

## 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



### Maximum growth/ minimum income exposures



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](http://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

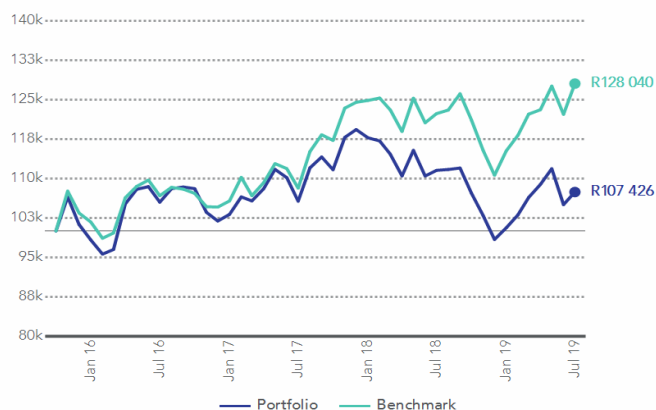
CLASS A as at 30 June 2019

<b>FundCategory</b>	South African - Equity - General
<b>Launch date</b>	30 September 2015
<b>Fund size</b>	R 1.10 billion
<b>NAV</b>	102.44 cents
<b>Benchmark/Performance</b>	FTSE/JSE Capped All Share Index
<b>Fee Hurdle</b>	
<b>Portfolio manager/s</b>	Karl Leinberger, Sarah-Jane Alexander & Adrian Zetler

Total Expense Ratio	1 Year	3 Year
Fee for performance in line with benchmark	1.44%	1.40%
Adjusted for out/(under)-performance	1.10%	1.10%
Fund expenses	-	0.01%
VAT	0.19%	0.14%
Transaction costs (inc. VAT)	0.16%	0.16%
Total Investment Charge	1.03%	0.64%
	2.47%	2.04%

## 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)	7.4%	28.0%	(20.6)%
Since Launch (annualised)	1.9%	6.8%	(4.9)%
Latest 3 years (annualised)	0.6%	6.3%	(5.7)%
Latest 1 year	(3.7)%	4.7%	(8.4)%
Year to date	6.8%	11.1%	(4.3)%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	11.8%	11.5%
Sharpe Ratio	(0.46)	(0.05)
Maximum Gain	13.7%	15.3%
Maximum Drawdown	(17.5%)	(12.3%)
Positive Months	55.6%	57.8%

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

## MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2019	2.5%	3.2%	2.3%	2.8%	(6.1)%	2.3%							6.8%
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%

## PORTFOLIO DETAIL

## EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2019
<b>Domestic Assets</b>	<b>100.0%</b>
■ <b>Equities</b>	<b>96.0%</b>
Basic Materials	23.8%
Industrials	1.1%
Consumer Goods	14.1%
Health Care	4.7%
Consumer Services	25.4%
Telecommunications	5.1%
Financials	18.5%
Technology	1.1%
Derivatives	2.2%
■ <b>Preference Shares &amp; Other Securities</b>	<b>0.0%</b>
■ <b>Real Estate</b>	<b>2.9%</b>
■ <b>Commodities</b>	<b>0.9%</b>
■ <b>Cash</b>	<b>2.1%</b>
■ <b>Other (Currency Futures)</b>	<b>(1.9)%</b>

## TOP 10 HOLDINGS

As at 30 Jun 2019	% of Fund
Naspers Ltd	10.2%
British American Tobacco Plc	8.0%
Anglo American Plc	6.6%
MTN Group Ltd	5.1%
Northam Platinum Ltd	4.8%
RMB Holdings	4.2%
Nedbank Group Ltd	4.1%
Standard Bank Group Ltd	3.8%
Anheuser-Busch Inbev SA/NV	3.5%
Quilter plc	3.0%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Mar 2019	01 Apr 2019	1.06	0.99	0.07
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

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

The fund returned -1.3% in the second quarter of 2019 (Q2-19). This is still a relatively new fund without the long-term track record of most of Coronation's unit trusts. The JSE extended its first-quarter gains, albeit at a slower rate. The JSE Capped Shareholder Weighted All Share Index appreciated by 2.9% during Q2-19. Resources were up (+2.4%) despite signs of slowing global growth, but lagged the stronger quarterly performances from the industrial (+4.0%) and financial (+5.4%) sectors. The outperformance of the resource sector over one- and three-year periods remains considerable.

Despite the conclusion of the much-awaited South African election, domestic sentiment deteriorated during Q2-19. The election result was broadly in line with expectations, with the ANC maintaining its majority rule despite a slight decline in support. The appointment of a new and smaller cabinet was a positive development reinforcing the message of fiscal discipline. However, the ruling party remains plagued by factional tensions, frustrating the ability of the president to deliver on much-needed reform. Policy uncertainty lingers, as reflected in divisive debate on land issues and South African Reserve Bank reform. Eskom's balance sheet problems remain an overhang. Government has signalled its commitment to support Eskom financially, though the underlying state of Eskom's generation and transmission assets remain unclear. These factors combined to weigh on consumer and corporate confidence levels and were reflected in a very weak Q1-19 GDP print of -3.2%, dragged down by manufacturing and mining. Results released during the Q2-19 and the accompanying subdued rhetoric of management reinforced how challenging the underlying economic situation is. The weak domestic economy, contained inflation and favourable global interest rate expectations have increased the likelihood of future local rate cuts.

In this environment, domestic stocks reported weak results. Even defensive stocks struggled to defy the pressures of several years of weak domestic economic conditions and high structural cost inflation. We expect these headwinds to persist and remain cautious on businesses heavily exposed to the domestic economy. Our exposure to domestic stocks is mostly through banks and defensive counters, such as food retailers. The fund remains underweight domestic SA stocks. We continue to debate whether these depressed conditions (and earnings bases) provide an opportunity to add meaningfully to domestic holdings, but have made no material changes to the fund to date.

The fund continues to hold high weightings in the JSE-listed global stocks (British American Tobacco, Naspers, Mondi, Quilter, MTN, Bidcorp and AB InBev), all of which have attractive valuations for specific bottom-up reasons.

The British American Tobacco share price declined during the period (-15.7%) as fears relating to low nicotine regulation in the US market resurfaced. British American Tobacco has faced a slew of potential regulatory headwinds in its US business, exacerbated by volume declines in traditional tobacco. However, new generation products are gaining traction. We believe the underlying fundamentals of the business remain intact, with strong pricing power, improving cost controls and de-gearing continuing to drive earnings. In addition, we believe new generation products are lower-risk products and present an opportunity to grow the overall market. British American Tobacco trades on 9.1 times one-year forward earnings and a 7.3% dividend yield. We believe this to be very attractive for a stock of this quality and it remains a large position in the fund.

The resources sector (+2.4%) showed mixed performances, with Sasol's underperformance (-22.2%) offset by a strong performance from gold miners (+29.6) and platinum (+9.45). Iron ore (+32.9%) has been particularly strong as supply disruptions have driven up near-term prices, supporting the fund's large holding in Anglo American. This position was trimmed during the quarter. The Sasol share price declined meaningfully when the company announced that its Lake Charles Chemicals Project (LCCP) would a) cost more to deliver and b) produce a lower normalised level of profitability. Disappointments in the delivery of the LCCP have meant a

further reduction in the already muted returns offered by the initial projections, which carried significant risk (a fact Coronation highlighted to the board in a letter sent in 2013). The fund has been underweight Sasol, but added to the position on the back of share price weakness. As the project nears completion, execution risk should reduce and the group's earnings base is anticipated to increase by 20% to 30%. However, given the heightened risks (operational and financial), we have limited Sasol's overall position size within the fund.

We remain meaningfully invested in platinum counters. We reduced our Anglo American Platinum position in response to its strong share price rise, reinvesting the proceeds into names that have underperformed on a relative basis. The demand outlook for platinum group metals (PGMs) remains strong, buoyed by increasingly stringent emissions regulations. While we expect electric vehicles to play a role in future mobility solutions, we see a structural deficit in PGM markets over the next decade as supply remains tight after years of underinvestment. Despite the upwards move in the metal's price, PGM producers are not yet earning fair returns on their invested capital. We believe prices need to rise further to incentivise sufficient ounces.

The financial sector (+5.4%) performed strongly for the quarter, as local banks (+9.7%) have defied domestic market headwinds and are expected to deliver underlying earnings growth. This growth reflects prudent management through the cycle, with limited credit extension resulting in low credit loss ratios. The fund has holdings in several of the large banks, including FirstRand, Nedbank and Standard Bank.

Political turmoil continued to reign in the UK with the resignation of Prime Minister Theresa May during the quarter. The Labour Party's indecisiveness on several key issues reduced the strength of the opposition's position. High levels of uncertainty in the UK undermine the economic outlook. Despite this, compelling valuation-driven opportunities exist. Quilter remains the fund's largest single holding in the UK. This is a business with a structural growth opportunity stemming from pension reform in the UK market. The fund has built up its position in food services company Bidcorp, which continues to benefit from consumers' desire for eating out of home and its diverse operations across many markets. While we see exciting investment opportunity in the UK market, the fund continues to tightly manage overall UK exposure, given the uncertainty.

Markets have remained challenging this year, with several companies reporting material earnings disappointments that have put these businesses at risk. A rigorous research process and heightened balance sheet scrutiny have protected the fund from several of these examples. We remain committed to building robust, diversified portfolios with a focus on risk management. We believe these efforts will protect the portfolio against unexpected outcomes and position the fund well to deliver inflation-beating returns over the long run.

**Portfolio managers**

**Karl Leinberger, Sarah-Jane Alexander and Adrian Zetler**  
as at 30 June 2019

**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](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 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](http://www.coronation.com)

**IMPORTANT INFORMATION REGARDING TERMS OF USE**

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