

## 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).

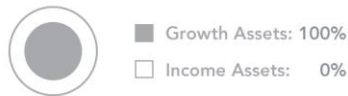
The fund will be fully invested in shares.

## 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

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

# CORONATION SMALLER COMPANIES FUND

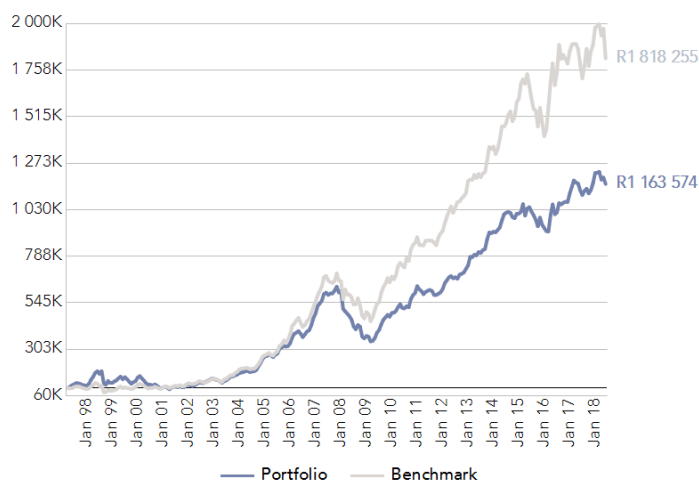
CLASS R as at 31 May 2018

Fund category	South African - Equity - Mid & Small Cap
Launch date	01 April 1997
Fund size	R189.21 million
NAV	7526.16 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%	0.20%
	1.48%	1.41%

## 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)	1063.6%	1718.3%	(654.7)%
Since Launch (annualised)	12.3%	14.7%	(2.4)%
Latest 20 years (annualised)	9.5%	14.4%	(4.9)%
Latest 15 years (annualised)	15.3%	18.3%	(3.0)%
Latest 10 years (annualised)	9.8%	12.2%	(2.4)%
Latest 5 years (annualised)	7.5%	8.4%	(0.8)%
Latest 3 years (annualised)	3.7%	2.8%	0.9%
Latest 1 year	2.9%	1.9%	1.0%
Year to date	(4.7)%	(8.1)%	3.4%

### RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	18.2%	17.1%
Sharpe Ratio	0.16	0.31
Maximum Gain	67.2%	63.6%
Maximum Drawdown	(50.2)%	(38.2)%
Positive Months	62.6%	62.2%

	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)%								(4.7)%
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 May 2018
<b>Domestic Assets</b>	<b>100.0%</b>
■ <b>Equities</b>	<b>94.5%</b>
Basic Materials	6.5%
Industrials	7.7%
Consumer Goods	15.7%
Health Care	3.0%
Consumer Services	26.4%
Financials	28.5%
Technology	6.5%
Derivatives	0.3%
■ <b>Real Estate</b>	<b>3.9%</b>
■ <b>Cash</b>	<b>1.5%</b>

### TOP 10 HOLDINGS

As at 31 Mar 2018	% of Fund
Spar Group Ltd	7.3%
PSG Group	5.6%
Capevin Holdings	5.2%
Long4Life Ltd	4.9%
Famous Brands Ltd	4.8%
Advtech Ltd	4.2%
Hosken Consolidated	3.7%
Metair Investments Ltd	3.4%
Allied Electronics Corp	3.3%
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

The fund has had a tough year, returning 1.3% over the 12-month period. This is not a bad result relative to a -4.6% return from the average competitor small cap fund.

Perhaps the most notable feature of the market in the past quarter has been the material share price gains experienced by companies which are perceived to be beneficiaries of the Ramaphosa 'new dawn'. These would include the three apparel retailers (see table), Mr Price, Foschini and Truworths, which are not owned by the fund (we sold out of Truworths in the quarter). Yes, the outlook for our country is certainly much improved under the new political dispensation, but does this justify the share price gains we have seen in some shares? We don't think so. The fortunes of the average South African consumer will not change materially for the better in the short term. They remain heavily indebted and jobs are still very difficult to come by. Yes, inflation remains low and we are likely to see some easing of interest rates and perhaps some growth in credit extension, but this is unlikely to result in the kind of growth in company profits as suggested by the recent share price gains.

There are a few shares whose prospects are also improved, but whose share prices have not responded much, if at all. Steinhoff Africa Retail (STAR) and Long 4 Life (whose primary asset is sports retailer, Holdsport) are examples – both are held by the fund. STAR has not basked in the 'new dawn' due to its link to Steinhoff, its largest shareholder. The market is understandably worried about the share overhang – Steinhoff owns 77% of STAR and there is a good chance that Steinhoff will eventually sell part, or all, of its stake in STAR, like it has done with its shareholdings in PSG and KAP. STAR had also provided guarantees on some of Steinhoff's South African debt which has been a concern. However, Steinhoff recently settled close to R8 billion of this debt, thereby releasing STAR from any guarantees on that debt. This is likely to lead to STAR being able to refinance its borrowings directly with South African banks, as opposed to from its parent, Steinhoff. As such, STAR will in all likelihood be free of all guarantees on Steinhoff debt in the near future.

STAR is the owner of Pep and Ackermans – two of the most successful apparel retail businesses in South Africa. The uncertainties around Steinhoff has given us an opportunity to buy these businesses below our assessment of fair value, and at more attractive multiples than other apparel retailers whose long-term prospects we would consider inferior to that of STAR's.

Share price moves:	1Nov 17 to 27Mar 18	Fwd PE
Mr Price	63.3%	23.6
Foschini	64.1%	18.3
Truworths	43.7%	15.3
Star	-8.7%	16.4
Long 4 Life	13.8%	

Over the past year, the two largest contributors to the fund's performance were its holdings in Spar and Cartrack. This is gratifying in that we built a large position in Spar in the middle of 2017 after disappointing results caused a slump in its share price. As we have mentioned before, these short-term disappointments in companies that have delivered consistently for decades often prove to be good buying opportunities. This was the case here.

Cartrack has also been a great story, with the share price up around 100% over the past year. The business is one of the few companies in South Africa that is experiencing rapid growth. It is still majority owned by its founder and CEO, which is comforting in that our interests are totally aligned to his.

The biggest detractor to fund performance over the past year has been the holding in Brait. We did not own Brait when the share reached heady levels of over R160 per share in mid-2016. Back then it traded at a significant premium to the underlying value of its investments, while today it trades at a significant discount. This is probably justified after the company was forced to write off the value of its investment in New Look, a business Brait bought for some R14 billion in 2015. We think the Brait risk/reward profile is now skewed in favour of the upside, with New Look valued at zero and a strong rand relative to the pound. As such, we will continue to hold our small position in the counter.

**Portfolio managers**  
**Alistair Lea and Siphamandla Shoji**  
 as at 31 March 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. 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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