

**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**

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



**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

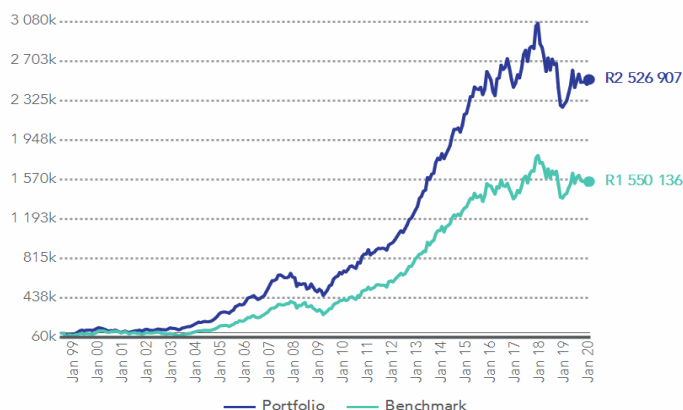
CLASS P as at 31 December 2019

<b>Fund category</b>	South African - Equity - Industrial
<b>Launch date</b>	01 July 1998
<b>Fund size</b>	R831.54 million
<b>NAV</b>	17651.02 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	1.17%	1.16%
Fund expenses	1.00%	1.00%
VAT	0.02%	0.02%
Transaction costs (inc. VAT)	0.15%	0.14%
Total Investment Charge	0.13%	0.16%
	1.30%	1.32%

## 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)	2426.9%	1450.1%	976.8%
Since Launch (annualised)	16.2%	13.6%	2.6%
Latest 20 years (annualised)	15.1%	13.7%	1.4%
Latest 15 years (annualised)	15.3%	15.8%	(0.5)%
Latest 10 years (annualised)	13.8%	13.8%	(0.1)%
Latest 5 years (annualised)	2.8%	3.5%	(0.7)%
Latest 3 years (annualised)	0.5%	3.2%	(2.8)%
Latest 1 year	10.2%	8.9%	1.3%
Year to date	10.2%	8.9%	1.3%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	15.2%	17.6%
Sharpe Ratio	0.48	0.27
Maximum Gain	55.8%	61.7%
Maximum Drawdown	(31.6)%	(38.5)%
Positive Months	64.3%	64.0%

	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)%	0.2%	(0.2)%	(0.8)%	1.9%	10.2%
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 Dec 2019
<b>Domestic Assets</b>	<b>100.0%</b>
■ <b>Equities</b>	<b>97.7%</b>
Industrials	3.3%
Consumer Goods	23.8%
Health Care	6.5%
Consumer Services	42.4%
Telecommunications	5.0%
Financials	3.2%
Technology	13.4%
■ <b>Preference Shares &amp; Other Securities</b>	<b>0.9%</b>
■ <b>Real Estate</b>	<b>1.2%</b>
■ <b>Cash</b>	<b>0.2%</b>

## TOP 10 HOLDINGS

As at 31 Dec 2019	% of Fund
Naspers Ltd	25.1%
Prosus Nv	9.8%
British American Tobacco Plc	9.2%
Compagnie Financiere Richemont Sa	7.4%
Mtn Group Ltd	5.0%
Aspen Phamacare Holdings Ltd	4.3%
Spar Group Ltd	3.5%
Pick 'n Pay Stores	2.6%
Bid Corp Ltd	2.6%
Distell Group Ltd	2.6%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2019	01 Oct 2019	63.50	62.86	0.64
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

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

The fund returned +1.0% for the fourth quarter of 2019 (Q4-19) and finished the calendar year up 10.2%. Since inception, it has averaged an annualised return of 16.2% relative to its benchmark's return of 13.6% but remains slightly behind the benchmark over five- and 10-year periods.

In last quarter's commentary, we made mention of the positive Q2-19 GDP growth surprise of around 3% in what was a very challenging economic environment, coupled with very low business and consumer confidence. As it happens, this strong growth proved short-lived, and was followed by another quarter of contraction in Q3-19 of 0.6% (Q1-19 saw a contraction of 3.1%). It was, and still is our belief that the South African Reserve Bank is in a reasonable position to hopefully stimulate the economy via the cutting of interest rates, and that this latest GDP number is further evidence of the economy needing some help. Where we did see some relief is in the currency, where the rand strengthened by 7.5% (effectively recouping all of the Q3-19 losses) on the back of a more conciliatory tone being struck between the US and China on the trade-war front. This spurred some risk-on asset buying to the benefit of a number of emerging market currencies.

In terms of the three-year performance attribution, Cartrack, Spar and Netcare headline the list of positive contributors at the end of this quarter. Not owning EOH and Vodacom also contributed positively. A big detractor over this period has been our overweight position in Curro Holdings. This is largely due to earnings delivery not coming through as expected due to affordability issues on the school fee front, compounded by emigration ticking up, which has seen the share de-rate alongside the other education companies. While disappointing, we have kept the holding in the fund, as we still like the business model, anchored in the mid- to low-fee segment of the private schooling space, and remain optimistic about its prospects of delivering good earnings growth as it fills up its capacity.

Remgro is one of our top overweight positions, and is a business that we discussed in the previous commentary. We like the assets and saw a good value unlock opportunity, given that it was trading at a decade-high discount to the stated value of its underlying investments. Having built the position from scratch during Q3-19, we are pleased to have seen a return on our investment so quickly. In Q4-19, the share was the third-largest contributor to performance and was up 21.8% in the quarter.

Another stand-out performer of the quarter, and a stock we have spoken about on a number of occasions in the past, is Aspen. Having opportunistically increased the position further in Q3-19 – at levels 30% lower than the price we bought at in Q2-19 – the share is up more than 78% from those levels and returned 38.7% in the fourth quarter alone. Much of why the share was so depressed centred around balance sheet concerns and the need for shareholders to inject equity in order to reduce gearing levels. As it happened, a number of disposals were completed at good valuations, which not only fixed the balance sheet, but highlighted the inherent value sitting in Aspen's group of companies today. Despite the share being up, it trades on a high single-digit PE multiple, and has a fair value that we believe is still substantially higher than the current share price. We have marginally trimmed the position, but the fund continues to retain a meaningful overweight position in the stock.

Rounding out the top three positive contributors in the quarter is British American Tobacco (BAT). While it was up just shy of 10% in the quarter, it managed to return in excess of 40% from the lows hit at the end of January 2019. After living under a cloud of regulatory uncertainty for the better part of two years, some positive news emerged out of the US FDA (Food and Drug Administration) in the final month of 2019. The administration introduced a ban on all e-cigarette flavours, bar tobacco and menthol. Until this point, e-cigarettes had been the backbone of disrupter JUUL's fast-growing business, which many had seen as an existential threat to traditional tobacco companies. Because of this, a key competitive threat to BAT's business has been significantly curtailed. Even though it has been the best-performing share for the fund in 2019, we have not significantly reduced the position size, and it remains the fund's largest overweight position today, which is well-supported by valuation. It still trades on 9.4x forward earnings and offers a 7% dividend yield. We see this as too cheap for a business of this quality.

One of the fund's top five overweight positions that has not yet, in our opinion, realised its full value, is Altron, which we introduced to the fund in the third quarter, and added to in this quarter. It underperformed the benchmark by 7% in the quarter. Altron previously operated in the electronics and power infrastructure spaces, but today is a focused ICT player with operations in South Africa and the UK. It is positioning itself in future IT growth areas of cloud, data analytics and security services, working closely with a leading vendor in these areas in Microsoft. In our view, the share price decline has more to do with the broad-based selling of SA shares and less to do with any inherent concerns around the company. The streamlining of the company has resulted in a much better business, concentrating its efforts in the right areas. While the SA economy might be tough at the moment, the need for companies to continue to invest in IT will endure, and we believe that, at current levels, the market underappreciates just how much runway the business has over our investment horizon of 5+ years.

We also took the opportunity to buy ABI on share price weakness, and added to the Advtech position, which has suffered a similar fate to Curro in 2019.

When looking at the portfolio today, we are comfortable that it is well-positioned to weather a number of potential economic outcomes, both locally and abroad, and that the companies invested in are well-placed in their markets and currently priced to yield attractive future returns.

**Portfolio managers****Adrian Zetler and Tumisho Motlanthe**

as at 31 December 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 2019 (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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