

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



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
SHOJI**
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 |

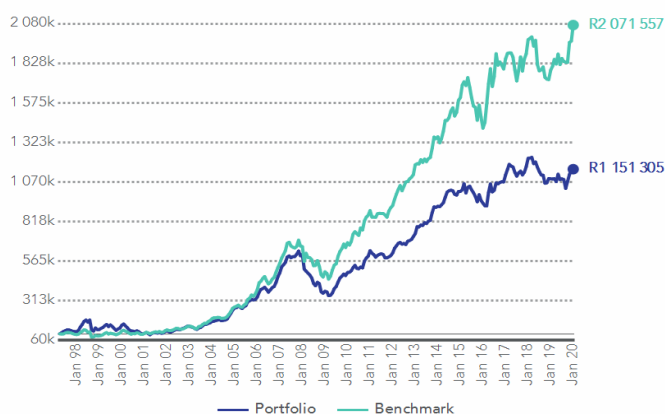
CLASS R as at 31 December 2019

| | |
|------------------------------|--|
| Fund category | South African - Equity - Mid & Small Cap |
| Launch date | 01 April 1997 |
| Fund size | R150.07 million |
| NAV | 7253.83 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 | 1.22% | 1.21% |
| Fund expenses | 1.00% | 1.00% |
| VAT | 0.07% | 0.07% |
| | 0.15% | 0.14% |
| Transaction costs (inc. VAT) | 0.13% | 0.18% |
| Total Investment Charge | 1.35% | 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) | 1051.3% | 1971.6% | (920.2)% |
| Since Launch (annualised) | 11.3% | 14.3% | (2.9)% |
| Latest 20 years (annualised) | 10.6% | 15.4% | (4.8)% |
| Latest 15 years (annualised) | 10.3% | 14.5% | (4.2)% |
| Latest 10 years (annualised) | 8.9% | 11.8% | (2.9)% |
| Latest 5 years (annualised) | 2.7% | 5.2% | (2.5)% |
| Latest 3 years (annualised) | 1.1% | 3.7% | (2.6)% |
| Latest 1 year | 5.6% | 16.1% | (10.5)% |
| Year to date | 5.6% | 16.1% | (10.5)% |

RISK STATISTICS SINCE LAUNCH

| | Fund | Benchmark |
|----------------------|---------|-----------|
| Annualised Deviation | 17.8% | 16.7% |
| Sharpe Ratio | 0.12 | 0.30 |
| Maximum Gain | 67.2% | 63.6% |
| Maximum Drawdown | (50.2)% | (38.2)% |
| Positive Months | 61.5% | 61.5% |

| | 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)% | 4.3% | 4.2% | 2.5% | 0.4% | 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 Dec 2019 |
|---|---------------|
| Domestic Assets | 100.0% |
| ■ Equities | 93.1% |
| Basic Materials | 12.1% |
| Industrials | 9.3% |
| Consumer Goods | 13.7% |
| Health Care | 7.6% |
| Consumer Services | 22.2% |
| Telecommunications | 0.5% |
| Financials | 18.5% |
| Technology | 6.4% |
| Derivatives | 2.7% |
| ■ Preference Shares & Other Securities | 2.5% |
| ■ Real Estate | 3.7% |
| ■ Cash | 0.8% |

TOP 10 HOLDINGS

| As at 31 Dec 2019 | % of Fund |
|-------------------------|-----------|
| Distell Group Ltd | 5.4% |
| RMI Holdings | 4.9% |
| Metair Investments Ltd | 4.8% |
| Spar Group Ltd | 4.8% |
| PSG Group | 4.5% |
| Advtech Ltd | 4.2% |
| Famous Brands Ltd | 4.1% |
| Northam Platinum Ltd | 4.1% |
| Quilter plc | 3.7% |
| Allied Electronics Corp | 3.4% |

INCOME DISTRIBUTIONS

| Declaration | Payment | Amount | Dividend | Interest |
|-------------|-------------|--------|----------|----------|
| 30 Sep 2019 | 01 Oct 2019 | 74.64 | 70.41 | 4.23 |
| 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 |

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

It has been a tough year in the mid- and small-cap space, evidenced by the average return across all six Morningstar-rated funds in our peer group of 0.12% for the year. Your fund fared a little better, returning 5.6%, slightly ahead of inflation, which is running at 4.1%. The fund has delivered 1.1% per annum (p.a.) and 2.7% p.a. over 3 and 5 years, remaining the best-performing small cap fund over these periods. These absolute returns are not something to write home about, but merely demonstrate just how tough the environment has been for small- and medium-sized businesses over the last few years.

Drilling deeper into the performance of the fund, the bulk of the fund's positive return came in the fourth quarter, largely driven by our holdings in platinum shares, specifically Northam and Impala Platinum. Their performance, in turn, was driven by the skyrocketing of platinum group metal (PGM) prices. The PGM prices rose 47% in 2019, contributing to the stellar performance of the platinum shares. We have been selling some of these shares into strength, although we continue to hold a sizeable amount. This is predicated on metal deficits continuing for the next few years, driven by an increase in demand as automotive manufacturers face increasingly stringent emissions standards. In addition, supply response has not been forthcoming as a result of underinvestment by the industry.

Cartrack has also been a strong performer over the past year, going up by 70%. Cartrack is a perfect example of the kind of companies we seek to include in the fund. When it listed, it was a little-known company operating in the telematics industry, a space not very well known in the market. However, through our research and previous dealings with some of the companies in the sector, we had a pretty good idea of the long-term prospects of the industry. The management team is impressive, shareholder friendly and has a very clear growth strategy. The company has since compounded earnings at a rate greater than 20% since listing, a feat not many listed companies can claim.

The biggest detractors to fund performance in the last year have been the holdings in Invicta and Advtech.

Invicta has been a dismal share to own in the past few years. Not only has the company been the victim of a brutally tough economy, but was also the recipient of a R750 million fine from the South African Revenue Service for a tax structure that resulted in Invicta paying a very low tax rate for the last seven or eight years. The deluge of bad news has caused the share price to decline significantly and is now priced at approximately half of book value and on about six times price-to-earnings ratio on what we consider to be low earnings. These earnings are unlikely to recover in the current economic environment but should do so in time as things improve.

Advtech has been the darling of this fund and is probably the share we have held the longest. It operates two main divisions: private schools and tertiary. The tertiary division has performed phenomenally, driven by increasing demand from students looking for decent post-matric education that is likely to lead to them finding a job. The demand has been made more acute as the public sector has struggled to keep up with student numbers and affordability. However, the private schooling division has been experiencing a tougher environment. The bulk of Advtech's school portfolio is exposed to the very high-end private schooling sector. The tough economic environment has led to many parents either

emigrating or downtrading to lower fee schools as affordability became an issue. This happened in the middle of the division undertaking a massive restructuring of its internal systems. As you can imagine, all of this has led to poor results being achieved. We continue to believe that private schooling is on a structural growth path and that the internal restructuring should result in some cost savings which should mitigate the tough economic cycle. As such, we continue to be holders of Advtech.

Given the poor performance of most shares in the mid- and small-cap space, the valuations have become very attractive, which we believe will be the biggest determinant of future returns. As such, the fund will continue to look for attractively priced shares that will deliver the best risk-adjusted returns.

Portfolio managers
Alistair Lea and Siphamandla Shozi
as at 31 December 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 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

IMPORTANT INFORMATION REGARDING TERMS OF USE

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