CORONATION FINANCIAL FUND

Fund Information as at 30 November 2018

CORONATION
TRUST IS EARNED™

WHAT IS THE FUND'S OBJECTIVE?

The fund aims to maximise long-term growth from investing in the financial services industry. It seeks to outperform an index of financial companies listed on the Johannesburg Stock Exchange (the JSE Financial Index) over the longer term.

WHAT DOES THE FUND INVEST IN?

The fund will remain fully invested in JSE-listed companies that earn a significant portion of their earnings from financial services. These include banks, insurance companies and related businesses.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Risk Profile

10/10

Aggressive

Maximum growth/
minimum income exposures

Growth Assets: 100%

Income Assets: 0%

The fund's managers actively seek out attractively valued financial companies that could offer strong long-term investment 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 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 who

- want to diversify their investments to include specific exposure to banks, insurers and related businesses;
- believe that the financial sector offers compelling value;
- accept that the fund may underperform the broader market significantly in the short term as a result of its sector focus;
- seek to hold the Financial Fund as one of multiple funds in their investment portfolio.

WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 1.25% (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?

NEILL YOUNG
BBusSc (Hons Fin), CA (SA), CFA

GODWILL CHAHWAHWA
BCompt, CA (SA) CFA

GENERAL FUND INFORMATION

Launch Date	1 July 1998
Fund Class	A
Benchmark	FTSE/JSE Financial Index
Fund Category	South African – Equity – Financial
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORFING
ISIN Code	ZAE000019766
JSE Code	CNFG

CORONATION FINANCIAL FUND

CLASS A as at 30 November 2018

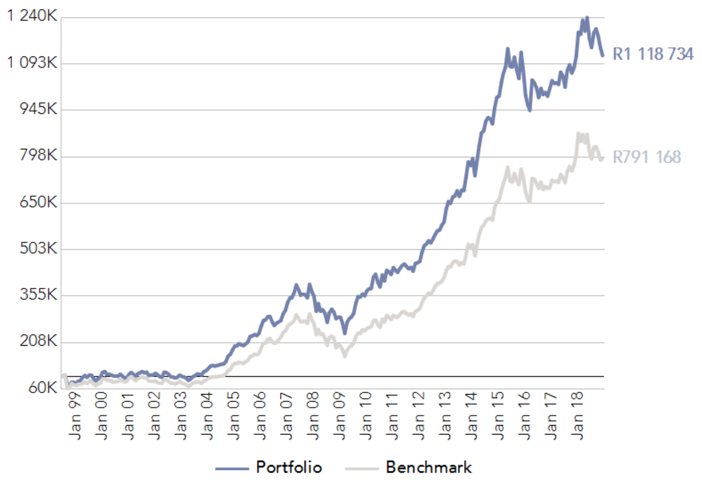
CORONATION
TRUST IS EARNED™

Fund category	South African - Equity - Financial
Launch date	01 July 1998
Fund size	R454.50 million
NAV	6101.29 cents
Benchmark/Performance	FTSE/JSE Financial Index
Fee Hurdle	
Portfolio manager/s	Neill Young and Godwill Chahwahwa

	1 Year	3 Year
Total Expense Ratio	1.48%	1.47%
Fund management fee	1.24%	1.24%
Fund expenses	0.06%	0.05%
VAT	0.17%	0.17%
Transaction costs (inc. VAT)	0.23%	0.21%
Total Investment Charge	1.71%	1.68%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Nov 2018
Domestic Assets	100.0%
Equities	88.3%
Financials	88.3%
Preference Shares & Other Securities	3.7%
Real Estate	5.9%
Cash	2.1%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1018.7%	691.2%	327.6%
Since Launch (annualised)	12.6%	10.7%	1.9%
Latest 20 years (annualised)	14.1%	12.6%	1.5%
Latest 15 years (annualised)	16.2%	15.8%	0.4%
Latest 10 years (annualised)	14.5%	14.8%	(0.3)%
Latest 5 years (annualised)	7.8%	9.3%	(1.6)%
Latest 3 years (annualised)	1.4%	2.6%	(1.1)%
Latest 1 year	0.3%	(1.7)%	2.0%
Year to date	(6.2)%	(9.3)%	3.1%

TOP 10 HOLDINGS

As at 30 Sep 2018	% of Fund
RMB Holdings	13.4%
Standard Bank of SA Ltd	11.7%
Investec Limited	11.2%
Old Mutual LTD	7.3%
Discovery Holdings Ltd	7.1%
Nedbank Ltd	6.8%
Reinet Investment SCA	4.9%
Quilter plc	4.5%
INTU Properties	4.0%
PSG Group	3.7%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	18.6%	20.0%
Sharpe Ratio	0.19	0.08
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(39.7)%	(45.3)%
Positive Months	60.0%	60.8%

	Fund	Date Range
Highest annual return	63.0%	Aug 2004 - Jul 2005
Lowest annual return	(28.6%)	Mar 2008 - Feb 2009

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
28 Sep 2018	01 Oct 2018	151.49	146.80	4.69
29 Mar 2018	03 Apr 2018	28.92	27.21	1.71
29 Sep 2017	02 Oct 2017	73.33	73.33	0.00
31 Mar 2017	03 Apr 2017	73.16	72.16	1.00

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2018	(0.5)%	3.8%	(2.8)%	3.6%	(5.3)%	(2.5)%	4.0%	1.1%	(1.9)%	(3.2)%	(2.2)%		(6.2)%
Fund 2017	(0.9)%	0.2%	(0.5)%	3.8%	(1.3)%	(3.3)%	5.3%	1.6%	(2.4)%	1.6%	3.2%	6.9%	14.8%
Fund 2016	(3.1)%	(1.8)%	10.2%	(0.8)%	(1.6)%	(3.0)%	3.0%	(2.0)%	0.8%	(1.2)%	2.4%	2.5%	4.6%

Issue date: 2018/12/11

Please refer to page 4 of the Comprehensive Fact Sheet for important additional infomation, including change in cost disclosures.

Please note that the commentary is for the retail class of the fund.

The fund returned 3.2% for the quarter, outperforming the benchmark return of 2.8%. Over more meaningful periods of five and 10 years, the fund has generated compound annual returns of 10.0% and 14.5% respectively, compared to benchmark returns of 10.9% and 13.9%. Since inception, the fund has generated a compound annual growth rate of 13.0%, while the index has generated 10.9%. The long-term track record of the fund continues to stack up well against competitors and the benchmark.

The third quarter of the year was once again a challenging one for domestic markets. Growth remains very weak, confirmed by data indicating that South Africa moved into a technical recession in the second quarter. Although inflation has remained relatively low at around 5%, the weaker rand and rising oil price suggest that inflationary pressure is starting to build, and the possibility has increased of a hike in the repo rate before the end of the year. Financials fared better than most domestic-facing sectors for the quarter. Much of the sector's 2.8% return, however, was driven by life insurers, with a total return of 12.4%, while banks were up only 1.4%.

Contributors to fund performance relative to its benchmark for the quarter include overweight positions in Discovery and Nedbank, as well as having no exposure to Absa and the underperforming property stocks Growthpoint and Redefine. Detractors from performance include underweight positions in Sanlam and FirstRand (both of which we consider to be high quality, well managed companies but comparatively fully valued), no exposure to Capitec, and overweight positions in UK property stocks Intu and Hammerson. The latter two trade at significant discounts to NAV and should provide attractive rand-hedge characteristics. They have clearly not borne fruit in this period of ongoing rand weakness, as the shares have been impacted by ongoing uncertainty around Brexit and questions over the longevity of traditional retail models. We continue to see value in both shares.

Most banks and insurers reported financial results during the quarter. In the context of the weak macro environment, the banks delivered commendable results, with their domestic operations delivering mid-single digit earnings growth. While advances growth has remained sluggish, costs were generally well controlled and impairments largely benign. Of interest in these results was the transition to a new accounting standard on non-performing loans and bad debt provisioning (IFRS9). As the necessary adjustments to the value of loan books were taken through opening equity rather than current earnings, the transition allowed for a larger adjustment than banks may normally be willing to stomach. The move provided us with an insight into which banks were previously relatively underprovided (in our opinion Absa) and which used the opportunity to bolster provisions to benefit future earnings (in our opinion Standard Bank). The environment remains tough for life insurers, with muted equity market growth and a challenging consumer environment. As a result, new business volumes and margins remained under pressure and insurers doubled down on cost-saving efforts.

Towards the end of the quarter, Investec announced the splitting of the group into two separate listed entities: the bank and wealth and investment activities will remain in the current listing, and the asset management business will be separately listed and unbundled to shareholders. The fund has an 11% position in Investec (the fund's largest overweight position), as we feel that the market materially undervalues the sum of the group's parts. One of the reasons for this is that not all the cash flows from the capital-light, high ROE asset management and wealth and investment businesses find their way back to shareholders, but a portion is allocated to support the banking operations. The returns generated by both the South African and UK banks are below what we would consider to be normal, despite these businesses not being excessively capitalised. There is strategic rationale in retaining the wealth and investment business in the bank, but the proposed unbundling of the asset manager should create value for shareholders by providing direct access to its cashflows, and by focusing management's attention on improving returns in the bank. While this has long been part of the investment case for Investec, this action coincides with a transition to a new leadership team and has happened sooner than we had anticipated. We consider this an encouraging sign of a strong focus from the new CEOs on addressing the implicit discount that the market places on the group.

The quarter was not a particularly active one for the fund from a trading point of view. We continued to add the holding of Quilter plc and made small reductions to the fund's holdings in MMI, PSG and Old Mutual.

The South African economic environment remains challenging, and the outlook for growth is weak. While the revised Mining Charter provides some policy certainty and is a step in the right direction, more action is required to build confidence, particularly around land reform. We expect earnings growth for the financial sector to remain subdued for the remainder of this year and probably into the first half of 2019. But we are cautiously optimistic that an improved operating environment will begin to emerge subsequent to the national election, albeit off a weak base.

Portfolio managers
Neill Young and Godwill Chahwahwa
as at 30 September 2018

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

The Financial 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 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

IMPORTANT INFORMATION REGARDING TERMS OF USE

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