

## 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



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](http://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

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

# CORONATION FINANCIAL FUND

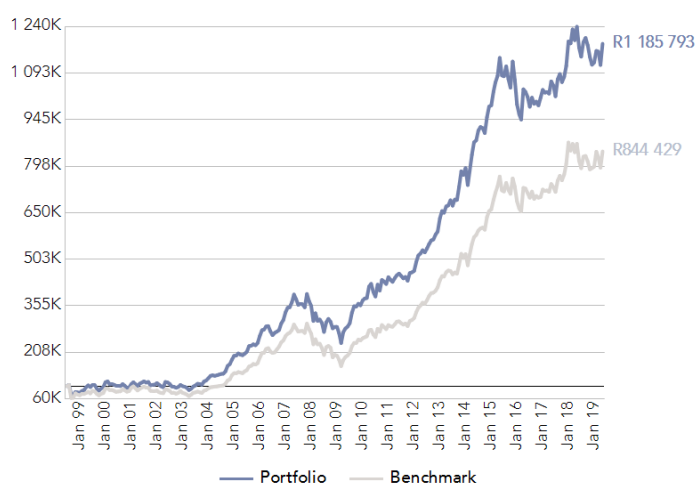
CLASS A as at 30 April 2019

Fund category	South African - Equity - Financial
Launch date	01 July 1998
Fund size	R412.53 million
NAV	6429.53 cents
Benchmark/Performance	FTSE/JSE Financial Index
Fee Hurdle	
Portfolio manager/s	Neill Young and Godwill Chahwahwa

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.44%	1.47%
Fund expenses	1.24%	1.24%
VAT	0.02%	0.05%
Transaction costs (inc. VAT)	0.18%	0.18%
Total Investment Charge	0.13%	0.21%
	1.57%	1.68%

## PERFORMANCE AND RISK STATISTICS

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



### PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1085.8%	744.4%	341.4%
Since Launch (annualised)	12.6%	10.8%	1.8%
Latest 20 years (annualised)	13.0%	12.3%	0.7%
Latest 15 years (annualised)	15.6%	15.4%	0.3%
Latest 10 years (annualised)	15.4%	15.9%	(0.5)%
Latest 5 years (annualised)	6.3%	8.1%	(1.8)%
Latest 3 years (annualised)	4.7%	5.1%	(0.4)%
Latest 1 year	(4.3)%	(2.8)%	(1.5)%
Year to date	5.3%	6.1%	(0.8)%

### RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	18.5%	19.9%
Sharpe Ratio	0.20	0.09
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

### MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2019	3.3%	(0.2)%	(3.7)%	6.1%									5.3%
Fund 2018	(0.5)%	3.8%	(2.8)%	3.6%	(5.3)%	(2.5)%	4.0%	1.1%	(1.9)%	(3.2)%	(2.2)%	0.7%	(5.6)%
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%

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Apr 2019
<b>Domestic Assets</b>	<b>100.0%</b>
Equities	90.5%
Financials	90.5%
Preference Shares & Other Securities	3.5%
Real Estate	5.7%
Cash	0.3%

### TOP 10 HOLDINGS

As at 31 Mar 2019	% of Fund
Standard Bank of SA Ltd	15.9%
RMB Holdings	14.6%
Nedbank Ltd	9.6%
Investec Limited	7.8%
Old Mutual LTD	7.6%
Discovery Holdings Ltd	6.1%
Quilter plc	5.3%
Reinet Investment SCA	4.3%
PSG Group	3.5%
Peregrine Equities	3.4%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Mar 2019	01 Apr 2019	36.05	34.58	1.47
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

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

The fund returned -0.7% for the quarter, falling short of the financial sector benchmark which delivered -0.5%. Over more meaningful periods of five and 10 years, the fund has generated compound annual returns of 6.1% and 15.2%, which compare to benchmark returns of 7.6% and 15.8% over the respective periods. Since inception, the fund has delivered compound annual growth of 12.3%, outperforming the index return of 10.5%.

The domestic market rebounded strongly in the first quarter of 2019 (Q1-19). The JSE All Share Index delivered 8.0% and within that, resources (+17.9%) and industrials (+7.4%) outperformed the financial sector. Within financials, banks (-0.8%) and the property sector (+1.3%) outperformed the life sector (-5.5%). These returns were delivered against the backdrop of a weak economy, struggling to deliver jobs or keep the lights on. Eskom remained in the headlines as the country hit Stage 4 load shedding in the middle of March. Years of mismanagement, corruption and underinvestment are finally coming home to roost. Although we appear to have received a temporary reprieve from the worst of load shedding, it has become clear that we are only now starting to understand the full extent of the power utility's problems and that its numerous issues are likely to take years to rectify. Against this challenging economic backdrop, the South African Reserve Bank left rates unchanged at its 28 March meeting and cut its 2019 GDP forecast from 1.9% to 1.3%. The much-anticipated ratings review by Moody's was deferred and South Africa's sovereign credit maintained its investment-grade rating.

Contributors to fund performance for Q1-19 included overweight positions in Quilter, Reinet and Investec as well as underweight positions in Absa and Sanlam. Overweight positions in Discovery, Nedbank and PSG Konsult, as well as an underweight position in Capitec Bank were among the main performance detractors for the period.

During Q1-19, the big four South African banks and life companies delivered their results to December 2018. Among the banks, results came in broadly in line with market expectations, reflecting a tough domestic operating environment. Some signs of growth were also evident as advances picked up late in the 2018 calendar year, and this should provide some support for earnings growth in 2019. While rising, credit losses remain well-controlled and currently below their through-the-cycle levels. The ongoing migration of customers away from using physical bank channels to the online banking platforms has necessitated a heightened focus on the cost line for all the banks. Going forward, cost control is therefore likely to be a key earnings driver for the banks. We believe that FirstRand, Nedbank and Standard Bank, all holdings in the fund, have firm plans to improve their cost-to-income ratios.

Results within the life sector were mixed. Our largest life holding, Discovery, delivered results short of expectations. This was negatively impacted by an unexpected spike in high value mortality claims as well as higher spend on growth initiatives. We view the mortality issue to be of a temporary or cyclical nature while the investment in new initiatives provides attractive growth opportunities for extending the brand. MMI, another fund holding, delivered positive results, reflecting a notable improvement in underlying operations. MMI's dividend was also reinstated and we are optimistic that the investment case for this holding is starting to come through.

On the international side, Brexit uncertainty continues to impact JSE-listed companies that have some of their operations within the UK. At the time of writing, the initial deadline for implementing Brexit (29 March 2019) has come and gone and yet there is still no clarity as to what kind of Brexit, if any, the UK is going to implement. The fund has holdings in Investec, Quilter, Discovery, Intu Properties, Hammerson, FirstRand - all companies with varying levels of exposure to the UK. While the valuations of these companies are attractive, we continue to actively manage the overall fund exposure to the UK in addition to assessing each investment case to ensure that our assessment of intrinsic value is not impaired by Brexit developments.

One of these UK-exposed businesses, Quilter, was a strong performer in the period after releasing results that reflected delivery in line with its stated strategy. The business continued to show consistent growth in assets under management on the back of strong inflows and this translated to operational leverage driving robust earnings growth. Management continue to strengthen the moat around this business by expanding their restricted adviser base with the recent acquisition, Lighthouse. (Lighthouse is a UK-listed adviser group with some 400 advisers.) To date, implementation of their new platform system has been on time and importantly within budget. While the migration to the new systems still presents some risk, a successful delivery of the new platform will allow the business greater efficiency in delivering new products in addition to driving further operating leverage over the long term. Quilter has a multi-year growth opportunity which we believe is not adequately reflected in the current share price. Importantly, this growth profile is likely to remain relatively resilient despite Brexit.

During the quarter, we trimmed holdings in FirstRand, Nedbank and Standard Bank as their share prices increased and margin of safety reduced. We also reduced the Old Mutual Ltd position into strength prior to their results announcement. We took the opportunity to increase the fund's investment in Peregrine, a highly cash-generative asset management business, when its share price came under pressure despite operating fundamentals remaining sound.

While the South African market performance for Q1-19 was strong, the domestic economic backdrop was sluggish. The longer Eskom's challenges prevail, the higher the cost to the economy in terms of lost productivity and rising operating costs leading to business failures and job losses. With the National Elections scheduled in early May, we expect little improvement before then. Decisive policy action will however be required post the election to ensure the economic challenges facing South Africa are effectively addressed.

**Portfolio managers**  
**Neill Young and Godwill Chahwahwa**  
 as at 31 March 2019

## 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](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.

## 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 2018 (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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