

## 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



### Maximum growth/ minimum income exposures



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

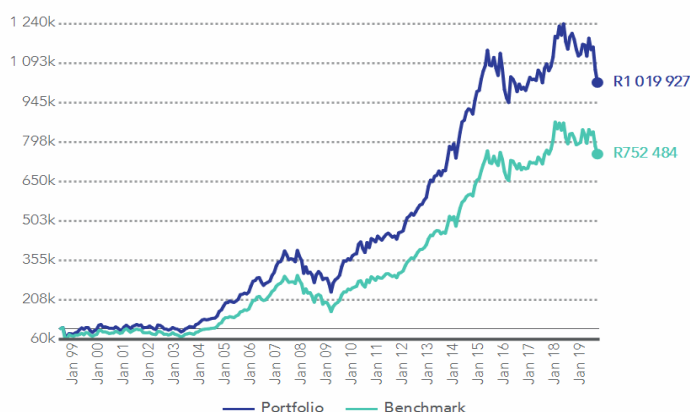
Launch Date	1 July 1998
Fund Class	A
Benchmark	FTSE/JSE Financial Index
Fund Category	South African – Equity – Financial
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORFING
ISIN Code	ZAE000019766
JSE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

CLASS A as at 31 August 2019

<b>Fund category</b>	South African - Equity - Financial
<b>Launch date</b>	01 July 1998
<b>Fund size</b>	R284.24 million
<b>NAV</b>	5530.18 cents
<b>Benchmark/Performance</b>	FTSE/JSE Financial Index
<b>Fee Hurdle</b>	
<b>Portfolio manager/s</b>	Neill Young and Godwill Chahwahwa

## 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)	919.9%	652.5%	267.4%
Since Launch (annualised)	11.6%	10.0%	1.6%
Latest 20 years (annualised)	12.8%	12.2%	0.6%
Latest 15 years (annualised)	13.8%	13.8%	0.0%
Latest 10 years (annualised)	11.2%	12.2%	(1.1)%
Latest 5 years (annualised)	2.1%	4.5%	(2.4)%
Latest 3 years (annualised)	0.8%	2.8%	(1.9)%
Latest 1 year	(15.3)%	(9.3)%	(6.0)%
Year to date	(9.4)%	(5.5)%	(4.0)%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	18.5%	19.9%
Sharpe Ratio	0.14	0.05
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(39.7)%	(45.3)%
Positive Months	59.4%	60.2%

	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%	(3.6)%	0.9%	(7.4)%	(4.5)%					(9.4)%
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%

	1 Year	3 Year
Total Expense Ratio	1.44%	1.46%
Fund management fee	1.24%	1.24%
Fund expenses	0.02%	0.04%
VAT	0.18%	0.18%
Transaction costs (inc. VAT)	0.13%	0.18%
Total Investment Charge	1.57%	1.64%

## PORTFOLIO DETAIL

## EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Aug 2019
<b>Domestic Assets</b>	<b>100.0%</b>
■ <b>Equities</b>	<b>90.7%</b>
Financials	90.7%
■ <b>Preference Shares &amp; Other Securities</b>	<b>3.8%</b>
■ <b>Real Estate</b>	<b>4.9%</b>
■ <b>Cash</b>	<b>7.0%</b>
■ <b>Other (Currency Futures)</b>	<b>(6.4)%</b>

## TOP 10 HOLDINGS

As at 30 Jun 2019	% of Fund
Standard Bank Of Sa Ltd	16.6%
RMB Holdings	15.1%
Nedbank Ltd	9.5%
Investec Limited	8.4%
Discovery Holdings Ltd	6.5%
Old Mutual Ltd	6.0%
Quilter Plc	4.7%
Momentum Metropolitan Holdin	4.0%
Psg Group	3.5%
Sanlam Life Assurance Limited	3.1%

## 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 3.1% for the quarter, compared with the financial sector benchmark, which delivered 5.4%. Over longer periods of five and ten years, the fund has generated compound annual returns of 4.8% and 14.4%, respectively, which compare to benchmark returns of 7.1% and 15.1%, respectively. Since inception, the fund has delivered compound annual growth of 12.4%, outperforming the benchmark return of 10.6%.

The SA market maintained the positive momentum from the first quarter, with the FTSE/JSE All Share Index delivering 3.9% for the second quarter. Within that, the financial sector outperformed both the industrial (4.0%) and resources (2.4%) indexes. Within the financial sector, banks (9.7%) outpaced the life sector (5.7%). These returns were delivered against the backdrop of a weak domestic economy. Data released in the period showed Q1 2019 GDP contracted -3.2% q/q, the worst sequential deterioration since Q1 2009, with weakness across a broad base of sectors. This weakness, combined with persistently low inflation and favourable global interest rate expectations, has increased the likelihood of future local rate cuts.

Despite the weakness in the economy, the earnings of the banks and life companies have, up to now, shown resilience. While bank lending growth is currently muted, particularly in the retail space, rising credit losses have remained within risk appetite and costs managed in line with a softer revenue environment. Life companies have seen some pressure on new business volumes and there is some evidence of emerging lapse risk around their entry-level products, but even there the impact to their earnings bases has been manageable. The operating environment is not expected to improve in the near term and, if anything, is likely to get tougher. We therefore expect to see more earnings pressure across the sector and indeed across the economy as the downcycle deepens.

Contributors to fund performance for the period included underweight positions in Capitec Bank, Redefine Income Fund and Capital & Counties, as well as overweight positions in Investec and MMI Holdings. Capitec Bank is a great franchise that continues to deliver strong earnings growth, but trades at a valuation that we believe more than discounts the attractive franchise value and growth on offer. The main detractors from fund performance for the period included an underweight position in Absa and overweight positions in Intu, Hammerson and Quilter plc. During the quarter, the UK-listed property stocks came under significant pressure as two large retailers, Debenhams and the Arcadia Group (Topshop owners) announced rent cuts via Company Voluntary Arrangements (CVAs) – a form of insolvency resolution mechanism in the UK. Both Intu and Hammerson are owners of prime retail assets that should remain relevant over the long term for retailers in an omni-channel environment, something we believe is not reflected in the current valuations.

During the quarter we took the opportunity to increase our holdings in MMI, Liberty and Investec and initiated a position in CML. Life companies have continued to de-rate relative to banks and currently trade at attractive valuations – hence the decision to increase the life sector holding in the fund. MMI has started to demonstrate an improvement in operations and the implementation of disciplined, shareholder-friendly capital allocation under new management, as evidenced by the R2bn

share buyback and rationalisation of underperforming operations. The Liberty management team is energised under Dave Munro and focused on driving adviser productivity while containing costs, with the aim of making it more competitive in the highly-contested middle market. MMI and Liberty are both trading below our assessment of intrinsic value and offer attractive margins of safety. These purchases were funded from reducing our holdings in Peregrine, Reinet, Old Mutual and FirstRand, where we saw reduced margin of safety as share prices increased.

The results of the much-awaited South African election were broadly in line with expectations, with the ANC maintaining its majority rule, albeit through slightly declined support at the general election level. The appointment of a new, smaller cabinet was a positive development, reinforcing the message of fiscal discipline. It remains to be seen how the president will navigate the political divisions within the ruling party to deliver on the reforms needed to turn around the economic fortunes of the country. The ability of domestic-facing businesses to meaningfully grow earnings depends largely on the ruling party's ability to deliver on these reforms and restore consumer and business confidence. We think this challenge is significant and unlikely to materialise in the short term. Within the fund, the focus on identifying and investing in undervalued strong franchises remains unchanged.

**Portfolio managers**  
**Neill Young and Godwill Chahwahwa**  
as at 30 June 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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