CORONATION FINANCIAL FUND

Fund Information as at 29 February 2020

CORONATION

TRUST IS EARNED™

WHAT IS THE FUND'S OBJECTIVE?

The fund aims to maximise long-term growth from investing in the financial services industry. It seeks to outperform an index of financial companies listed on the Johannesburg Stock Exchange (the JSE Financial Index) over the longer term.

WHAT DOES THE FUND INVEST IN?

The fund will remain fully invested in JSE-listed companies that earn a significant portion of their earnings from financial services. These include banks, insurance companies and related businesses.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Risk Profile

10/10
Aggressive

Maximum growth/
minimum income exposures

Growth Assets: 100%
Income Assets: 0%

The fund's managers actively seek out attractively valued financial companies that could offer strong long-term investment 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 there is a meaningful 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

- want to diversify their investments to include specific exposure to banks, insurers and related businesses;
- believe that the financial sector offers compelling value;
- accept that the fund may underperform the broader market significantly in the short term as a result of its sector focus;
- seek to hold the Financial Fund as one of multiple funds in their investment portfolio.

WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 1.25% (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.

WHO ARE THE FUND MANAGERS?

NEILL YOUNG
BBusSc (Hons Fin), CA (SA), CFA

GODWILL CHAHWAHWA
BCompt, CA (SA) CFA

GENERAL FUND INFORMATION

Launch Date	1 July 1998
Fund Class	A
Benchmark	FTSE/JSE Financial Index
Fund Category	South African – Equity – Financial
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORFING
ISIN Code	ZAE000019766
JSE Code	CNFG

CORONATION FINANCIAL FUND

CORONATION
TRUST IS EARNED™

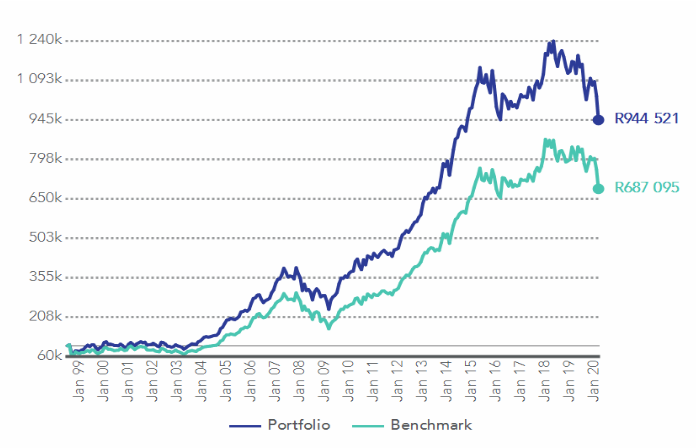
CLASS A as at 29 February 2020

Fund category	South African - Equity - Financial
Launch date	01 July 1998
Fund size	R200.34 million
NAV	4977.05 cents
Benchmark/Performance Fee Hurdle	FTSE/JSE Financial Index
Portfolio manager/s	Neill Young and Godwill Chahwahwa

	1 Year	3 Year
Total Expense Ratio	1.47%	1.47%
Fund management fee	1.25%	1.24%
Fund expenses	0.04%	0.04%
VAT	0.19%	0.18%
Transaction costs (inc. VAT)	0.17%	0.14%
Total Investment Charge	1.64%	1.61%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	29 Feb 2020
Domestic Assets	100.0%
Equities	92.8%
Financials	92.8%
Preference Shares & Other Securities	4.1%
Real Estate	2.7%
Cash	0.3%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	844.5%	587.1%	257.4%
Since Launch (annualised)	10.9%	9.3%	1.6%
Latest 20 years (annualised)	11.6%	10.9%	0.7%
Latest 15 years (annualised)	10.8%	10.9%	(0.2)%
Latest 10 years (annualised)	9.6%	10.3%	(0.7)%
Latest 5 years (annualised)	(2.3)%	(0.7)%	(1.6)%
Latest 3 years (annualised)	(2.9)%	(1.6)%	(1.4)%
Latest 1 year	(18.6)%	(16.8)%	(1.8)%
Year to date	(13.2)%	(14.2)%	1.1%

TOP 10 HOLDINGS

As at 31 Dec 2019	% of Fund
RMB Holdings	17.9%
Standard Bank Of SA Ltd	13.9%
Nedbank Ltd	10.0%
Investec Limited	7.3%
Quilter Plc	7.1%
Discovery Holdings Ltd	6.2%
Old Mutual Ltd	5.6%
Momentum Metropolitan Holdings	4.3%
RMI Holdings	4.3%
Sanlam Life Assurance Limited	3.4%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	18.5%	19.8%
Sharpe Ratio	0.11	0.02
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(39.7)%	(45.3)%
Positive Months	59.2%	60.0%

	Fund	Date Range
Highest annual return	63.0%	Aug 2004 - Jul 2005
Lowest annual return	(28.6%)	Mar 2008 - Feb 2009

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2019	01 Oct 2019	163.21	159.76	3.45
29 Mar 2019	01 Apr 2019	36.05	34.58	1.47
28 Sep 2018	01 Oct 2018	151.49	146.80	4.69
29 Mar 2018	03 Apr 2018	28.92	27.21	1.71

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2020	(5.0)%	(8.6)%											**(13.2)%**
Fund 2019	3.3%	(0.2)%	(3.7)%	6.1%	(3.6)%	0.9%	(7.4)%	(4.5)%	4.4%	3.3%	(2.4)%	1.2%	**(3.4)%**
Fund 2018	(0.5)%	3.8%	(2.8)%	3.6%	(5.3)%	(2.5)%	4.0%	1.1%	(1.9)%	(3.2)%	(2.2)%	0.7%	**(5.6)%**

Issue date: 2020/03/10

Please refer to page 4 of the Comprehensive Fact Sheet for important additional infomation, including change in cost disclosures.

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

The fund returned 2.1% for the quarter. Over five and 10 years, the fund has generated compound annual returns of 1.9% and 11.3% respectively, compared to benchmark returns of 3.9% and 12.3%. Since inception, the fund has delivered a compound annual return of 11.7%, outperforming the benchmark return of 10.2%.

South African investor confidence remains weak as impatience has set in with the slow pace of much needed reform. State-owned entities are fragile, with South African Airways entering business rescue in the fourth quarter and the Passenger Rail Agency of South Africa placed under administration. The rebuilding of critical institutions is underway, with strengthened teams in place at the South African Revenue Service and the National Prosecuting Authority and, most recently, the appointment of a new CEO at Eskom. The plight of Eskom remains concerning, as years of poor maintenance leave an unstable power utility. Unplanned outages are very disruptive given the lack of spare capacity and pose a major threat to economic growth prospects. The severe load shedding experienced in December is expected to have taken a toll on retailers' fourth-quarter earnings. Growth continued to disappoint with a contraction in both the first and third quarter. Low domestic growth and low inflation (3.7% CPI for 2019) should give rise to rate cuts. However, the South African Reserve Bank has been reluctant to cut rates, believing that dovish monetary policy will have a limited impact, given the high structural impediments to growth.

Despite this backdrop, the broader South African market was positive for the quarter, with the All Share Index returning 4.6% on the back of very strong performance from the resources sector, up 13.8%. The financial sector lagged the overall market, coming in at 2.8%, but within that, the life sector (5.2%) outperformed both the banks (-0.1%) and domestic property sector (0.6%).

The banks continue to deliver low earnings growth as conservative lending policies have supported low credit loss ratios even in a tough economy. We remain concerned that rising competition will put further pressures on fees in both the retail and commercial banking environment. The local banks have done a good job of protecting earnings with a strong focus on costs. While current valuations remain attractive, an uptick in domestic growth is needed to return the banks to a stronger growth trajectory.

Our underweight position in listed property has contributed to longer-term performance. The property stocks have been battered by the weak economy, reflected in increasing vacancy levels, large rental reversions and reduced rental escalations. We expect the sector will struggle to show distribution growth over the medium term as rentals that have benefited from high escalations for many years come up for renewal and are rebased to market. We remain cautious on domestic property.

For the quarter, the top contributors to performance include overweight positions in Quilter, Momentum Metropolitan Holdings and Investec as well as underweights in Absa and Nepi Rockcastle PLC. Detractors from performance for the quarter include overweight positions in Nedbank and Standard Bank as well as underweights in Remgro, Capitec Bank and Sanlam. Capitec Bank has been a great long-term success story in the banking sector, carving out a very profitable market share in both unsecured loans and retail banking. Going forward, Capitec has opportunities to expand into other financial services products to drive further growth but with the share trading on a 23x price-to-earnings ratio and 7.7x price-to-book multiple, most of this growth appears priced in with no margin of safety in our view.

During the quarter, the UK political landscape continued to evolve, particularly around Brexit, culminating in an election held on 12 December in which the incumbent, Boris Johnson, won a large majority and with it, a stronger mandate to deliver on Brexit. The pound strengthened and UK stocks rallied, benefiting the fund through holdings in Quilter and Investec. We continue to hold both shares in the fund as they trade well below our assessment of their intrinsic value. Quilter trades on a low double-digit P/E multiple, well below their peers in the UK, but importantly, which we believe is not reflective of the strength of their focused, vertically-integrated wealth model. Investec bank, which trades at an undemanding single-digit multiple, will this year unbundle their cash-generative asset management business to shareholders, a step towards unlocking the intrinsic value of the business.

During the quarter, we added to the banks into price weakness as valuations became more attractive. These were funded from Old Mutual, Peregrine, Reinet, Momentum and Sanlam.

Over time, the discounts at which some of the financial holding companies in our universe trade relative to the value of their underlying holdings has widened and it was refreshing when RMH and Remgro management announced their intention to unbundle the FirstRand shares owned by these companies in an effort to tackle this discount. This is a positive step towards unlocking value for shareholders and we would hope to see other holding companies targeting these wide discounts in the future.

The tough macro environment will put pressure on the ability for companies to deliver on earnings growth going forward. The strong franchises will ultimately come out of this cycle stronger, while significant shareholder value can be lost in the weaker businesses. We therefore continue to seek well-priced opportunities in the durable companies for the long term.

Portfolio managers
Neill Young and Godwill Chahwahwa
as at 31 December 2019

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

The Financial 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. 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.

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 2019 (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

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