

CORONATION INDUSTRIAL FUND

Fund Information as at 31 May 2018

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

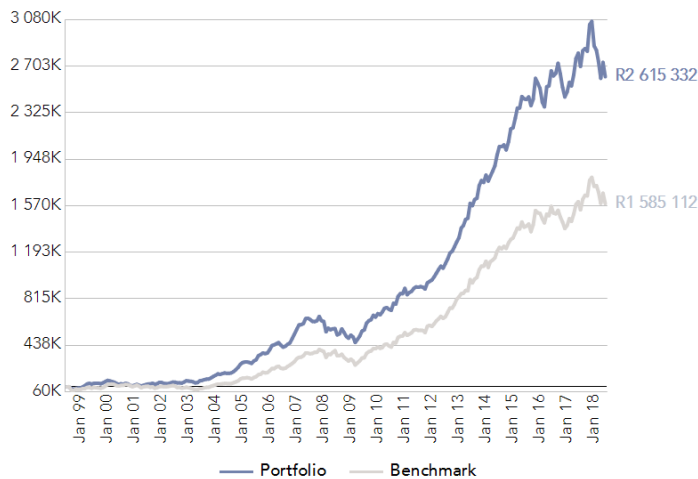
CLASS P as at 31 May 2018

Fund category	South African - Equity - Industrial
Launch date	01 July 1998
Fund size	R 1.23 billion
NAV	18566.15 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%	0.21%
	1.37%	1.37%

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)	2515.3%	1485.1%	1030.2%
Since Launch (annualised)	17.8%	14.9%	2.9%
Latest 15 years (annualised)	21.0%	21.5%	(0.4)%
Latest 10 years (annualised)	16.4%	14.9%	1.5%
Latest 5 years (annualised)	10.5%	10.3%	0.2%
Latest 3 years (annualised)	2.4%	4.3%	(1.9)%
Latest 1 year	(6.8)%	(1.1)%	(5.7)%
Year to date	(8.8)%	(8.2)%	(0.6)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	15.3%	17.8%
Sharpe Ratio	0.57	0.33
Maximum Gain	55.8%	61.7%
Maximum Drawdown	(31.6)%	(38.5)%
Positive Months	64.9%	64.4%

	Fund	Date Range
Highest annual return	68.0%	Jan 1999 - Dec 1999
Lowest annual return	(26.2)%	Jan 2000 - Dec 2000

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)%								(8.8)%
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 May 2018
Domestic Assets	100.0%
Equities	96.7%
Industrials	4.3%
Consumer Goods	25.7%
Health Care	11.8%
Consumer Services	43.1%
Telecommunications	5.7%
Financials	4.0%
Technology	2.1%
Preference Shares & Other Securities	1.6%
Real Estate	1.3%
Cash	0.5%

TOP 10 HOLDINGS

As at 31 Mar 2018	% of Fund
Naspers Ltd	24.5%
Compagnie Financiere Richemont SA	8.8%
British American Tobacco Plc	8.7%
MTN Group Ltd	8.3%
Spar Group Ltd	4.7%
Netcare Limited	4.0%
Mediclinic Internat PLC	3.5%
Pick 'N Pay Stores / Holdings	3.3%
Remgro Ltd	3.3%
Aspen Pharmacare Holdings Ltd	3.2%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
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
30 Sep 2016	03 Oct 2016	108.62	107.29	1.33

The fund returned -9.2% for the quarter. Since inception it has averaged an annualised return of 17.9% relative to its benchmark return of 15.0%. Over 10 years the fund has averaged a return of 16.5%, outperforming its benchmark by 0.6% p.a. It has moderately underperformed its benchmark over the five-year period (by 0.2% p.a.). The fund ranks as the top-performing fund amongst its peer group over all meaningful time periods.

Locally, the good news following the ANC's elective conference in December 2017 has continued into the first quarter of 2018. Cyril Ramaphosa was sworn in as state president in February, shortly followed by a major cabinet reshuffle in which he made some credible appointments in certain key ministries. This decisiveness together with a sound 2018/19 Budget was rewarded when Moody's raised the outlook for South African sovereign debt from negative to stable and kept the sovereign rating at Baa3, keeping the country included in the Citi World Government Bond Index. GDP data for the fourth quarter of 2017 beat expectations at 3.1% q/q versus the market expectation of 1.8%. Improving inflation expectations gave the South African Reserve Bank the room to cut the repo rate by 25 basis points to 6.5% and opened the door to further rate cuts later in the year. In terms of the post-Zuma governance clean-up: the NPA announced former president Zuma would face corruption charges that were dropped nine years ago and that South African Revenue Service head, Tom Moyane was suspended. The newly appointed mining minister Gwede Mantashe announced that he would revise the mining charter, a move welcomed by the mining industry. Although we have yet to see all this good news translate into improved corporate earnings, we are confident that the economy is once again headed in the right direction.

Performance attributions over the past three and five years have been boosted by Naspers, Mondi, Pick n Pay, Pioneer Food Group, MTN and Cartrack. During the quarter, the fund's relative underweight position in Naspers boosted relative performance although its weak share price performance had a negative impact on absolute returns. Some of our domestic stock picks, i.e. Netcare, Spar and Pick n Pay also contributed to performance for the quarter, while our position in Curro was a detractor. We remain optimistic about Curro's long-term potential given the growing demand for private education in South Africa.

During the quarter, the fund's largest holding – Naspers – sold a small portion of its Tencent stake and realised close to \$10 billion. Naspers management have proven to be astute allocators of capital over time and these funds have been earmarked for redeployment into other attractive e-commerce opportunities with significant upside potential. We view this active asset allocation decision as a positive, however the discount at which Naspers trades at relative to its underlying holdings has continued to widen. This discount, along with the attractive fundamentals and outlook for Tencent (which we have discussed at length in past commentaries) continues to make Naspers a compelling investment opportunity.

The British American Tobacco (BTI) share price declined by 16% during the quarter – mainly on the back of regulatory concerns around the threat of the US Food and Drug Administration's intention to reduce nicotine consumption. This is not the first (and certainly not the last) time that tobacco companies will face regulatory headwinds in the markets in which they operate. However, we continue to believe that these concerns are overblown and that the market is underappreciating the pricing power, stable earnings and cash flow generation inherent in the business. Furthermore, we are optimistic on the earnings opportunity from next generation products and the synergies that can be extracted from the recently completed Reynolds deal. BTI is currently trading on a 13.4x one year forward P/E multiple and 10.4x our assessment of normal earnings. This is incredibly cheap for a globally diversified business of this quality and BTI is now the second largest position in the fund at almost 10% (including the indirect BTI exposure held through Reinet).

Other portfolio activity during the quarter continued to be centred on increasing exposure to a selected basket of attractively priced domestic stocks. This included – amongst others – Life Healthcare, Zeder, HCI and Cartrack. We also used the overhang from the Steinhoff debacle to initiate a position in Steinhoff Africa Retail (STAR). The bulk of STAR's value sits in Pep and Ackermans. These are high-quality retail brands with a fantastic track record of return on capital, earnings growth and cash flow generation. The risk of contagion from the announced Steinhoff accounting irregularities in December has continued to weigh on its share price. We believe the risks are more than reflected in STAR's current share price and regard the risk/reward profile as attractive.

Portfolio managers

Sarah-Jane Alexander and Adrian Zetler

as at 31 March 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. 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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