

## 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).

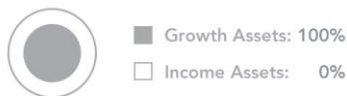
The fund will be fully invested in shares.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

### Risk Profile



### Maximum growth/ minimum income exposures



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

## WHO ARE THE FUND MANAGERS?



**ALSTAIR 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

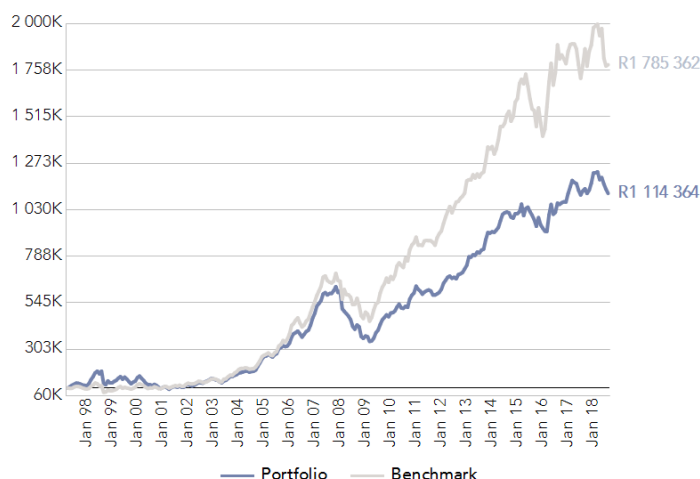
CLASS R as at 31 July 2018

Fund category	South African - Equity - Mid & Small Cap
Launch date	01 April 1997
Fund size	R172.90 million
NAV	7207.86 cents
Benchmark/Performance	Composite: FTSE/JSE Africa Mid & Small
Fee Hurdle	Cap Indices
Portfolio manager/s	Alistair Lea and Siphamandla Shozi

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%	0.23%
	1.48%	1.44%

## 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)	1014.4%	1685.4%	(671.0)%
Since Launch (annualised)	12.0%	14.5%	(2.5)%
Latest 20 years (annualised)	9.3%	14.8%	(5.5)%
Latest 15 years (annualised)	14.3%	17.5%	(3.2)%
Latest 10 years (annualised)	10.6%	12.8%	(2.2)%
Latest 5 years (annualised)	6.3%	7.9%	(1.6)%
Latest 3 years (annualised)	3.6%	4.7%	(1.1)%
Latest 1 year	(1.2)%	0.1%	(1.3)%
Year to date	(8.7)%	(9.8)%	1.0%

### RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	18.2%	17.1%
Sharpe Ratio	0.14	0.30
Maximum Gain	67.2%	63.6%
Maximum Drawdown	(50.2)%	(38.2)%
Positive Months	62.1%	62.1%

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

### MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2018	0.1%	0.4%	(3.4)%	0.9%	(2.8)%	(2.3)%	(1.9)%						(8.7)%
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%

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Jul 2018
<b>Domestic Assets</b>	<b>100.0%</b>
■ <b>Equities</b>	<b>95.2%</b>
Basic Materials	6.7%
Industrials	7.4%
Consumer Goods	13.9%
Health Care	5.1%
Consumer Services	27.9%
Financials	27.1%
Technology	7.2%
■ <b>Real Estate</b>	<b>3.9%</b>
■ <b>Cash</b>	<b>0.9%</b>

### TOP 10 HOLDINGS

As at 30 Jun 2018	% of Fund
Spar Group Ltd	6.8%
Distell Group Ltd	6.6%
PSG Group	6.2%
Famous Brands Ltd	5.5%
Advtech Ltd	5.0%
Allied Electronics Corp	4.6%
Hosken Consolidated Investments	3.8%
Adcorp Holdings Ltd	3.3%
RMI Holdings	3.2%
Omnia Holdings Ltd	3.2%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Mar 2018	03 Apr 2018	30.09	28.04	2.04
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

Over the past year, the fund returned 2.7%, slightly below its benchmark return of 3.7%. The fund has delivered 3.7% and 7.2% over three and five years respectively.

The past couple of quarters have been a see-saw ride. What started as Ramaphoria in the first quarter, rallying just about every domestic stock, quickly turned sour in the second quarter as various economic data laid bare the dire state of the economy. Coupled with the prospect of rising US interest rates and the impending trade war, this pushed the currency weaker against the dollar. The economic sensitive sectors such as the clothing retailers that had been pushed to stratospheric levels, have come back and are starting to look interesting. It is still our view that the local economy should improve over the next 3-5 years. Certain businesses will benefit more than others. Such businesses are likely to be those that are very well managed, have significant moats around their business and generate good free cash flows. Hence, we continue to favour strong businesses as the core holdings of the fund.

Having said that, we are not afraid to buy businesses that are in a turn-around stage and offer significant upside to fair value. For example, one of the largest contributors to performance over the past year is one such business. Altron Group had been a detractor for several years, as some of its underlying businesses became loss-making in a deteriorating economic environment. The introduction of a strategic shareholder enabled the business to be restructured, which resulted in long-term value emerging and priced properly. The share has now more than doubled from its lows, and we remain positive about its future upside potential.

One of the largest detractors is Invicta, a distribution business, supplying mainly bearings to the mining sector, as well as capital equipment to the farming industry. A combination of a downturn in mining and drought in farming had presented us with an opportunity to buy this very well-run business. During those tough times management took steps to restructure the group, take out costs, and put the business on a very good footing. When the environment started improving, it saw an acceleration in earnings growth. The share rallied, and we halved our position as it approached our fair value. At the back of our minds we had always been uncomfortable with the BEE deal that was structured a few years ago, which had resulted in massive tax savings. Further, in our valuation we had always tried to normalise for it by valuing the business on a full tax rate. Management had repeatedly given the market their assurances that everything was above board with this deal. In the end, it turned out that everything was not in order after all, as Invicta now needs to repay a large sum of money to the South African Revenue Service as a result of the structure of the deal. When the news broke, its share price tanked. In hindsight, we could have sold more shares earlier. Having said that, given where the share price currently trades, we believe the market is certainly undervaluing the business, and as such we continue to hold it.

During the quarter we added Pan African Resources, a small low-cost gold mining company, to the portfolio. The bulk of the company's earnings are from tailings treatment projects. It is also very geared to the rand gold price. The share price peaked above 450c but is now trading just above 130c. Management had been on an acquisition spree over the past few years, which not only resulted in them making a poor acquisition (Evander) but also led to them taking their eye off the ball in day-to-day operations, which is evidenced by poor recent performance. Management seems to have heeded shareholders' call to focus on fixing current operations. A major restructuring is underway, which should result in improved business performance.

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, which contributes positively to subsequent performance of the fund.

**Portfolio managers**  
**Alistair Lea and Siphamandla Shozi**  
as at 30 June 2018

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

## IMPORTANT INFORMATION REGARDING TERMS OF USE

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