

## WHAT IS THE FUND'S OBJECTIVE?

Capital Plus is in the first instance managed to achieve reasonable investment growth over the medium to long term. Our intent is that the fund should produce an annualised return of at least inflation plus 4% over time. In addition, we aim to preserve capital over any 18-month period. It is specifically managed to suit investors who want to draw an income over an extended period of time.

## WHAT DOES THE FUND INVEST IN?

Capital Plus can invest in a wide range of assets, such as shares, bonds, listed property and cash, both in South Africa and internationally. As the fund actively seeks to curb risk and volatility, only a maximum of 70% of its investments may be held in growth assets like shares and listed property. Shares usually offer the best growth, but this comes with the greatest risk of short-term losses. The fund's exposure to shares is therefore carefully balanced with more stable investments like bonds. Maximum exposure to foreign assets is 30% (excluding Africa). The fund is mandated to use derivative instruments for efficient portfolio management purposes.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

### Risk Profile



5/10

Moderate

### Maximum growth/ minimum income exposures



■ Growth Assets: 70%

□ Income Assets: 30%

The fund is tactically managed to protect and grow capital, as well as secure an attractive income. A large and experienced investment team actively seeks out the best potential opportunities for income and growth, while carefully considering the different risks within the fund.

Capital Plus is specifically managed to reduce the probability of losing money over any 18-month period, although it cannot guarantee protection against losses.

The fund is diversified across a range of assets reflecting its dual objectives of reasonable growth and capital stability. This includes a selection of shares we believe are attractively valued and may offer strong long-term returns, as well as strategic positions in quality income assets.

## HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The recommended investment term is three years and longer. The fund's exposure to shares may result in short-term price fluctuations, making it unsuitable to investors who can only invest for short periods.

## WHO SHOULD CONSIDER INVESTING IN THE FUND?

- Pensioners and other investors requiring an income, especially those in the first half of retirement.
- Living annuity investors seeking a fund that aims to achieve both income and capital growth.
- Investors requiring a low-risk fund, which offers a reasonable rate of return, for their retirement annuity, provident fund, preservation fund or pension fund.
- Conservative investors who want to protect their savings.
- Trusts, endowments, foundations and charities who require long-term funding of a moderate spending rule.

## WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 1.25% is payable.

The annual management fee is accrued daily and paid monthly. Fund expenses incurred in the fund include fees payable to unconnected international fund managers on a portion of assets situated offshore as well as trading, custody and audit charges. All performance information is disclosed after deducting all fees and other fund 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?



**CHARLES DE KOCK**

BCom (Hons), MCom  
(Economics)



**PALLAVI AMBEKAR**

CA (SA), CFA

## GENERAL FUND INFORMATION

<b>Launch Date</b>	2 July 2001
<b>Fund Class</b>	A
<b>Benchmark</b>	CPI + 4%
<b>Fund Category</b>	South African – Multi-asset – Medium Equity
<b>Regulation 28</b>	Complies
<b>Income Distribution</b>	Quarterly (March, June, September, December)
<b>Investment minimum</b>	R5 000 or R500/m debit order
<b>Bloomberg Code</b>	CORCAPP
<b>ISIN Code</b>	ZAE000031514
<b>JSE Code</b>	CCPF

# CORONATION CAPITAL PLUS FUND

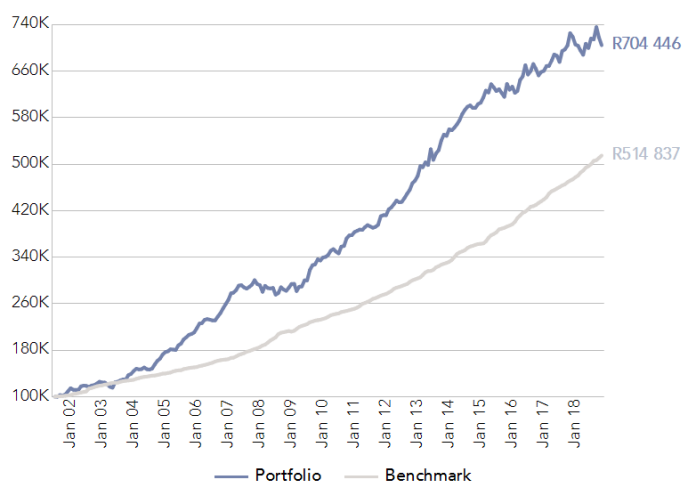
CLASS A as at 31 October 2018

Fund category	South African - Multi Asset - Medium Equity
Launch date	02 July 2001
Fund size	R15.70 billion
NAV	4059.01 cents
Benchmark/Performance	CPI + 4% p.a.
Fee Hurdle	
Portfolio manager/s	Charles de Kock and Pallavi Ambekar

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.73%	1.60%
Fund expenses	1.39%	1.29%
VAT	0.15%	0.13%
Transaction costs (inc. VAT)	0.20%	0.18%
Total Investment Charge	0.06%	0.06%
	1.79%	1.66%

## PERFORMANCE AND RISK STATISTICS

### GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Oct 2018
<b>Domestic Assets</b>	<b>77.6%</b>
<b>Equities</b>	<b>30.7%</b>
Basic Materials	5.7%
Industrials	1.3%
Consumer Goods	5.8%
Health Care	0.8%
Consumer Services	8.6%
Telecommunications	1.5%
Financials	7.8%
Technology	1.0%
Derivatives	(2.0)%
<b>Preference Shares &amp; Other Securities</b>	<b>2.9%</b>
<b>Real Estate</b>	<b>9.3%</b>
<b>Bonds</b>	<b>31.1%</b>
<b>Commodities</b>	<b>1.1%</b>
<b>Cash</b>	<b>4.4%</b>
<b>Other (Currency Futures)</b>	<b>(1.9)%</b>
<b>International Assets</b>	<b>22.4%</b>
Equities	15.2%
Real Estate	1.1%
Bonds	2.2%
Commodities	0.3%
Cash	3.6%

## PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Peer Group Average
Since Launch (unannualised)	604.5%	414.8%	524.7%
Since Launch (annualised)	11.9%	9.9%	11.1%
Latest 15 years (annualised)	11.5%	9.7%	10.8%
Latest 10 years (annualised)	9.6%	9.3%	9.0%
Latest 5 years (annualised)	5.0%	9.4%	5.6%
Latest 3 years (annualised)	3.4%	9.4%	3.0%
Latest 1 year	(2.9)%	9.1%	(2.1)%
Year to date	(0.2)%	7.9%	(0.6)%

## TOP 10 HOLDINGS

As at 30 Sep 2018	% of Fund
Naspers Ltd	3.7%
British American Tobacco Plc	2.8%
Egerton Capital Equity Fund	2.1%
Contrarius Gbl Abs Fund	2.1%
Anglo American Plc	2.1%
Standard Bank of SA Ltd	1.8%
Maverick Capital	1.6%
Lansdowne Capital	1.5%
RMB Holdings	1.2%
MTN Group Ltd	1.2%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	6.9%	1.5%
Downside Deviation	3.5%	N/A
Sharpe Ratio	0.55	1.17
Maximum Gain	29.5%	26.9%
Maximum Drawdown	(8.3)%	(0.9)%
Positive Months	67.3%	92.8%
	Fund	Date Range
Highest annual return	33.8%	Aug 2004 - Jul 2005
Lowest annual return	(6.2)%	Nov 2007 - Oct 2008

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
28 Sep 2018	01 Oct 2018	31.85	12.31	19.54
29 Jun 2018	02 Jul 2018	37.38	12.62	24.76
29 Mar 2018	03 Apr 2018	23.30	7.69	15.60
29 Dec 2017	02 Jan 2018	23.35	4.67	18.68

## MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2018	(0.3)%	(1.2)%	(1.1)%	2.8%	(1.1)%	2.4%	(0.3)%	3.0%	(2.4)%	(1.8)%			(0.2)%
Fund 2017	1.3%	0.0%	1.4%	1.6%	(0.3)%	(1.6)%	2.8%	0.4%	1.0%	3.0%	(0.9)%	(1.8)%	6.9%
Fund 2016	(1.7)%	0.5%	3.0%	0.9%	3.0%	(2.4)%	0.9%	1.9%	(1.3)%	(1.7)%	0.9%	0.3%	4.3%
Fund 2015	1.5%	1.9%	(0.5)%	2.3%	(0.9)%	(1.0)%	0.6%	(1.1)%	(1.1)%	3.6%	(1.6)%	0.9%	4.6%
Fund 2014	(0.3)%	0.8%	1.0%	1.3%	1.8%	1.2%	1.0%	0.4%	(0.7)%	0.0%	1.1%	0.4%	8.1%
Fund 2013	3.5%	(0.4)%	1.7%	(1.0)%	5.5%	(3.5)%	2.2%	1.1%	3.2%	1.9%	(0.5)%	2.1%	16.8%

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

#### Macro overview

Global economic growth remains healthy, having plateaued at 3.5% - 4% in 2018, supported by extremely aggressive monetary policies adopted by central banks since the global financial crisis. Inflation has been well contained against many predictions, although it has edged up to around 2% in the US. Monetary policy in the US has started to normalise and the Federal Reserve has hiked interest rates a number of times. The Fed is also expected to continue the hiking cycle during 2019. Monetary policy in Europe is expected to follow suit, with the European Central Bank anticipated to start hiking interest rates during 2019.

But not everything is positive. A stronger dollar, rising global bond yields, trade wars and some self-inflicted injuries - such as uncertainty about land reform in South Africa and Turkey's president showing dictator-like tendencies - have negatively affected emerging markets. Turkey, Argentina, Brazil and South Africa have borne the brunt of the contagion. Brexit is another major global uncertainty affecting not only the UK and Europe, but also all the UK's trading partners, of which South Africa is one. The possibility is increasing that the UK will leave the European Union without a deal.

In South Africa, the short-lived 'Ramaphoria' phase following the ANC elective conference in December is over and has been overtaken by 'Ramarealism'. JSE-listed shares which generate their earnings from the domestic economy have given up most of the earlier gains (related to the election of Cyril Ramaphosa as ANC president) now that the economy has slipped into recession. The emerging market crisis has put the rand under pressure which, together with a higher oil price, has caused fuel prices to rise. Fortunately, the South African Reserve Bank chose not to raise interest rates at its September Monetary Policy Committee meeting.

However, not all is negative either. The Zondo commission is investigating state capture, acolytes of former president Jacob Zuma, such as National Prosecuting Authority head Shaun Abrahams and head of SARS Tom Moyane, have been removed from their positions, and some of the boards of state-owned enterprises have been reconstituted. We also have a revised Mining Charter and the nuclear deal is off the table. These are steps in the right direction, but unfortunately years of corruption and poor governance is not remedied overnight. On the upside we think the current period of rand weakness is overdone and we would not be surprised to see the currency recover some of its losses.

#### Fund performance

The fund has the dual mandate of beating inflation by 4% over time and protecting capital over all rolling 18-month periods. While we were able to protect capital, the fund unfortunately did not achieve its inflation plus 4% target in the recent past (longer term returns are still ahead of benchmark), which has been disappointing.

#### Portfolio activity

We took advantage of the market sell-off during the quarter (Capped SWIX declined by 1.7% for the quarter and 7.4% year-to-date) to increase the fund's allocation to domestic equity by adding to our positions in Anglo American, Nedbank and Shoprite.

Standard Bank remains one of the fund's top holdings. We have used the recent share price weakness on the back of concerns around the slowing domestic economy to add to our holding. We believe that on a 9x forward price earnings ratio (8x our assessment of normalised earnings) and 6% dividend yield, the valuation is attractive and already reflects many of the market concerns.

The local property sector was again under pressure, declining -1.0% for the quarter and 22.2% year-to-date. We expect domestic properties to show muted nominal growth in distributions over the medium term, however, combined with an attractive initial yield, offers an enticing holding period return.

The rise in government bond yields to levels between 9% and 10%, depending on its duration, is particularly attractive to funds such as this with a target of beating inflation by 4%. Inflation is expected to average between 5% and 6% over the long term. Buying bonds at these attractive real yields was therefore an opportunity that we did not want to miss out on and have further added to our South African bond holdings during the quarter. To buy these bonds, we used the rand weakness to lighten our global holdings.

#### Outlook

Five years ago, we warned investors to expect lower market returns. Unfortunately, we were reasonably accurate. We have emerged from a tough five-year period which we have made worse by not delivering alpha within the domestic equity component of our income and growth funds. Going forward, we see a far more attractive investment environment in which it will be easier to reach our inflation-plus targets. We believe our portfolios are appropriately positioned for the upturn, though we will never lose sight of the need to be defensive. We think our portfolios are well diversified, our asset allocation is prudent, and we have sufficient exposure to growth assets to take advantage of the attractive upside in many high-quality shares.

#### Portfolio managers

**Charles de Kock and Duane Cable**  
as at 30 September 2018

**IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION CAPITAL PLUS FUND**

The Capital Plus Fund should be considered a medium- to 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. The fund is mandated to invest up to 30% (including a maximum exposure of 5% to Africa, excluding South Africa) of its portfolio into foreign securities and may as a result be exposed to macroeconomic, settlement, political, tax, reporting or illiquidity risk factors that may be different to similar investments in the South African markets. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Asset allocation and top 10 holdings are reflected on a look-through basis. Any African exposure (ex SA) is reflected under international assets. The fund is managed in line with Regulation 28 limits, although it is not required as per the fund's supplemental deed. 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. The peer group average is calculated as the average return of all the funds in the respective ASISA category (excluding Coronation Funds in that category).

**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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