectively.

The past year has been a tough one for the economy in general. The average local industrial business struggled to produce decent earnings growth. Confidence levels have remained low, significantly impacting general spend in the economy. During this time, we have stuck with our long-term view and valuation-driven process to pick out strong businesses with significant moats.

The largest contributors to performance over the past year were Cartrack and Trenchor. Cartrack listed a few years ago, at what was a high rating, which led us not to participate in the capital raising. The share subsequently fell to very low levels, from which we started adding to the fund. It is a business that plays in the very competitive telematics space (fleet management/stolen vehicle recovery). They have found an innovative business model that is a winner, which has resulted in significant growth in subscription numbers at very high margins. It is led by an entrepreneur with a large stake in the business and whom we rate very highly. Trenchor's main asset is a stake in one of the largest container businesses in the world i.e. Textainer. As global trade has started improving, they have benefited from the uptick in activity. It is a share that has generally been hard to value, due to the uniqueness of the asset and highly leveraged structure. We have however been big shareholders for a long time, as the work we have done had always indicated significant value.

The largest detractors were Dawn and Famous Brands. We have written extensively about Dawn previously. Famous Brands had been the market darling for a very long time, trading at very high ratings. However, the tough economy and a few own goals (including the poor performance of their acquisition in the UK), resulted in the market punishing the share. We started adding to it before it took another leg down. We still believe in the strength of the business model, and that it should recover with the economy.

Our two largest additions during the quarter were Pioneer Foods and Tradehold, while the two largest disposals were Metrofile and Truworths. Metrofile is a business that we have liked very much in the past. It has a dominant position in the records filing industry, which affords it pricing power and steady annuity type income. However, recently an international player entered the industry through buying a local competitor. They have since been disruptive in the market through discounting of services. In addition, Metrofile's international expansion strategy has not yielded desired results.

We continue to be cautious on the overall state of the domestic economy. As such, the bulk of the fund is invested in high-quality counters that should continue to generate reasonable returns even in a tough economic environment. It is in these times that our long-term focus allows us to pick deeply undervalued businesses that have been mispriced by the market, and which will contribute positively to subsequent performance of the fund.

Portfolio managers
Alistair Lea and Siphamandla Shoji
as at 31 December 2017

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

The Smaller Companies 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. 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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