

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**Risk Profile****Maximum growth/
minimum income exposures**

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
SHOZI**
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

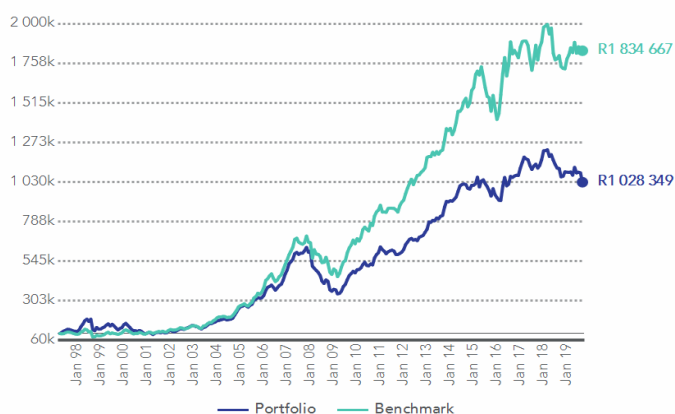
CLASS R as at 31 August 2019

Fund category	South African - Equity - Mid & Small Cap
Launch date	01 April 1997
Fund size	R139.33 million
NAV	6550.44 cents
Benchmark/Performance	Composite: FTSE/JSE Africa Mid & Small Cap Indices
Fee Hurdle	Cap Indices
Portfolio manager/s	Alistair Lea and Siphamandla Shozi

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.20%	1.21%
Fund expenses	0.99%	0.99%
VAT	0.06%	0.07%
Transaction costs (inc. VAT)	0.14%	0.14%
Total Investment Charge	0.17%	0.18%
	1.37%	1.39%

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)	928.4%	1734.7%	(806.3)%
Since Launch (annualised)	11.0%	13.9%	(2.9)%
Latest 20 years (annualised)	10.7%	15.7%	(5.0)%
Latest 15 years (annualised)	11.8%	15.5%	(3.8)%
Latest 10 years (annualised)	8.5%	11.3%	(2.9)%
Latest 5 years (annualised)	0.3%	3.5%	(3.2)%
Latest 3 years (annualised)	(0.9)%	0.4%	(1.3)%
Latest 1 year	(7.6)%	1.7%	(9.2)%
Year to date	(5.6)%	2.9%	(8.5)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	17.9%	16.8%
Sharpe Ratio	0.09	0.27
Maximum Gain	67.2%	63.6%
Maximum Drawdown	(50.2)%	(38.2)%
Positive Months	61.0%	61.3%

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

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2019	(0.1)%	0.2%	(1.8)%	4.5%	(3.1)%	0.5%	(0.4)%	(5.3)%					(5.6)%
Fund 2018	0.1%	0.4%	(3.4)%	0.9%	(2.8)%	(2.3)%	(1.9)%	(0.1)%	(4.6)%	0.3%	2.6%	(0.2)%	(10.7)%
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%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Aug 2019
Domestic Assets	100.0%
■ Equities	93.3%
Basic Materials	13.6%
Industrials	8.8%
Consumer Goods	11.7%
Health Care	3.5%
Consumer Services	22.6%
Telecommunications	0.6%
Financials	21.1%
Technology	7.3%
Derivatives	4.2%
■ Preference Shares & Other Securities	2.0%
■ Real Estate	4.1%
■ Cash	0.7%

TOP 10 HOLDINGS

As at 30 Jun 2019	% of Fund
Distell Group Ltd	5.7%
Spar Group Ltd	5.4%
Advtech Ltd	5.4%
Famous Brands Ltd	5.0%
Metair Investments Ltd	4.9%
RMI Holdings	4.9%
Northam Platinum Ltd	4.7%
PSG Group	4.7%
Allied Electronics Corp	4.3%
Cartrack Holdings Ltd	4.0%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Mar 2019	01 Apr 2019	34.54	31.69	2.85
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

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

The fund delivered a flat performance in the year to date. Over the past 12 months to end-June 2019, the fund returned -4.1% compared with the 4.5% delivered by the benchmark. The fund has delivered 2.4% return over the past three years, ahead of the benchmark's return of 2.2%, placing it at the top of the leaderboard among its competitors.

It has been a tough year for domestic shares, particularly those belonging to mid- and small-cap categories. Lack of demand, driven by the poor economic growth of the last five years or so, has resulted in companies not being able to pass on price hikes meant to recover stubborn cost increases. The environment has become so competitive that price increases above market tend to result in immediate loss of volumes and market share. Companies' margins are eroded while they attempt to maintain their top line. Concurrently, some see it beneficial to splash hard-earned capital on poorly thought-out acquisitions abroad. Many of these transactions have resulted in value destruction and subsequent declines in share prices.

One such example is Famous Brands, a high-quality food franchising business, vertically integrated into manufacturing and the supply chain. The franchise model is very attractive, generates high margins and has great cash flow conversion. The bulk of the capital is contributed by the franchisees, while the ownership of the brands belongs to the franchisor. Famous Brands has an excellent track record of earnings delivery, even in tough times. However, several years ago they saw it fit to spend R2 billion to acquire little-known UK-based business GBK, which primarily sells burgers and related food items. As is often the case, the general rationale is the need to diversify. Subsequent to the acquisition, the operating environment in the UK worsened and the operational performance of GBK fell well below expectations. Additionally, management had taken on substantial debt to acquire the business. In short, management destroyed a significant amount of value (R800 million impaired) by taking a very high-quality business with strong market positions in the local market and mixing this with a lesser-known business in the UK. As such, Famous Brands has been one of the detractors to fund performance.

However, not all is gloom, as Metair – one of the shares with low exposure to the local consumer – has contributed handsomely to performance over the past year. Metair can be divided into two divisions: energy storage (battery) and auto components. The battery business sells both to original equipment manufacturers (OEMs) and the after-market; and is the largest business of its kind in South Africa. It is seeing good growth, driven by the increased demand of its stop-start battery technology. The OEM components business is also benefiting from the increased local production of vehicles and a step-up in local content required by the Automotive Production and Development Programme. Metair is trading at an attractive multiple of six times our assessment of normal earnings.

During the quarter, we added to the fund's holdings in Exxaro, Royal Bafokeng Platinum and Netcare. We reduced our holdings in Life Healthcare, Distell and Cartrack. We continue to be very cautious, investing in high-quality businesses with strong balance sheets that can withstand the tough economic environment.

Portfolio managers

Alistair Lea and Siphamandla Shozi
as at 30 June 2019

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 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

IMPORTANT INFORMATION REGARDING TERMS OF USE

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