

CORONATION SA EQUITY FUND

Fund Information as at 31 October 2018

WHAT IS THE FUND'S OBJECTIVE?

The SA Equity Fund aims to achieve the best possible long-term growth from investing in South African shares.

WHAT DOES THE FUND INVEST IN?

The SA Equity Fund invests in the shares of companies listed on the Johannesburg Stock Exchange. While investments in foreign markets are specifically excluded, the fund can invest in international companies that are listed in South Africa.

There are no restrictions on how much exposure the fund can have to different sectors (for example, to mining, financial or industrial companies).

The fund will be fully invested in shares at all times. 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 shares that could achieve strong investment growth over the long run. Rigorous research is conducted into the long-term potential of a company and whether it is attractively valued relative to other companies, before its shares are selected for the fund.

Shares can be volatile investments and there is a meaningful risk of capital loss over the short term. However, given its focus on attractively valued shares that could offer long-term growth, the SA Equity Fund may preserve capital better than its benchmark over the long run.

HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The fund is managed to deliver the best possible returns over the long term; an investment horizon of 10 years or more is therefore ideal. It is not suitable as a single investment for investors who need to preserve their capital over five years or less.

WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are building wealth, and who

- are comfortable with full exposure to shares listed in South Africa;
- accept that the fund may underperform the market in the short term in pursuit of superior long-term gains.
- do not require an income in the short term.
- The fund is less concentrated than the Coronation Top 20 fund, making it more suitable for investors holding only one equity fund.

WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of a minimum of 0.75% and a maximum of 2.60%, depending on the fund's performance, is payable.

If the fund's return (after fees and costs) is equal to that of the benchmark, a fee of 1.10% will be charged. We share in 20% of the performance above the benchmark, up to a total annual fee of 2.60%. Performance is measured over a rolling 24-month period.

When the fund return (after fees) is below the benchmark over a rolling 60-month period the fee is discounted by 0.35%.

All fees exclude VAT. 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 fund 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?



KARL LEINBERGER
BBusSc, CA (SA), CFA



SARAH-JANE ALEXANDER
BBusSc, CFA



ADRIAN ZETLER
BCor (Hons), CA
(SA), CFA

GENERAL FUND INFORMATION

Launch Date	30 September 2015
Fund Class	A
Benchmark	FTSE/JSE Capped All Share Index (CAPI)
Fund Category	South African – Equity – General
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORSAEA
ISIN Code	ZAE000209441
JSE Code	CSEFA

CORONATION SA EQUITY FUND

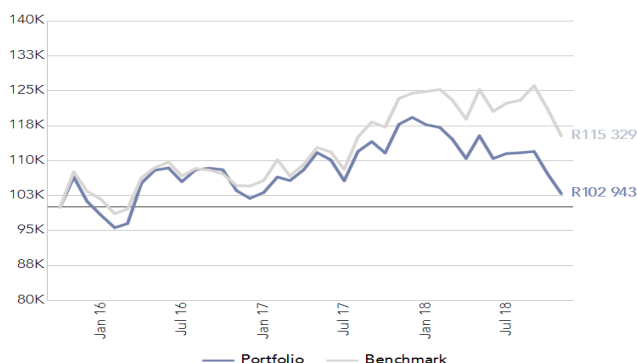
CLASS A as at 31 October 2018

FundCategory	South African - Equity - General
Launch date	30 September 2015
Fund size	R 1.03 billion
NAV	99.16 cents
Benchmark/Performance	FTSE/JSE Capped All Share Index
Fee Hurdle	
Portfolio manager/s	Karl Leinberger, Sarah-Jane Alexander & Adrian Zetler

Total Expense Ratio	1.27%	1.47%
Fee for performance in line with benchmark	1.10%	1.10%
Adjusted for out/(under)-performance	-	0.01%
Fund expenses	0.02%	0.21%
VAT	0.15%	0.15%
Transaction costs (inc. VAT)	0.07%	0.92%
Total Investment Charge	1.34%	2.39%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Oct 2018
Domestic Assets	100.0%
■ Equities	92.5%
Basic Materials	24.3%
Industrials	1.2%
Consumer Goods	15.3%
Health Care	6.2%
Consumer Services	19.7%
Telecommunications	6.0%
Financials	18.1%
Technology	0.8%
Derivatives	0.8%
■ Real Estate	7.5%
■ Cash	2.7%
■ Other (Currency Futures)	(2.6)%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	2.9%	15.3%	(12.4)%
Since Launch (annualised)	0.9%	4.7%	(3.8)%
Latest 3 years (annualised)	(1.1)%	2.3%	(3.5)%
Latest 1 year	(12.6)%	(6.5)%	(6.1)%
Year to date	(12.6)%	(7.6)%	(5.0)%

TOP 10 HOLDINGS

As at 30 Sep 2018	% of Fund
Naspers Ltd	12.0%
British American Tobacco Plc	9.5%
Anglo American Plc	8.9%
MTN Group Ltd	5.9%
Nedbank Group Ltd	4.5%
Sasol Ltd	3.7%
Standard Bank Group Ltd	3.6%
Northam Platinum Ltd	3.4%
Spar Group Ltd	3.2%
Pick 'N Pay Stores	3.0%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	11.8%	11.3%
Sharpe Ratio	(0.54)	(0.23)
Maximum Gain	13.4%	11.2%
Maximum Drawdown	(13.7%)	(8.5%)
Positive Months	51.4%	54.1%

	Fund	Date Range
Highest annual return	17.1%	Dec 2016 - Nov 2017
Lowest annual return	(12.6%)	Nov 2017 - Oct 2018

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
28 Sep 2018	01 Oct 2018	1.42	1.32	0.10
29 Mar 2018	03 Apr 2018	0.38	0.31	0.07
29 Sep 2017	02 Oct 2017	0.73	0.67	0.06
31 Mar 2017	03 Apr 2017	0.54	0.48	0.06

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2018	(0.5)%	(2.1)%	(3.6)%	4.4%	(4.2)%	1.0%	0.1%	0.2%	(4.3)%	(4.0)%			(12.6)%
Fund 2017	3.2%	(0.7)%	2.2%	3.4%	(1.4)%	(4.1)%	6.0%	1.9%	(2.1)%	5.5%	1.3%	(1.3)%	14.1%
Fund 2016	(2.7)%	0.9%	9.0%	2.6%	0.5%	(2.7)%	2.4%	0.3%	(0.3)%	(4.2)%	(1.6)%	1.2%	4.9%

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

The fund experienced a challenging quarter, with a return of -3.9%, on the back of weak domestic equity markets. This is a relatively new fund without a meaningful long-term track record.

Domestically, things remain very tough. The local economy dipped into recession with the second quarter GDP number of -0.7% being well below the consensus expectations of +0.6% growth. Recent reporting by domestic consumer-facing businesses reflects this harsh economic reality, with numerous companies reporting results below expectations. In September, President Cyril Ramaphosa announced a new economic stimulus package which included several supply and demand side reforms aimed at both raising productivity and public sector-driven investment projects. These reforms comprise infrastructure spend projects, easing of work and travel visa requirements, employment tax incentives and market-friendly revisions to the Mining Charter 3. Sadly, the local economy has many structural challenges and improvements are likely to take a long time to gain traction. Nonetheless, these initiatives are a step in the right direction. Against the backdrop of a very weak economy, the South African Reserve Bank was still able to leave the repo rate unchanged at 6.5%, as the inflation outlook continues to look relatively benign.

Overall, the JSE experienced a difficult quarter, with the JSE Capped Swix All Share Index declining by 1.7% (and with it dragging down rolling 12-month period returns to a paltry 0.4%). The poor returns for the quarter were driven by a weak performance from the industrial sector (-8%). The financial sector performed strongly – mainly driven by the life and non-life sectors, which were up 12% and 17% respectively. The resources sector had another good quarter and was up 5% with platinum stocks (+26%) having a very strong three-month period on the back of a rising platinum group metals basket price.

We continue to maintain reasonable exposure to resources based on our assessment of their long-term value. Our preference for Anglo American (+6%) over BHP Billiton (+2%) – based on more attractive commodity mix and valuation – continued to contribute to performance for the quarter. Our platinum exposure – mainly through Northam (+9%) – also added to performance during the period under review. We took advantage of market volatility and opportunistically added to our Anglo American holdings during the period.

Naspers' share price declined on the back of a pullback in the Tencent share price. Tencent's recent quarterly earnings were disappointing and short-term earnings expectations have been revised downwards due to the restructuring of certain Chinese government departments and the subsequent delays in the licensing of new online games. Chinese authorities have also proposed new regulations around protecting minors from the adverse effects of online games, which has created uncertainty in the Chinese gaming sector. We believe the licensing delays will be a temporary disruption to the business. Furthermore, our interpretation of the new proposed gaming regulations is that they will favour strong, responsible incumbents like Tencent. As such, we remain optimistic on the longer-term prospects for its online gaming business and are still very encouraged by the opportunities in growing its advertising, financial services and cloud businesses. In addition, Tencent has an outstanding investment portfolio, the value of which we believe is still very underappreciated by the market. In the case of Naspers itself, we are very encouraged by its management team's actions around portfolio optimisation and the steps taken to reduce the discount to its underlying intrinsic value. In this regard, management announced they would proceed with the unbundling of Multichoice – most likely to be completed in the first quarter of 2019.

The MTN share price declined after the surprise announcements by the Central Bank of Nigeria (CBN) and Nigerian Attorney General that MTN was in violation of certain foreign exchange control regulations and that it should repatriate \$8 billion to the country and pay an additional \$2 billion in back-taxes. These actions have created widespread uncertainty and is undermining the investment case for foreign investment in Nigeria. As the pressure of market forces has come to bear, the tone of more recent public announcements by the CBN has been less aggressive and more constructive. While these events were extremely disappointing, we believe a worst-case scenario is more than reflected in the current MTN share price (even with Nigeria at a zero value, we still see upside from current share price levels). Furthermore, we remain hopeful that rationality prevails and an amicable resolution can be found.

During the quarter, we continued to build a position in Quilter following its recent unbundling from Old Mutual. Quilter is a UK-focused integrated wealth manager. The UK savings market is substantial and the need for financial advice has increased dramatically given recent pension reforms which gives individuals more control over their retirement savings. This should act as a structural tailwind for the business. Quilter is very well placed with the second largest advice force and platform in the UK. It currently trades on around 13x one-year forward earnings and about 10x our assessment of normal earnings. This is a significant discount to its listed peers and, we believe, particularly attractive.

The fund's UK property holdings – primarily Intu (-13%) and Hammerson (-8%) - had another disappointing quarter mainly due to the economic uncertainty surrounding Brexit and specifically in the case of Intu, concerns around its gearing levels. We are cognisant of the risks surrounding their investment cases, but nevertheless believe that these stocks are incredibly cheap. At quarter-end, Intu was trading at a discount of more than 50% to its most recently reported NAV and offered investors a dividend yield of about 8% in pounds. Needless to say, this valuation dislocation has not gone unnoticed and after the failed offer by Hammerson for Intu earlier this year, it appears that Intu is once again in play after a consortium of investors - led by the Peel Group (Intu's largest shareholder) - confirmed that it is considering making an offer for Intu.

Some of our consumer-facing domestic holdings faced a very challenging quarter and experienced double-digit share price declines. At this point, we are asking ourselves whether the weakness is a cyclical or structural phenomenon. Has the earnings quality of food producers and retailers structurally changed? We don't believe this to be the case. In an economy with high structural inflation, it is extremely challenging for management to navigate a low volume growth environment. Only a small recovery in economic growth will significantly ease this burden. This issue has been exacerbated by the current low food inflation environment and, for producers, by additional imports on shelves because of a strong rand at the beginning of the year. As such, we believe some of these pressures will abate and continue to selectively add to the consumer stocks.

This has certainly been a testing quarter but in this volatile and uncertain world, our objective remains on building diversified portfolios that can absorb unanticipated shocks. We will remain focused on valuation and will seek to take advantage of attractive opportunities that the market may present to us and in so doing generate inflation-beating returns for our investors over the long term.

Portfolio managers
Karl Leinberger, Sarah-Jane Alexander and Adrian Zetler
 as at 30 September 2018

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

The SA Equity 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. Asset allocation and top 10 holdings are reflected on a look-through basis. 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. The fund's performance and fee benchmark is the FTSE/JSE Capped All Share Index (CAPI). Note that we use the formal SA – Equity – General category benchmark as specified in the ASISA Standard on Fund Classification, which is currently the FSTE/JSE All Share Index, for compliance monitoring purposes.

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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