

## INVESTMENT OBJECTIVE

The investment objective of the Coronation Presidio Hedge Fund is to generate long-term, superior risk-adjusted returns from investing primarily in South African listed equities. The fund utilises a traditional long/short equity hedge fund structure with net exposure typically between 40% and 70% and moderate use of leverage with gross exposure in the 120% - 180% range. The fund invests in equities, both long and short, based on a bottom-up fundamental valuation-orientated analysis.

## INVESTMENT PARAMETERS

In addition to investing in equities, the fund may hold cash and interest-bearing assets where appropriate and make use of derivative instruments for efficient portfolio management purposes. Exposure to underlying funds is permitted. The Fund currently invests only in the Coronation Money Market Fund (as a cash component). Net exposure is capped at 100% and gross exposure is limited to 300%. Unlisted South African equities (up to 10% of portfolio value at cost / 15% of portfolio market value).

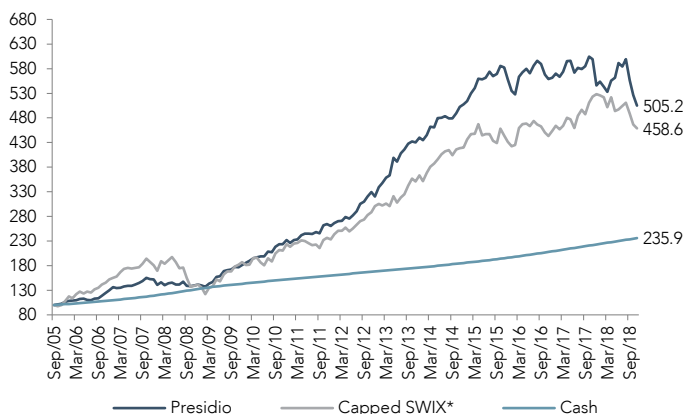
## FUND RETURNS NET OF FEES

	Fund	Capped SWIX*	Cash
Since Inception (cumulative)	405.2%	358.6%	135.9%
Since Inception p.a.	13.1%	12.3%	6.7%
Latest 10 year p.a.	13.7%	12.7%	6.0%
Latest 7 year p.a.	9.7%	9.9%	5.8%
Latest 5 year p.a.	3.3%	5.5%	6.1%
Latest 3 year p.a.	(4.6)%	1.1%	6.6%
Latest 1 year p.a.	(15.7)%	(12.4)%	6.4%
Year to Date	(7.5)%	(13.2)%	5.8%
Month	(4.1)%	(1.7)%	0.5%

## PERFORMANCE &amp; RISK STATISTICS (Since inception)

	Fund	Capped SWIX*	Cash
Average Annual Return	15.0%	14.0%	6.8%
Highest Annual Return	44.6%	48.9%	11.3%
Lowest Annual Return	(15.7)%	(35.6)%	4.8%
Annualised Standard Deviation	9.8%	14.0%	0.5%
Downside Deviation	7.1%	8.4%	
Maximum Drawdown	(16.4)%	(38.3)%	
Sharpe Ratio	0.65	0.40	
Sortino Ratio	0.90	0.66	
% Positive Months	68.4%	64.6%	100.0%
Correlation (Capped SWIX*)	67.0%		
99% Value at Risk (P&L %)	(2.0)%		

## GROWTH OF R100m INVESTMENT



\*JSE Capped Shareholder Weighted Index from 01 July 2011, with JSE Capped All Share Index applicable from inception to 30 June 2011.

## GENERAL INFORMATION

Investment Structure	Limited liability en commandite partnership
Disclosed Partner	Coronation Management Company (RF) (Pty) Ltd
Inception Date	01 October 2005
Hedge Fund CIS launch date	01 October 2017
Year End	30 September
Fund Category	Domestic Equity Hedge
Target Return	Cash + 7%
Performance Fee Hurdle Rate	Cash + high-water mark
Annual Management Fee	1% (excl. VAT)
Annual Outperformance Fee	15% (excl. VAT) of returns above cash, capped at 3%
Total Expense Ratio (TER) <sup>†1</sup>	1.78%
Total Expense Ratio (TER) <sup>†2</sup>	4.14%
Transaction Costs (TC) <sup>†</sup>	0.95%
Fund Size (R'Billions)	R1.73
Fund Status	Open
NAV (per unit)	496.32 cents
Base Currency	ZAR
Dealing Frequency	Monthly
Income Distribution	Annual (with all distributions reinvested)
Minimum Investment	R5 million
Notice Period	1 month
Investment Manager	Coronation Asset Management (Pty) Ltd (FSP 548)
Auditor	Ernst & Young Inc.
Prime Brokers	N/A
Custodian	Nedbank Ltd
Administrator	Sanne Fund Services SA (Pty) Ltd
Portfolio Managers	Gavin Joubert & Quinton Ivan

<sup>†</sup>Data is provided for the 1 year ending 30 September 2018. <sup>1</sup>TER excludes manufactured dividend expenses. <sup>2</sup>TER includes manufactured dividend expenses.

## SECTOR EXPOSURE

	Long	Short	Net
Financials	32.0%	(11.3)%	20.7%
Basic Materials	10.3%	(11.3)%	(1.0)%
Consumer Services	35.2%	(16.4)%	18.8%
Technology	0.0%	0.0%	0.0%
Telecommunications	4.5%	(6.1)%	(1.6)%
Health Care	11.5%	0.0%	11.5%
Consumer Goods	26.5%	(1.7)%	24.7%
Industrials	2.6%	(2.3)%	0.4%
Oil & Gas	1.6%	0.0%	1.6%
Specialist Securities	0.6%	0.0%	0.6%
Option	0.0%	(5.5)%	(5.5)%
Total <sup>‡</sup>	124.9%	(54.6)%	70.3%

<sup>‡</sup>Excluding Cash and Commodities

## TOP 10 LONG HOLDINGS

BRITISH AMERICAN TOBACCO PLC
NASPERS LTD
ANHEUSER-BUSCH INBEV SA/NV
COMPAGNIE FINANCIERE RICHEMONT SA
WOOLWORTHS HOLDINGS LTD
SPAR GROUP LTD
QUILTER PLC
SHOPRITE HOLDINGS LTD
ASPEN PHARMACARE HOLDINGS LTD
MTN GROUP LTD

## STRATEGY STATISTICS

Long exposure	124.9%
Short exposure	(54.6)%
Net exposure	70.3%
Beta adjusted net exposure	53.5%
Gross exposure	179.5%
Number of long positions	44
Number of short positions	25
Top 10 longs % NAV	66.7%
Average net exposure since inception	62.3%
Average gross exposure since inception	167.5%

## PORTFOLIO LIQUIDITY

	Days to Trade
Long	1.7
Short	0.5

## INCOME DISTRIBUTIONS

Declaration Date	Amount	Dividend	Interest
30-Sep-18	0.14	0.08	0.06

## MONTHLY COMMENTARY

The fund had a poor month, declining by 4.1% compared to the 1.7% decline in the Capped Swix as a reference point. The largest negative detractor by some way was British American Tobacco, which declined 24.6% after the US FDA stated their intention to ban menthol cigarettes. This is a process that could take several years and in a best-case scenario may never happen. In a worst-case scenario (a ban within a few years) the impact on BAT's earnings in our view would be less than 15%. Yet the share price has declined by 45% this year. BAT now trades on 9.2x this year's earnings (to Dec 2018) with a 7.4% dividend yield and is very attractive in our view. We added to the position during the month and today BAT is a 12.0% position in the fund.

The fund's net exposure ended the month at c. 70%, some way above the 62.3% average net long exposure. This reflects the fact that we are finding better selected value today than has been the case for a few years, as one would expect given the market's 16% decline this year.

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