CORONATION SA EQUITY FUND

Fund Information as at 28 February 2019

CORONATION
TRUST IS EARNED™

WHAT IS THE FUND'S OBJECTIVE?

The SA Equity Fund aims to achieve the best possible long-term growth from investing in South African shares.

WHAT DOES THE FUND INVEST IN?

The SA Equity Fund invests in the shares of companies listed on the Johannesburg Stock Exchange. While investments in foreign markets are specifically excluded, the fund can invest in international companies that are listed in South Africa.

There are no restrictions on how much exposure the fund can have to different sectors (for example, to mining, financial or industrial companies).

The fund will be fully invested in shares at all times. The fund is mandated to use derivative instruments for efficient portfolio management purposes.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Risk Profile

8/10
Aggressive

Maximum growth/
minimum income exposures

Growth Assets: 100%
Income Assets: 0%

The fund's managers actively seek out attractively valued shares that could achieve strong investment growth over the long run. Rigorous research is conducted into the long-term potential of a company and whether it is attractively valued relative to other companies, before its shares are selected for the fund.

Shares can be volatile investments and there is a meaningful risk of capital loss over the short term. However, given its focus on attractively valued shares that could offer long-term growth, the SA Equity Fund may preserve capital better than its benchmark over the long run.

HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The fund is managed to deliver the best possible returns over the long term; an investment horizon of 10 years or more is therefore ideal. It is not suitable as a single investment for investors who need to preserve their capital over five years or less.

WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are building wealth, and who

- are comfortable with full exposure to shares listed in South Africa;
- accept that the fund may underperform the market in the short term in pursuit of superior long-term gains.
- do not require an income in the short term.
- The fund is less concentrated than the Coronation Top 20 fund, making it more suitable for investors holding only one equity fund.

WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of a minimum of 0.75% and a maximum of 2.60%, depending on the fund's performance, is payable.

If the fund's return (after fees and costs) is equal to that of the benchmark, a fee of 1.10% will be charged. We share in 20% of the performance above the benchmark, up to a total annual fee of 2.60%. Performance is measured over a rolling 24-month period.

When the fund return (after fees) is below the benchmark over a rolling 60-month period the fee is discounted by 0.35%.

All fees exclude VAT. 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 fund 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?

KARL LEINBERGER
BBusSc, CA (SA), CFA

SARAH-JANE ALEXANDER
BBusSc, CFA

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

GENERAL FUND INFORMATION

Launch Date	30 September 2015
Fund Class	A
Benchmark	FTSE/JSE Capped All Share Index (CAPI)
Fund Category	South African – Equity – General
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORSAEA
ISIN Code	ZAE000209441
JSE Code	CSEFA

CORONATION SA EQUITY FUND

CLASS A as at 28 February 2019

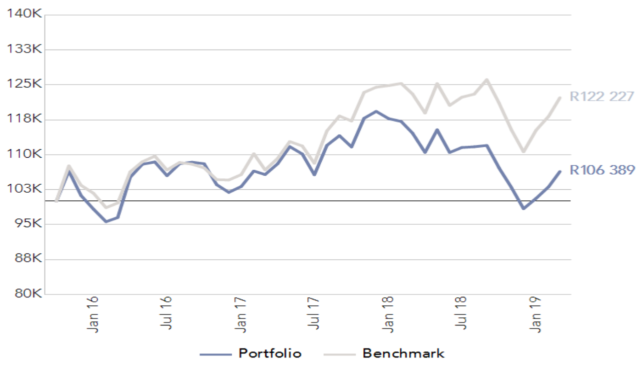
CORONATION
TRUST IS EARNED™

FundCategory	South African - Equity - General
Launch date	30 September 2015
Fund size	R 1.07 billion
NAV	102.48 cents
Benchmark/Performance Fee Hurdle	FTSE/JSE Capped All Share Index
Portfolio manager/s	Karl Leinberger, Sarah-Jane Alexander & Adrian Zetler

	1 Year	3 Year
Total Expense Ratio	1.44%	1.45%
Fee for performance in line with benchmark	1.10%	1.10%
Adjusted for out/(under)-performance	-	0.01%
Fund expenses	0.19%	0.19%
VAT	0.16%	0.16%
Transaction costs (inc. VAT)	1.03%	0.86%
Total Investment Charge	2.47%	2.31%

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)	6.4%	22.2%	(15.8)%
Since Launch (annualised)	1.8%	6.1%	(4.2)%
Latest 3 years (annualised)	3.3%	7.0%	(3.7)%
Latest 1 year	(7.2)%	(0.7)%	(6.5)%
Year to date	5.7%	6.0%	(0.3)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	11.7%	11.4%
Sharpe Ratio	(0.47)	(0.11)
Maximum Gain	13.4%	11.2%
Maximum Drawdown	(17.5%)	(12.3%)
Positive Months	53.7%	56.1%

	Fund	Date Range
Highest annual return	17.1%	Dec 2016 - Nov 2017
Lowest annual return	(17.5%)	Dec 2017 - Nov 2018

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	28 Feb 2019
Domestic Assets	**100.0%**
Equities	**95.3%**
Basic Materials	23.5%
Industrials	1.3%
Consumer Goods	15.4%
Health Care	5.3%
Consumer Services	22.2%
Telecommunications	5.4%
Financials	20.1%
Technology	0.8%
Derivatives	1.3%
Real Estate	**4.5%**
Cash	**0.3%**

TOP 10 HOLDINGS

As at 31 Dec 2018	% of Fund
Naspers Ltd	9.4%
Anglo American Plc	8.7%
British American Tobacco Plc	8.2%
MTN Group Ltd	6.1%
Nedbank Group Ltd	5.6%
Northam Platinum Ltd	3.9%
Spar Group Ltd	3.9%
Standard Bank Group Ltd	3.8%
RMB Holdings	3.3%
Pick 'N Pay Stores	3.2%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
28 Sep 2018	01 Oct 2018	1.42	1.32	0.10
29 Mar 2018	03 Apr 2018	0.38	0.31	0.07
29 Sep 2017	02 Oct 2017	0.73	0.67	0.06
31 Mar 2017	03 Apr 2017	0.54	0.48	0.06

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2019	2.5%	3.2%											5.7%
Fund 2018	(0.5)%	(2.1)%	(3.6)%	4.4%	(4.2)%	1.0%	0.1%	0.2%	(4.3)%	(4.0)%	(4.4)%	2.3%	(14.5)%
Fund 2017	3.2%	(0.7)%	2.2%	3.4%	(1.4)%	(4.1)%	6.0%	1.9%	(2.1)%	5.5%	1.3%	(1.3)%	14.1%

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

It was a disappointing year, with the markets experiencing broad-based asset declines, while the fund underperformed its benchmark to end the year at -14.5%. This is a relatively new fund without a long-term track record.

Over the year, investor sentiment in South Africa deteriorated as Ramaphoria evaporated and structural concerns reasserted themselves as the dire state of many state-owned enterprises (SOEs) was further revealed. Most sit with inflated wage bills from overstaffing and years of above-inflation pay increases. The job cuts required to rein in costs are a tough call for a divided governing party facing an election in the next few months. Following the election, we are hopeful that a stronger mandate for the incumbent will enable more decisive reform. Eskom remains a significant problem, with its strained balance sheet and years of poor maintenance resulting in the reoccurrence of load shedding in an economy already struggling to grow. A proposal to transfer R100 billion of the parastatal's debt to the government balance sheet would erode national debt-to-GDP by a further 2%. Positively, there has been progress on governance, with SOE boards being reconstituted and underperforming management teams being replaced. In addition, third-quarter GDP figures indicated a return to growth, although a further hurdle came in the form of the South African Reserve Bank's surprise repo rate increase of 25 basis points (bps) in November. This action was premised on a depreciating rand, persistent electricity price increases and a high oil price. Food inflation also looks set to rise in 2019, with maize prices spiking in response to a poor rainy season in key planting areas.

The JSE Capped SWIX All Share Index ended 2018 down 10.9% (down 3.8% in Q4) as the euphoria of the first quarter subsided, resulting in both weak equity markets and a marked deterioration in the currency. The rand was one of the weakest currencies globally. Worldwide markets were also weak as fears of trade wars, rising US inflation and the reversal of years of quantitative easing plagued market sentiment. Full-year index returns were dominated by the resource sector (up 15.5%), which was driven by globally-diversified miners such as Anglo American (+32%) and BHP Billiton (+28). Given weak global markets, domestic sentiment erosion and several stock-specific issues in offshore shares listed domestically, both financials (-8.8%) and industrials (-17.5%) declined over the full year. All sectors declined in Q4, with financials, resources and industrials down 2.1%, 4.5% and 6.5%, respectively.

We have the fortunate dilemma of seeing attractive value in both the offshore shares and domestic shares listed on the JSE, given the increased upside to our estimates of fair values after a year of marked declines.

The portfolio's core building blocks remain in place, with significant positions in offshore stocks, including Naspers, British American Tobacco and MTN. All of these companies have faced various challenges over the past year. In addition, we have used price weakness to build positions in other global businesses including Quilter and Anheuser -Busch InBev.

Earlier during the year, MTN was hit by claims from the Central Bank of Nigeria (CBN) and the Nigerian Attorney General for capital repatriation of US$8 billion and US$2 billion in back taxes. The share reacted violently to the news flow with sharp declines and priced in a severe outcome with seemingly no value placed on the Nigerian operations. The actions of the Nigerian bodies attracted international attention as the investment climate was broadly undermined. The fund added to its position at this time. The issue of repatriation has subsequently been resolved for a notional amount of US$52 million. Despite resolution, shaken investor confidence means MTN continues to trade well below our opinion of fair value as we view investors as placing an excessive discount on African operations.

British American Tobacco (BTI), a major holding in the fund, ended the quarter at -27.4% and the year at -43.4%. The company significantly increased its exposure to the US market with its 2017 acquisition of Reynolds, and since then, US tobacco companies have been plagued by a barrage of negative regulatory developments. The Food and Drug Administration seeks to clampdown on tobacco levels in conventional cigarettes and reduce flavoured tobacco, particularly menthol, where BTI is the market leader. In addition, the market is facing structural change as reduced-harm offerings, such as vaping, could result in an accelerated volume decline in combustible cigarettes. New entrants (particularly Juul in the US market) have managed to establish good distribution channels and gain market share through a well-designed product with youth appeal. The share has been punished in response to these factors and the high levels of gearing from the Reynolds acquisition. Trading on 7.6 times its forward earnings and with a dividend yield of 9%, we believe the share offers exceptional value. BTI's healthy free cash flow conversion and the likelihood that any regulatory change will take a few years to implement, will support balance sheet de-gearing. Given the ongoing negative news flow (regulatory developments, rise of e-cigarettes), there seems to be little price support, despite the valuation underpin. Ultimately, we believe fundamentals will assert themselves.

Naspers remains a large holding in the fund, given the compelling opportunity set latent in this business. We remain cognisant of the inherent risk in Tencent, particularly given its size and dominance within a single, centrally-controlled market such as China. During the past year, delays in Chinese gaming licences have proved a headwind. Despite this, we expect strong growth to continue. Tencent is building a payments business in a financial services market segment many times larger than the gaming market, as well as growing rapidly in areas such as cloud services and advertising. Within Naspers, streamlining of the portfolio continues, with more focused investment in core pillars, such as the rapidly-growing food delivery businesses. A planned unbundling of the MultiChoice business in 2019, as well as a potential offshore listing of some of the internet assets further underpin management's commitment to reduce the discount to fair value.

While our equity and balanced portfolios remain significantly exposed to offshore stocks, we have increased the domestic holdings resulting in a more balanced portfolio.

Domestically, we believe earnings bases are low, as cost bases have been trimmed and companies have faced several years of a tough economy with little volume. The food retailers owned by the fund are a good example. Rising food inflation and a (hopefully) stronger economy should provide food retailers and producers with the ability to raise prices and recover cost increases. A little bit of volume should deliver positive operating leverage given the lean cost bases.

The resource sector performed well over the full year, while Q4 declines can be attributed to the rising uncertainty over Chinese economic growth. Resource companies have benefitted from tight markets due to disciplined capital expenditure and Chinese environmental reform. China's commitment to environmental reform remains, but slowing growth means a finer balance may be needed between economic growth and environmental reform. While uncertainty exists, we believe a reasonable position can be justified. Miners are trading on high free cash flow yields and returning a fair amount of this to shareholders. The fund's core holding in Anglo American contributed to performance for the year, buoyed by Amplats. Other key portfolio holdings include Northam and Mondi. Northam has underperformed the other platinum miners, but its cost quartile position should improve as it ramps up production in the next few years.

Within the financial sector, performances were divergent. Banks and insurers outperformed the property sector, which was hit by a weak economy, undermining the position of landlords. The financial holdings in the fund are more skewed towards the banks, with a large holding in Nedbank, which trades at a significant discount (PE 9.2x) to the banking sector average. We also see value in a few of the high-quality property companies, notwithstanding the risk of an Edcon bankruptcy later this year.

Shares with exposure to the UK remained under pressure due to high Brexit uncertainty, as was reflected in the very poor share price performances of Intu and Hammerson. Both shares trade at massive discounts (>50%) to their underlying NAV. The premium nature of the shopping centre assets in both counters should be far better placed to navigate the shifting retail environment. We feel this thesis was affirmed in 2018 when Intu received its second expression of interest at a significant premium to the share price. Unfortunately, after requesting an initial extension, the consortium walked away during Q4 due to macroeconomic concerns related to Brexit, which remain an overhang.

It has been a challenging year. Shares prices plummeted on disappointing news flow and there have been few marginal buyers for assets with uncertainty. Given the extent of share price declines, we see compelling value in many names which now trade at significant discounts to our assessment of fair value. The team continues to do as we have done before; cut out the noise, work hard to interrogate investment theses and invest for the long term, where we believe the inherent value in many of our holdings will reassert itself.

Portfolio managers
Karl Leinberger, Sarah-Jane Alexander and Adrian Zetler
as at 31 December 2018

IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION SA EQUITY FUND

The SA Equity 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; 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. The fund's performance and fee benchmark is the FTSE/JSE Capped All Share Index (CAPI). Note that we use the formal SA – Equity – General category benchmark as specified in the ASISA Standard on Fund Classification, which is currently the FSTE/JSE All Share Index, for compliance monitoring purposes.

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

This document is for information purposes only and does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase any particular investment. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance upon the information.