

#### 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?



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



**SIPHAMANDLA  
SHOZI**  
BSc (Actuarial)

#### GENERAL FUND INFORMATION

Launch Date	1 April 1997
Fund Class	R
Benchmark	Composite: JSE Mid & Small Cap Indices
Fund Category	South African – Equity – Mid and Small Cap
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORSPEG
ISIN Code	ZAE000019824
JSE Code	COSG

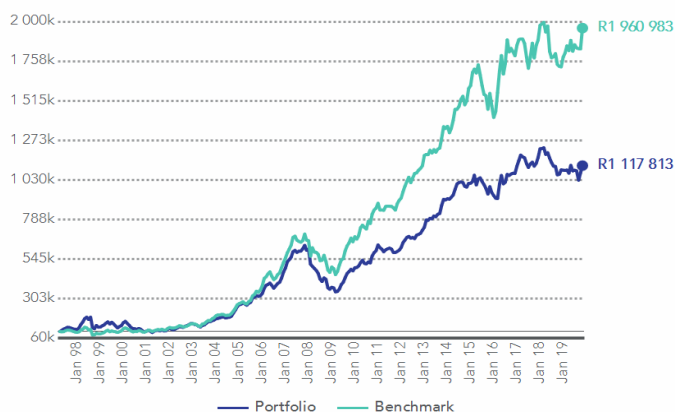
CLASS R as at 31 October 2019

<b>Fund category</b>	South African - Equity - Mid & Small Cap
<b>Launch date</b>	01 April 1997
<b>Fund size</b>	R147.84 million
<b>NAV</b>	7042.81 cents
<b>Benchmark/Performance</b>	Composite: FTSE/JSE Africa Mid & Small
<b>Fee Hurdle</b>	Cap Indices
<b>Portfolio manager/s</b>	Alistair Lea and Siphamandla Shozi

	1 Year	3 Year
Total Expense Ratio	1.20%	1.21%
Fund management fee	0.99%	0.99%
Fund expenses	0.06%	0.07%
VAT	0.14%	0.14%
Transaction costs (inc. VAT)	0.17%	0.18%
Total Investment Charge	1.37%	1.39%

## 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)	1017.8%	1861.0%	(843.2)%
Since Launch (annualised)	11.3%	14.1%	(2.8)%
Latest 20 years (annualised)	11.3%	16.1%	(4.8)%
Latest 15 years (annualised)	11.1%	14.9%	(3.9)%
Latest 10 years (annualised)	8.8%	11.3%	(2.5)%
Latest 5 years (annualised)	2.6%	5.3%	(2.7)%
Latest 3 years (annualised)	1.4%	2.6%	(1.2)%
Latest 1 year	5.0%	13.6%	(8.6)%
Year to date	2.6%	9.9%	(7.4)%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	17.8%	16.7%
Sharpe Ratio	0.11	0.29
Maximum Gain	67.2%	63.6%
Maximum Drawdown	(50.2)%	(38.2)%
Positive Months	61.3%	61.3%

	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%	(0.4)%	(5.3)%	4.3%	4.2%			2.6%
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 Oct 2019
<b>Domestic Assets</b>	<b>100.0%</b>
■ <b>Equities</b>	<b>92.9%</b>
Basic Materials	11.1%
Industrials	10.1%
Consumer Goods	11.9%
Health Care	6.2%
Consumer Services	23.5%
Telecommunications	0.6%
Financials	18.2%
Technology	7.0%
Derivatives	4.5%
■ <b>Preference Shares &amp; Other Securities</b>	<b>2.6%</b>
■ <b>Real Estate</b>	<b>3.7%</b>
■ <b>Cash</b>	<b>0.8%</b>

## TOP 10 HOLDINGS

As at 30 Sep 2019	% of Fund
Northam Platinum Ltd	6.0%
Spar Group Ltd	5.8%
Distell Group Ltd	5.8%
Advtech Ltd	5.1%
Metair Investments Ltd	5.0%
RMI Holdings	4.9%
Famous Brands Ltd	4.5%
PSG Group	3.9%
Allied Electronics Corp	3.8%
Cartrack Holdings Ltd	3.6%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2019	01 Oct 2019	74.64	70.41	4.23
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

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

The tough investment climate in the mid and small cap space has continued, which is reflected in the fund return of 1.1% over the past year. Albeit a poor return, it places the fund in the top of its sector over the 1-year period. The fund's five-year compound annual growth rate return of 1.6%, which is below inflation, also demonstrates how difficult it has been to produce decent returns in this environment. Only two funds in the mid/small cap space produced positive returns over this time period.

Over the past year, the largest contributors to the fund's performance have been the holdings in Northam Platinum (Northam) and Metair.

The platinum-group metals (PGMs) basket price has finally increased in line with our forecasts, driven by the looming material deficits on the horizon after years of underinvestment in the industry, as well as robust demand as automotive manufacturers face increasingly stringent emissions standards, driving demand for PGMs in catalytic converters. This has resulted in the Northam share price more than doubling in the past year.

Metair has also been a strong performer in the past year, which does not surprise us. The company is a rarity in South Africa right now – it operates in a flourishing industry! The automotive manufacturing sector in this country is a real success story, with the government able to introduce policy measures aimed at incentivising Original equipment manufacturers (OEMs) to manufacture vehicles in South Africa. This has resulted in many of the large OEMs committing substantial capital to expanding their presence in South Africa, which is benefiting Metair's automotive component businesses. In addition, Metair's battery business is also performing well due to its ability to respond quickly to the technology changes occurring in this industry. Despite performing well in the past year, Metair still trades on an approximate one- year forward price to earnings (P/E) ratio of 6 times, which we think is way too low for a business that should be able to grow its earnings ahead of the market in the foreseeable future.

The biggest detractors to fund performance in the past year have been the holdings in Invicta and RMI Holdings.

Invicta has been a dismal share to own in the past few years. Not only has the company been the victim of a brutally tough economy but was also the recipient of a R750 million fine from the South African Revenue Service for a tax structure that resulted in Invicta paying a very low tax rate for the past seven or eight years. The deluge of bad news has caused the share price to decline significantly and is now priced at approximately half of book value and on about six times P/E on what we consider to be low earnings. These earnings are unlikely to recover in the current economic environment but should do in time as things improve.

RMI Holdings has also been weak in the past year, mainly due to the decline in the Discovery share price, a business of which they own some 30%. RMI is one of the best quality counters in our universe, with stakes in what we consider to be two of South Africa's best businesses, Discovery and OUTsurance. As such, we have taken advantage of the weakness in RMI to increase our position size.

The largest additions to the fund in the quarter were the purchase of Reinet and Aspen. Both shares fell out of the Top 40 index in the quarter and therefore fell into our investable universe. Reinet is still dominated by its investment in British American Tobacco (BAT), which makes up some 70% of the value of Reinet. The combination of BAT on a single-digit multiple and the fact that Reinet trades at a historic high 38% discount to its underlying asset value, makes Reinet attractive in our view. In addition, our investable universe presents few opportunities for exposure to and hedge global businesses, which we think add value to the fund from a diversification perspective.

It is hard to believe that Aspen has now fallen out the Top 40 Index. The market's distaste for high levels of debt and companies that seem to not have growth prospects has meant that Aspen's share price has fallen from over R400 in early 2015, to around R90 today. We think that the company is well on its way to getting its debt levels under control, and while there may not be much scope in the short term for strong earnings growth, we think that there is real opportunity for Aspen to drive more in-house manufacturing of product through its own facilities in the next two to five years. The company has invested significantly in these facilities and should be able to utilise them better in future, which should be accretive to earnings. On about a seven or eight times P/E, Aspen is attractive in our view.

The largest sales in the quarter was the sale of the positions in Pan African Resources (PAN) and Pioneer Foods. PAN, the gold miner, has been a strong performer for the fund and we sold as the share price neared our assessment of fair value. Pioneer Foods has been the target of a buyout offer by PepsiCo, and we sold out as the share moved towards the offer price. While the deal is likely to happen, there is still a small degree of risk until all conditions precedent are met. As such, we were prepared to sell out at a level slightly below the PepsiCo offer price.

**Portfolio managers**  
**Alistair Lea and Siphamandla Shoji**  
 as at 30 September 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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