

## WHAT IS THE FUND'S OBJECTIVE?

The fund aims to maximise long-term investment growth from investing in a select group of South African listed industrial and consumer companies.

It seeks to outperform an index of industrial companies listed on the Johannesburg Stock Exchange (the JSE Industrial Index) over the longer term.

## WHAT DOES THE FUND INVEST IN?

The fund will remain fully invested in companies listed on the JSE, most excluding those involved in mining and financial services. It can invest in a wide range of industries, including technology, telecommunication, healthcare and consumer goods.

While the fund may not invest in foreign markets, it can have exposure to international companies that are listed in South Africa. The fund is mandated to use derivative instruments for efficient portfolio management purposes.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

### Risk Profile



### Maximum growth/ minimum income exposures



The fund's managers actively seek out attractively valued companies that could offer strong long-term growth.

Shares are selected following rigorous and independent 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

- ▶ want to diversify their investments to include exposure to a wide range of industrial companies;
- ▶ accept that the fund may underperform the market significantly in the short term in pursuit of superior long-term gains;
- ▶ want to hold the Industrial 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](http://www.coronation.com).

## WHO ARE THE FUND MANAGERS?



**ADRIAN ZETLER**  
(SA), CFA  
BCom (Hons), CA



**TUMISHO MOTLANTHE**  
BBusSc, CFA

## GENERAL FUND INFORMATION

<b>Launch Date</b>	1 July 1998
<b>Fund Class</b>	P (previously class A)
<b>Benchmark</b>	FTSE/JSE Industrial Index
<b>Fund Category</b>	South African – Equity – Industrial
<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>	CORCGRO
<b>ISIN Code</b>	ZAE000019741
<b>JSE Code</b>	CNCG

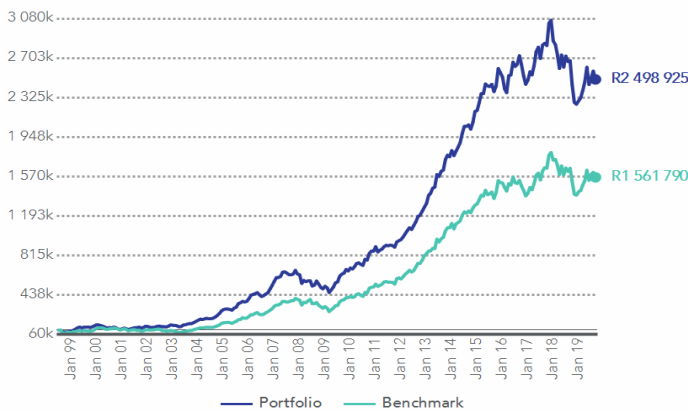
CLASS P as at 31 August 2019

<b>Fund category</b>	South African - Equity - Industrial
<b>Launch date</b>	01 July 1998
<b>Fund size</b>	R881.41 million
<b>NAV</b>	17518.68 cents
<b>Benchmark/Performance</b>	FTSE/JSE Industrial Index
<b>Fee Hurdle</b>	
<b>Portfolio manager/s</b>	Adrian Zetler and Tumisho Motlanthe

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.16%	1.16%
Fund expenses	1.00%	1.00%
VAT	0.02%	0.02%
Transaction costs (inc. VAT)	0.14%	0.14%
Total Investment Charge	0.14%	0.18%
	1.30%	1.34%

## 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)	2398.9%	1461.8%	937.1%
Since Launch (annualised)	16.4%	13.9%	2.6%
Latest 20 years (annualised)	15.9%	15.2%	0.7%
Latest 15 years (annualised)	17.4%	17.8%	(0.4)%
Latest 10 years (annualised)	14.7%	15.0%	(0.4)%
Latest 5 years (annualised)	3.9%	4.7%	(0.8)%
Latest 3 years (annualised)	(2.9)%	0.6%	(3.5)%
Latest 1 year	(6.7)%	(5.3)%	(1.4)%
Year to date	9.0%	9.7%	(0.7)%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	15.3%	17.7%
Sharpe Ratio	0.49	0.28
Maximum Gain	55.8%	61.7%
Maximum Drawdown	(31.6)%	(38.5)%
Positive Months	64.6%	64.2%

	Fund	Date Range
Highest annual return	68.0%	Jan 1999 - Dec 1999
Lowest annual return	(26.2)%	Dec 2017 - Nov 2018

## MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2019	1.3%	2.9%	3.5%	5.7%	(6.3)%	2.6%	2.6%	(3.1)%					9.0%
Fund 2018	(1.2)%	(3.2)%	(5.0)%	5.0%	(4.3)%	4.1%	(1.9)%	0.3%	(8.7)%	(6.8)%	(0.8)%	1.4%	(20.0)%
Fund 2017	3.2%	(1.2)%	3.6%	5.0%	1.6%	(3.9)%	4.8%	0.6%	(0.8)%	7.6%	0.9%	(6.5)%	15.0%

## PORTFOLIO DETAIL

## EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Aug 2019
<b>Domestic Assets</b>	<b>100.0%</b>
■ <b>Equities</b>	<b>98.2%</b>
Basic Materials	1.0%
Industrials	1.3%
Consumer Goods	23.1%
Health Care	6.7%
Consumer Services	53.9%
Telecommunications	5.5%
Financials	4.0%
Technology	2.8%
■ <b>Preference Shares &amp; Other Securities</b>	<b>0.9%</b>
■ <b>Real Estate</b>	<b>0.8%</b>
■ <b>Cash</b>	<b>0.1%</b>

## TOP 10 HOLDINGS

As at 30 Jun 2019	% of Fund
Naspers Ltd	34.1%
Compagnie Financiere Richemont Sa	8.0%
British American Tobacco Plc	7.0%
Mtn Group Ltd	5.4%
Bid Corp Ltd	3.6%
Aspen Pharmacare Holdings Ltd	2.7%
Multichoice	2.6%
Anheuser-busch Inbev Sa/nv	2.6%
Cartrack Holdings Ltd	2.6%
Distell Group Ltd	2.4%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Mar 2019	01 Apr 2019	108.28	106.32	1.96
28 Sep 2018	01 Oct 2018	110.24	109.34	0.91
29 Mar 2018	03 Apr 2018	86.67	81.55	5.12
29 Sep 2017	02 Oct 2017	72.22	69.82	2.40

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

The fund returned 1.6% for the second quarter of 2019 (Q2-19). Since inception, it has averaged an annualised return of 16.6% relative to its benchmark's return of 14.1%, while it has moderately underperformed its benchmark over the past five- and 10-year periods.

Despite the conclusion of the much-awaited South African election, investor and consumer sentiment continued to deteriorate during the quarter. The election result was broadly in line with expectations, with the ANC maintaining its majority rule – albeit with slightly reduced support. The appointment of a new, smaller cabinet was a positive development, reinforcing the message of fiscal discipline. However, the ANC remains plagued by factional tensions, frustrating the ability of President Cyril Ramaphosa to deliver on much-needed structural reform. Policy uncertainty lingers, as reflected in the divisive debates around land, the South African Reserve Bank's independence and the restructuring of Eskom. The latter's balance sheet problems remain an enormous overhang for the fiscus and the broader economy. Government has signalled its commitment to support Eskom financially, though the underlying state of the utility's generation and transmission assets remain unclear. These factors combined to weigh on consumer and corporate confidence levels and were reflected in a very weak first-quarter GDP print of -3.2%, dragged down by manufacturing and mining, in particular. Corporate financial results released during Q2-19, and the accompanying subdued tones of management, reinforce how dire the underlying economic situation actually is. The weak domestic economy, contained inflation and favourable global rate expectations have increased the likelihood of future interest rate cuts.

Performance attributions over the past three years have been boosted by our holdings in Cartrack, Mondi and Spar. Cartrack also contributed positively during the quarter, while our large weighting in British American Tobacco detracted. Richemont, while being the second largest position in the fund, contributed meaningfully to absolute fund performance in Q2-19, but its underweight position contributed to relative underperformance.

The British American Tobacco share price declined by 15.7% in the quarter, as prior concerns around the US regulatory environment, the extent of volume declines in the US market, the company's debt levels and the outlook for its next-generation products all resurfaced. We continue to believe that the regulatory concerns are overblown, and even if increased regulations – such as lower nicotine levels – are introduced, they will take years to implement. During this time, we expect the US to remain a very profitable market for British American Tobacco and will continue to help the company deleverage its balance sheet. Furthermore, we are very encouraged by the progress the company is making in next-generation products and believe its suite of products is particularly well positioned to gain market share and drive future earnings growth. The share is currently trading on c.9 times one-year forward earnings and a 7% dividend yield. We believe this to be extremely cheap for a stock of this quality and it remains a large overweight position in the fund.

Cartrack is the second largest overweight position in the fund and has contributed materially to performance over time. Cartrack is a vehicle tracking and telematics business that is leveraging its leading position in South Africa (SA) and selected African markets. It is also expanding internationally into Europe, the US and some exciting Asian markets. Its low cost, vertically-integrated model provides it with a competitive advantage relative to its peers, which has allowed it to achieve remarkable customer growth while maintaining industry-leading profitability margins. Its management team has some very exciting things planned for the business and we remain optimistic about its prospects.

Notwithstanding SA's economic challenges, we have been finding exceptional value in a number of domestic stocks and have been adding to our positions over the past few quarters. These include names such as Zeder, Pioneer, Rhodes Food Group, the local hospital groups, some of the food retailers and a number of smaller positions in selected small and mid-caps. Collectively, these stocks now comprise a meaningful part of the portfolio and, while the newsflow around these names might not be improving any time soon, we are excited about their return prospects.

During the quarter, trading activity was primarily limited to opportunistically adding to existing positions at attractive prices. Examples include Spar, MultiChoice, Aspen and Famous Brands. We funded these buys by trimming some of our Naspers and Richemont positions after a very strong run in both stocks.

Navigating the domestic equity market is certainly proving challenging at the moment but, given current valuations, we remain very excited about future return opportunities.

#### Portfolio manager changes

Sarah-Jane Alexander has been a portfolio manager on the fund for the past seven years and has made a significant contribution to its track record. From 1 May 2019 she will be focusing her efforts on managing the Coronation Equity and Balanced Plus funds. Joining Adrian Zetler as co-manager of the fund is Tumisho Motlanthe. Tumisho has been a member of the Coronation Equity team for the past 10 years and has already positively contributed to the fund through his analysis of a number of industrial and retail companies. We look forward to his future contribution.

#### Portfolio managers

**Adrian Zetler and Tumisho Motlanthe**  
as at 30 June 2019

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

The Industrial 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](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 P 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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