

## 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.

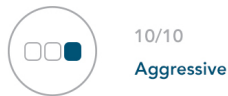
## WHAT DOES THE FUND INVEST IN?

The fund invests in companies outside the forty largest companies on the JSE, across all primary equity sectors (resources, industrials and financials).

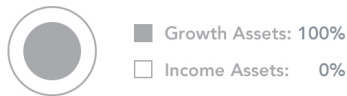
The fund will be fully invested in shares.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

### Risk Profile



### Maximum growth/ minimum income exposures



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

## WHO ARE THE FUND MANAGERS?



**ALSTAIR LEA**  
CA (SA), CFA



**SIPHAMANDLA SHOZI**  
BSc (Actuarial)

## GENERAL FUND INFORMATION

<b>Launch Date</b>	1 April 1997
<b>Fund Class</b>	R
<b>Benchmark</b>	Composite: JSE Mid & Small Cap Indices
<b>Fund Category</b>	South African – Equity – Mid and Small Cap
<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>	CORSPEG
<b>ISIN Code</b>	ZAE000019824
<b>JSE Code</b>	COSG

# CORONATION SMALLER COMPANIES FUND

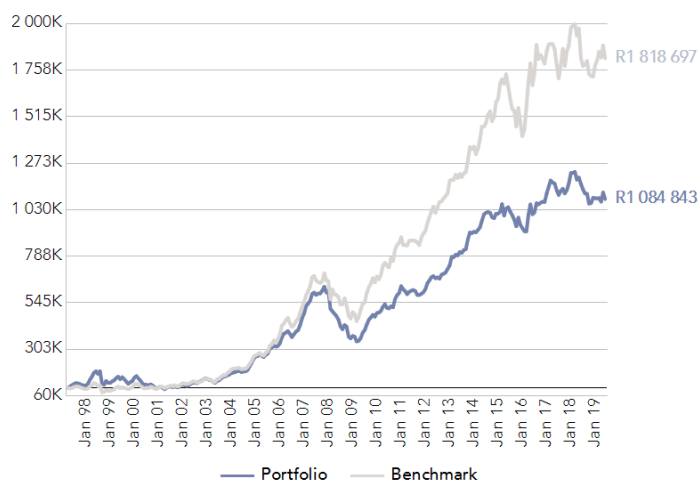
CLASS R as at 31 May 2019

Fund category	South African - Equity - Mid & Small Cap
Launch date	01 April 1997
Fund size	R156.91 million
NAV	6910.30 cents
Benchmark/Performance	Composite: FTSE/JSE Africa Mid & Small
Fee Hurdle	Cap Indices
Portfolio manager/s	Alistair Lea and Siphamandla Shozi

Total Expense Ratio	1.20%	1 Year	1.21%	3 Year
Fund management fee	0.99%		0.99%	
Fund expenses	0.06%		0.07%	
VAT	0.14%		0.14%	
Transaction costs (inc. VAT)	0.17%		0.19%	
Total Investment Charge	1.37%		1.40%	

## 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)	984.8%	1718.7%	(733.9)%
Since Launch (annualised)	11.4%	14.0%	(2.6)%
Latest 20 years (annualised)	10.5%	15.7%	(5.1)%
Latest 15 years (annualised)	12.6%	15.9%	(3.3)%
Latest 10 years (annualised)	10.8%	12.9%	(2.1)%
Latest 5 years (annualised)	1.5%	4.5%	(2.9)%
Latest 3 years (annualised)	2.6%	2.7%	(0.1)%
Latest 1 year	(6.8)%	0.0%	(6.8)%
Year to date	(0.5)%	2.0%	(2.4)%

### RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	17.9%	16.8%
Sharpe Ratio	0.11	0.28
Maximum Gain	67.2%	63.6%
Maximum Drawdown	(50.2)%	(38.2)%
Positive Months	61.3%	61.7%

	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)%
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 May 2019
<b>Domestic Assets</b>	<b>100.0%</b>
■ <b>Equities</b>	<b>93.4%</b>
Basic Materials	11.9%
Industrials	8.3%
Consumer Goods	12.7%
Health Care	4.7%
Consumer Services	23.9%
Telecommunications	0.7%
Financials	22.4%
Technology	7.9%
Derivatives	0.9%
■ <b>Real Estate</b>	<b>1.6%</b>
■ <b>Cash</b>	<b>5.1%</b>

### TOP 10 HOLDINGS

As at 31 Mar 2019	% of Fund
Distell Group Ltd	7.0%
Spar Group Ltd	5.9%
Northam Platinum Ltd	5.5%
PSG Group	4.9%
Metair Investments Ltd	4.8%
Famous Brands Ltd	4.8%
RMI Holdings	4.7%
Advtech Ltd	4.6%
Life Healthcare Grp Hldgs	3.8%
Cartrack Holdings Ltd	3.6%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
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
29 Sep 2017	02 Oct 2017	62.61	60.27	2.34

The tough investment climate in the mid- and small-cap space has continued, with the fund down 9.7% over the past year. The fund's five-year compound annual growth rate of 2.7% is below inflation and shows how difficult it has been to produce decent returns, bearing in mind that the fund was the second best performing fund in the mid- to small-cap space over this period. The Top 40 Index is up 6.1% over the past year, driven by the 42% improvement in the resource index.

The biggest decision we are faced with right now is whether to invest part of the fund in shares that have performed particularly poorly in the past few years and now offer significant upside to our estimate of fair value. As a general rule, we have avoided doing this as history has taught us that a business in distress often takes more time than one would expect to turn things around. Furthermore, the business climate in South Africa is not exactly providing any tailwinds to a recovery. However, in a few instances, the market reaction to a poor performing company is so severe that we can no longer ignore the mispricing of the asset. We are cautious in our approach in these instances and will typically manage risk by keeping position sizes modest, usually below 2% of fund. Omnia is a good example of the above, having fallen to a 10-year low. We discuss it in more detail below.

Over the past year, the largest contributors to the fund's performance have been the holdings in Altron and Northam Platinum (Northam). Altron has been a very satisfying investment. Firstly, we bought our position close to where the share price bottomed and were then involved in facilitating the entry of Value Capital Partners (VCP) as shareholders. This was the catalyst for the recovery, which the fund is now benefiting from.

Likewise, our position in Northam was built at a time when platinum stocks were heavily out of favour. Our analysis showed that the platinum group metals (PGMs) would be in material deficits for many years to come, driven by weak supply following years of underinvestment in the industry, as well as robust demand as car manufacturers faced increasingly stringent emissions standards, driving demand for PGMs in catalytic converters.

The biggest detractors to fund performance over the past year has been the holding in AngloGold Ashanti and Implats. AngloGold has performed very well over the last 12 months, driven by a recovery in the gold price as well as increased company-specific optimism due to the appointment of a new CEO. We view the company as overvalued given that it trades on 15.5 times normal earnings. We feel there are significant operational hurdles to achieve these earnings, such as the extension of mine lives and ramping up the key Obuasi mine in Ghana.

Like with Northam, Implats has been a fantastic performer in the past year off a low base, driven by a strong improvement in the rand PGM price basket. Our view is that Implats is a lower-quality business than Northam, owning mines that are higher up on the cost curve. As such, we have preferred to take our PGM exposure via Northam.

The largest additions to the fund in the quarter were the purchases of Omnia and Wilson Bayly Holmes-Ovcon (WBHO). Omnia has been very weak over the past year or so, falling from around R150 per share at the end of the first quarter of 2018, to less than R50 today. To be fair, the business has not performed well and while a decline in the share price was justified, the extent to which it declined was not. When a business is under pressure and the share price falls rapidly, the entry point is always difficult to pick. At R60

per share, we think Omnia is significantly undervalued, and have started to build a position. The business will report a loss for its 2019 financial year, versus our assessment of normal earnings of above R10 per share.

WBHO has also been a poor performing share of late, driven mainly by the recent weak interim results which were heavily impacted by a large loss-making contract from its Australian civils business. This is not their first slip-up in Australia, and the market is now anxious that WBHO management may have lost their 'midas' touch – their long track record of managing risk and avoiding large contract mistakes. Our feeling is that WBHO remains the leading construction counter in South Africa and is the prime beneficiary of the demise of many of its competitors. On a normal PE of around 6 or 7 times, coupled with a very strong balance sheet, we think WBHO is attractive.

The fund's largest sales in the quarter was the position in Adcorp and the trimming of the Spar position. Both counters have done well for the fund and Adcorp in particular no longer offers enough upside to justify a holding; especially considering the outlook for the employment market, and the industry in which it operates. Spar remains a large holding in the fund, but we trimmed the position size in order to raise funding for other ideas.

**Portfolio managers**  
**Alistair Lea and Siphamandla Shozi**  
 as at 31 March 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](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.

## 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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