

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



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.

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

CORONATION FINANCIAL FUND

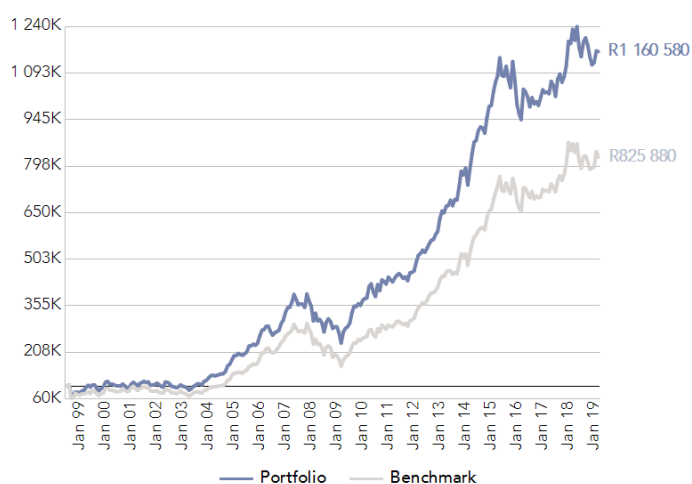
CLASS A as at 28 February 2019

Fund category	South African - Equity - Financial
Launch date	01 July 1998
Fund size	R445.10 million
NAV	6329.51 cents
Benchmark/Performance	FTSE/JSE Financial Index
Fee Hurdle	
Portfolio manager/s	Neill Young and Godwill Chahwahwa

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.44%	1.46%
Fund expenses	1.24%	1.24%
VAT	0.02%	0.05%
Transaction costs (inc. VAT)	0.18%	0.17%
Total Investment Charge	0.13%	0.20%
	1.57%	1.66%

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)	1060.6%	725.9%	334.7%
Since Launch (annualised)	12.6%	10.8%	1.8%
Latest 20 years (annualised)	13.8%	12.7%	1.1%
Latest 15 years (annualised)	15.4%	15.3%	0.1%
Latest 10 years (annualised)	17.2%	17.6%	(0.4)%
Latest 5 years (annualised)	8.2%	9.8%	(1.6)%
Latest 3 years (annualised)	7.1%	8.1%	(1.0)%
Latest 1 year	(5.7)%	(4.9)%	(0.8)%
Year to date	3.1%	3.7%	(0.7)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	18.5%	19.9%
Sharpe Ratio	0.20	0.09
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(39.7)%	(45.3)%
Positive Months	60.1%	60.9%

	Fund	Date Range
Highest annual return	63.0%	Aug 2004 - Jul 2005
Lowest annual return	(28.6)%	Mar 2008 - Feb 2009

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	28 Feb 2019
Domestic Assets	100.0%
Equities	88.9%
Financials	88.9%
Preference Shares & Other Securities	4.1%
Real Estate	6.3%
Cash	0.7%

TOP 10 HOLDINGS

As at 31 Dec 2018	% of Fund
Standard Bank of SA Ltd	15.3%
RMB Holdings	14.2%
Nedbank Ltd	11.3%
Old Mutual LTD	9.1%
Investec Limited	7.1%
Discovery Holdings Ltd	6.8%
Reinet Investment SCA	4.1%
Quilter plc	4.0%
PSG Group	3.9%
Sanlam Life Assurance Limited	3.1%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
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
31 Mar 2017	03 Apr 2017	73.16	72.16	1.00

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2019	3.3%	(0.2)%											3.1%
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%

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

The fund returned -4.7% for the quarter, lagging the index return of -2.1% and dragging the return for the calendar year to -5.6%. Although negative, this represented outperformance of the benchmark return of -8.8%. Over the more meaningful periods of five and 10 years, the fund has generated compound annual returns of 7.3% and 14.6% respectively, compared to index returns of 8.9% and 15.0%. Since inception, the fund has delivered compound annual growth of 12.5%, outperforming the index return of 10.7%.

The fourth quarter was a challenging one for global markets as a litany of worries including a US-China trade war, a no-deal Brexit and a US government shut-down drove indices to their worst year since 2008. The MSCI All Country World Index was down 12.8% for the quarter, with the US market down 13.4% and most others following its lead. Our market fared a bit better, down 4.9% (in rand terms), while the financial sector fared better still, down 2.1% in the quarter. It was a comparably better quarter for the banks which were up 2.5%, while life insurers rose by only 0.1%.

Contributors to fund performance for the quarter came from overweight positions in outperformers Nedbank, PSG Konsult and Standard Bank, as well as underweight positions in underperformers Nepi Rockcastle and Coronation. Detractors from performance came from overweight positions in underperformers Investec, Hammerson and Reinet, and no exposure to outperformers Absa and Capitec.

Looking back on the fund's performance for the year is a source of great frustration, doubtless for investors as much as for us, the managers. While stock-picking within sub-sectors was generally good (Nedbank amongst banks and PSG Konsult amongst other financials), the fund's performance was dominated by the fortunes of the property stocks. The fund has consistently had very little exposure to the SA-listed property sector, and its precipitous decline during the year benefited fund relative performance. The fund did however carry overweight positions in the dual-listed UK retail property stocks Intu and Hammerson, and these positions offset much of this benefit. The two shares sold off significantly during 2018: Hammerson by 40% and Intu by 55% (both in sterling terms). The market appears to have two principal concerns:

- A structural change in the retail model, away from in-store and towards online sales
- The implications of an uncertain Brexit on the UK market more generally

These are both risks that we certainly do not dismiss. Despite the two companies owning premium super-regional retail centres in the UK (as well as France and Ireland in the case of Hammerson), there is no question that the model is changing and that online sales will become an increasing part of retailers' mix. This is likely to put pressure on rentals and the ability to fill space in centres. However, we would consider the quality of both companies' portfolios to be such that they are better able to withstand this headwind than the average shopping centre. The eventual form of Brexit is impossible to call, although it is looking increasingly contested and messy by the day. This will no doubt have some impact on financial markets, as well as on consumer behaviour.

While all of this sounds rather negative, one must return to valuation as an anchor. At the beginning of the year Hammerson traded at a 30% discount to its NAV at that date, and Intu at a 39% discount.

One could challenge some of the NAV assumptions, and these businesses' balance sheets carry debt, implying NAVs can be quite geared to any changes in such assumptions. However, at these sorts of discounts the shares traded with some margin of safety. Indeed, the attractiveness of Intu soon became apparent: during the year it received two indicative takeout proposals. Both came from industry insiders – one in fact from Hammerson, and the other from a consortium that included Intu's own chairman. The latter materialised early in the fourth quarter, when the share was trading at 148p, a 59% discount to its disclosed June NAV. The indicative proposal offer was for 215p, not far from where the share had been trading at the time of the Hammerson approach. Disappointingly, the consortium subsequently elected not to proceed with the offer on the grounds of uncertain macroeconomic conditions and potential market volatility (*read: Brexit*) rather than any fundamental concerns revealed during the due diligence process. The share retreated to a level significantly below that at which it was trading in September before the proposal was announced. Today Intu trades at 108p, a 70% discount to its most recently disclosed NAV. Hammerson has been dragged down in its wake, and currently trades at a 58% discount to its June NAV. While we acknowledge the risks noted above, the margin of safety currently implied in these share prices would appear very large.

Notwithstanding our comments above, we have become increasingly concerned about the impact of a disorderly Brexit and took the decision to reduce UK exposure in the portfolio where the margin of safety was not as great. During the quarter we reduced holdings in Investec and Capco and exited our holdings of Nepi Rockcastle and Investec Property Fund. We increased holdings in Old Mutual, Standard Bank, FirstRand and Sanlam, and received additional Nedbank shares as a consequence of the unbundling by Old Mutual of a portion of its shareholding in the bank.

We reiterate our cautious comments of the previous commentary. Despite a positive GDP print for the third quarter, the domestic economic environment remains challenging and the growth outlook weak. We expect little improvement in the run up to the national election in May but remain hopeful that a strong mandate for the incumbent will result in decisive policy action and increased confidence in the second half of 2019.

Portfolio managers
Neill Young and Godwill Chahwahwa
 as at 31 December 2018

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; 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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