

## 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

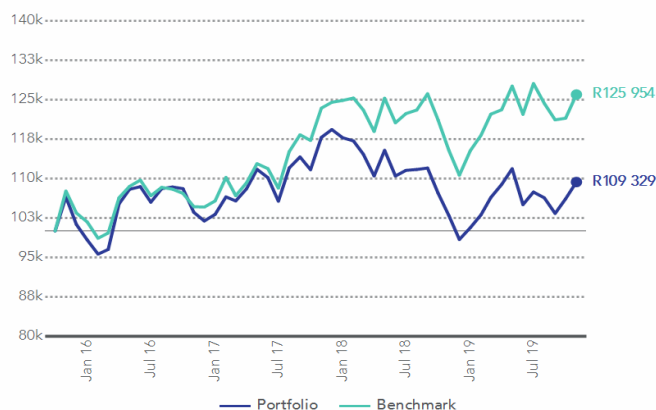
CLASS A as at 31 October 2019

<b>FundCategory</b>	South African - Equity - General
<b>Launch date</b>	30 September 2015
<b>Fund size</b>	R 1.16 billion
<b>NAV</b>	102.92 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

	1 Year	3 Year
Total Expense Ratio	1.44%	1.38%
Fee for performance in line with benchmark	1.10%	1.10%
Adjusted for out/(under)-performance	-	0.01%
Fund expenses	0.19%	0.12%
VAT	0.16%	0.16%
Transaction costs (inc. VAT)	1.03%	0.62%
Total Investment Charge	2.47%	2.00%

## 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)	9.3%	26.0%	(16.6)%
Since Launch (annualised)	2.2%	5.8%	(3.6)%
Latest 3 years (annualised)	1.8%	6.4%	(4.6)%
Latest 1 year	6.2%	9.2%	(3.0)%
Year to date	8.6%	9.3%	(0.6)%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	11.6%	11.3%
Sharpe Ratio	(0.44)	(0.13)
Maximum Gain	13.7%	15.3%
Maximum Drawdown	(17.5%)	(12.3%)
Positive Months	55.1%	57.1%

	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%	(1.0)%	(2.8)%	2.7%	3.0%			8.6%
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	31 Oct 2019
<b>Domestic Assets</b>	<b>100.0%</b>
■ <b>Equities</b>	<b>97.6%</b>
Basic Materials	22.3%
Industrials	1.7%
Consumer Goods	15.7%
Health Care	4.8%
Consumer Services	23.8%
Telecommunications	3.3%
Financials	18.2%
Technology	6.4%
Derivatives	1.5%
■ <b>Real Estate</b>	<b>2.4%</b>
■ <b>Commodities</b>	<b>0.1%</b>
■ <b>Cash</b>	<b>1.2%</b>
■ <b>Other (Currency Futures)</b>	<b>(1.3)%</b>

## TOP 10 HOLDINGS

As at 30 Sep 2019	% of Fund
British American Tobacco Plc	10.0%
Naspers Ltd	8.1%
Anglo American Plc	6.1%
Northam Platinum Ltd	5.4%
Prosus	4.3%
RMB Holdings	4.2%
MTN Group Ltd	4.0%
Nedbank Group Ltd	3.9%
Quilter plc	3.8%
Bid Corp Ltd	3.0%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2019	01 Oct 2019	1.30	1.24	0.06
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

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

The fund declined -1.2% for the third quarter of 2019 (Q3-19), outperforming its benchmark, which declined 5.1%. This is a relatively new fund without a meaningful long-term track record.

Recent economic data reinforced how dire the underlying economic situation really is. This has flowed through to corporate earnings and we have been bombarded with company profit warnings over Q3-19. Investor and consumer sentiment continue to remain very weak and government urgently needs to deliver on much-needed structural reform in order to restore consumer and corporate confidence and kickstart the economy. During September, the South African Reserve Bank (SARB) held the policy rate unchanged at 6.5%, but the SARB's statement was more dovish than in July when it did cut rates. Although the SARB's view is that monetary policy is not the solution to South Africa's poor growth outlook, we believe that, given the weak domestic economy, contained inflation and favourable global rate expectations, the SARB has room to further cut rates. Against this challenging economic backdrop, the rand weakened by almost 7% against the US dollar. The fund was well positioned for this move.

Overall, the JSE experienced a disappointing quarter, with the JSE Capped SWIX All Share Index declining 5.1% (and with it dragging down rolling 12-month period returns to -2.4%). The weakness was broad-based, but the financial and resource sectors fared the worst – both down over 6% for Q3-19. The industrial sector was down only 2.5%, with the large rand-hedge stocks such as Naspers (flat), British American Tobacco (+14%), ABI (+16%) and Bidcorp (+6%) holding up well. Notwithstanding the challenging market returns, our equity holdings performed well on a relative basis. We believe that our equity holdings are currently offering compelling value and we have used the weakness during Q3-19 to add to our position. It should, however, be noted that our domestic equity holdings continue to be skewed towards the global stocks that happen to be listed on the JSE. Although many domestic-facing businesses are starting to screen as extremely cheap, given the deteriorating macro environment, there is a high probability that many of them turn out to be value traps.

On the resources front, our large exposure to the platinum group metals (PGM) sector contributed meaningfully to fund performance during Q3-19. Northam Platinum and Impala Platinum (Implats) were up 40% and 37% respectively. Deficits in PGMs have seen the three elements' (platinum, palladium and rhodium) basket price continue to rise. Despite their strong run, we still view the PGM stocks as very attractive. Northam Platinum and Implats currently trade on between six times and eight times our assessment of normal earnings and still offer material upside to our fair values.

The Sasol share price has collapsed over the past 12 months (down 54%), as further cost overruns relating to the Lake Charles Chemicals Project (LCCP) emerged and management also had to announce a delay in the reporting of their full-year results in order to further investigate a breach of internal controls. Our underweight position in Sasol over this time has added to performance. We believe that the results delay is as a result of control weaknesses identified around the LCCP budgeting process and not centred around the financial statements themselves. Although further cost overruns are unlikely, our biggest remaining concern is that the budgeted profitability for LCCP disappoints on the back of ramp-up issues or pressure on commodity prices. Nevertheless, we expect the company to now shift to a phase of debt reduction and

improved free cash flow generation. Sasol trades on four times 2021 earnings, which is calculated using what we feel are relatively conservative currency and oil price assumptions. This is very attractive for a business of its quality. We have used the share price weakness to increase our exposure but remain cognisant of the risks surrounding recent announcements and are managing the position size carefully.

The quarter was also characterised by corporate actions in several fund holdings. Some of those worth mentioning include:

- Prosus, the newly-established corporate entity that will house Naspers' global internet portfolio, including its stake in Tencent and its interests in online classifieds, food delivery and online payments. During Q3-19 Naspers listed and part unbundled 26% of Prosus to its underlying shareholders. This listing is another positive step by management in their efforts to try and narrow the discount at which Naspers trades relative to its underlying intrinsic value. A foreign listing of Prosus will assist Naspers in pursuing its ambitions to become a leading global consumer internet business by giving it access to a wider pool of investors and capital. Furthermore, going forward, the two-tier corporate structure provides Naspers with more financial flexibility and the ability to more efficiently manage the discount to its underlying intrinsic value by using capital allocation tools such as share buybacks. In this corporate action, we elected to take the full allotment of Prosus shares given the value unlock opportunity that we expected.
- In July, global food and beverage conglomerate PepsiCo announced a takeover bid for Pioneer Foods, at a more than 50% premium to the Pioneer share price at the time. The subsequent repricing of our holdings in both Pioneer and Zeder (whose largest asset is its stake in Pioneer) contributed meaningfully to performance during Q3-19. We used the repricing in Pioneer to sell out of our position and redeploy the proceeds into other more attractive investment opportunities.
- Tencor recently announced that it will be unbundling its Textainer stake to its shareholders in the coming months. Coronation has been actively pushing for this unbundling over the last few years and we are extremely pleased that it is finally proceeding. The share price reacted positively - up 37% for the quarter – and this also contributed meaningfully to quarterly performance.

Our underweight position in listed property has contributed to performance. The property stocks have been battered by the weak economy which is playing itself out through increasing vacancy levels, large rental reversions and reduced rental escalations. Much of the sector will struggle to show any distribution growth over the medium term.

In this volatile and uncertain world, our objective remains to build diversified portfolios that can absorb unanticipated shocks. We will remain focused on valuation and will seek to take advantage of attractive opportunities that the market may present to us and in so doing generate inflation-beating returns for our investors over the long term.

#### Portfolio managers

Karl Leinberger, Sarah-Jane Alexander and Adrian Zetler  
as at 30 September 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

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.