

CORONATION SMALLER COMPANIES FUND

Fund Information as at 31 October 2018

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



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.

WHO ARE THE FUND MANAGERS?



ALISTAIR LEA
CA (SA), CFA



SIPHAMANDLA SHOJI
BSc (Actuarial)

GENERAL FUND INFORMATION

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

CORONATION SMALLER COMPANIES FUND

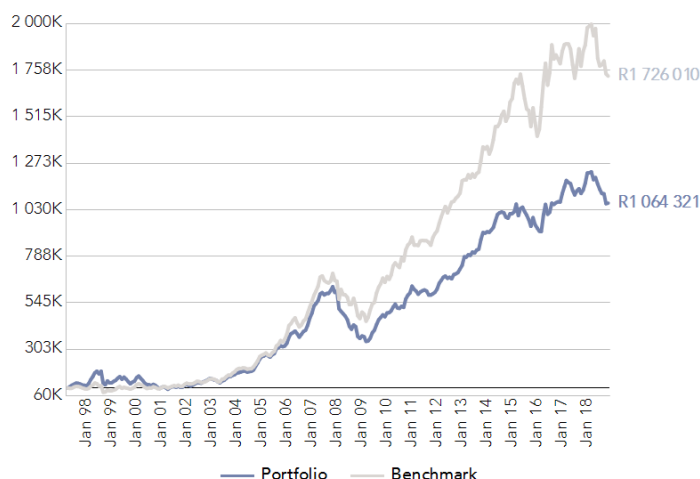
CLASS R as at 31 October 2018

Fund category	South African - Equity - Mid & Small Cap
Launch date	01 April 1997
Fund size	R163.66 million
NAV	6813.68 cents
Benchmark/Performance	Composite: FTSE/JSE Africa Mid & Small
Fee Hurdle	Cap Indices
Portfolio manager/s	Alistair Lea and Siphamandla Shoji

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%	0.22%
	1.48%	1.43%

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	97.6%
Basic Materials	8.1%
Industrials	10.3%
Consumer Goods	12.4%
Health Care	6.2%
Consumer Services	26.8%
Financials	25.2%
Technology	7.4%
Derivatives	1.1%
■ Real Estate	1.8%
■ Cash	0.6%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	964.3%	1626.0%	(661.7)%
Since Launch (annualised)	11.6%	14.1%	(2.5)%
Latest 20 years (annualised)	10.8%	15.9%	(5.2)%
Latest 15 years (annualised)	13.1%	16.3%	(3.2)%
Latest 10 years (annualised)	11.2%	13.7%	(2.5)%
Latest 5 years (annualised)	3.2%	4.9%	(1.8)%
Latest 3 years (annualised)	2.5%	3.4%	(0.9)%
Latest 1 year	(6.0)%	(7.0)%	1.0%
Year to date	(12.8)%	(12.8)%	(0.1)%

TOP 10 HOLDINGS

As at 30 Sep 2018	% of Fund
Spar Group Ltd	7.0%
Distell Group Ltd	5.5%
Advtech Ltd	5.3%
Famous Brands Ltd	5.3%
PSG Group	5.2%
Allied Electronics Corp	5.1%
Hosken Consolidated Investments	3.8%
RMI Holdings	3.7%
Northam Platinum Ltd	3.6%
Adcorp Holdings Ltd	3.5%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	18.1%	17.0%
Sharpe Ratio	0.12	0.28
Maximum Gain	67.2%	63.6%
Maximum Drawdown	(50.2)%	(38.2)%
Positive Months	61.8%	61.8%

	Fund	Date Range
Highest annual return	68.3%	May 1997 - Apr 1998
Lowest annual return	(41.4)%	Nov 2007 - Oct 2008

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
28 Sep 2018	01 Oct 2018	70.18	67.92	2.25
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

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)%	(2.3)%	(1.9)%	(0.1)%	(4.6)%	0.3%			(12.8)%
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%

The tough investment climate in the mid- and small-cap space has continued, with the fund down 4.8% over the past year. The five-year compound annual growth rate (CAGR) return of 4.0% for the fund is below inflation and shows how difficult it has been to produce decent returns, bearing in mind that the fund was the second best performing fund in the mid/small cap space over this time period.

Investing in small-cap funds is essentially a bullish call on South Africa and the rand. The fund has over 70% exposure to South African industrials, and a rand hedge component of only 20%. This is essentially a feature of our investable universe and our inability to invest in big global businesses. The subdued five-year return is therefore not surprising – the South African economy has had a very tough time over this period. Poor results from many companies bear testament to this.

Of more relevance perhaps is the outlook for the fund. It needs a healthier South African economy to produce inflation-beating returns. Right now, there is not much positive news around and it is hard to see how the economy can deliver GDP growth of 2% or above. But the market is pricing in this bleak scenario, and many shares are looking more undervalued than we have seen in a while. We are unlikely to see any pickup in the South African economy before the May 2019 elections, but what is clear is that the base is pretty low and the political landscape is significantly improved compared to just a year ago. It is difficult to invest amid the negative news which we are subjected to every day, but so often, times such as these prove to be the best time to invest.

Over the past year, the largest contributor to the fund's performance was the holding in Altron. This is gratifying in that we built a large position in Altron in 2016 after years of disappointing results caused the share price to decline from around R30 per share to R6 per share. New management and shareholders have done an outstanding job to reposition the company and the recent results show that this is now bearing fruit.

The biggest detractor to fund performance over the past year has been the holding in Dawn, a manufacturer, distribution and warehousing group. A few years ago, we participated in the recapitalisation of the company in the belief that this would give it the headroom to successfully restructure its operations. Unfortunately, this coincided with a brutal business environment which has made the turnaround extremely difficult, despite management's best efforts.

The largest addition to the fund in the quarter was the purchase of Life Healthcare, the hospital business with exposure to South Africa and the UK, having agreed to sell its stake in an Indian hospital business. Hospital businesses are generally of high quality, with high barriers to entry and constant and growing demand for their services, offset somewhat by the fact that they operate in a regulated environment. The significant decline in the share price of Life Healthcare means that it can now be bought on a 12 – 13 forward price earnings ratio, which we think is attractive.

The largest sale in the quarter was the position in Hammerson, the UK-based property stock. The environment for UK property owners is brutal right now with their customers (the retailers) under intense pressure and generally wanting less space, combined with rising interest and capitalisation rates. The Hammerson share price has held up reasonably well, possibly as a result of the failed offer from Klépierre to buy the company. Unless further corporate activity takes place, we think Hammerson will experience a difficult few years.

Portfolio managers
Alistair Lea and Siphamandla Shoji
as at 30 September 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. 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.

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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