CORONATION FINANCIAL FUND

Fund Information as at 30 June 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

CLASS A as at 30 June 2020

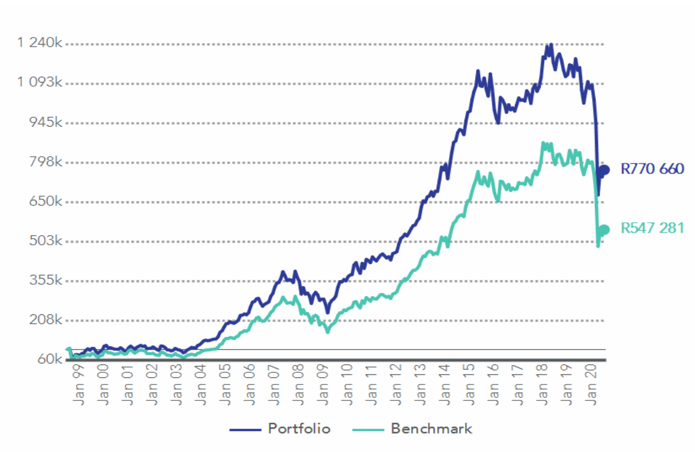
CORONATION
TRUST IS EARNED™

Fund category	South African - Equity - Financial
Launch date	01 July 1998
Fund size	R182.05 million
NAV	4060.91 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%	1.25%
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	30 Jun 2020
Domestic Assets	100.0%
Equities	93.8%
Financials	93.8%
Preference Shares & Other Securities	4.3%
Real Estate	1.2%
Cash	0.7%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	670.7%	447.3%	223.4%
Since Launch (annualised)	9.7%	8.0%	1.7%
Latest 20 years (annualised)	10.7%	9.9%	0.8%
Latest 15 years (annualised)	9.1%	9.0%	0.1%
Latest 10 years (annualised)	7.2%	7.9%	(0.7)%
Latest 5 years (annualised)	(6.6)%	(5.3)%	(1.3)%
Latest 3 years (annualised)	(8.9)%	(8.5)%	(0.3)%
Latest 1 year	(33.1)%	(34.5)%	1.4%
Year to date	(29.1)%	(31.7)%	2.5%

TOP 10 HOLDINGS

As at 30 Jun 2020	% of Fund
RMB Holdings	16.3%
Standard Bank Of SA Ltd	11.1%
Quilter Plc	9.4%
Sanlam Life Assurance Limited	9.1%
Nedbank Ltd	8.1%
Discovery Holdings Ltd	6.0%
RMI Holdings	5.3%
Absa Bank Ltd	4.7%
Reinet Investment Sca	4.3%
Ninety One Plc	4.1%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	19.6%	20.9%
Sharpe Ratio	0.05	(0.04)
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(45.4)%	(45.3)%
Positive Months	59.1%	59.8%

	Fund	Date Range
Highest annual return	63.0%	Aug 2004 - Jul 2005
Lowest annual return	(39.5%)	Apr 2019 - Mar 2020

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)%	(28.4)%	13.2%	(2.8)%	3.6%							**(29.1)%**
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: 2020/07/14

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.

Following the aggressive sell-off in the first quarter, stocks rebounded strongly during the second quarter of the year (Q2-20). The Fund returned 13.9% for the quarter compared to the 12.9% index return for the same period. Over three, five and 10 years, the fund returned -8.9%, -6.6% and 7.2% compared to -8.5%, -5.3% and 7.9% index returns respectively.

Following the record decline in equity markets during the first quarter of 2020 (Q1-20), Q2-20 saw a rapid recovery. The MSCI All Country World Index recovered 19.2% in US dollars during the quarter, reflecting the huge amounts of fiscal and monetary stimulus being injected into the global economy. In addition, following stringent Covid-19 shutdowns, many markets started relaxing lockdown regulations and resuming economic activity in a measured fashion. Along with its global counterparts, the JSE Capped Shareholder Weighted Index experienced a significant rebound during the quarter (+21.6%), but remains down (-10.7%) for the year to date. This reflects the damage the Covid-19 economic shock has wrought on an already weak economy. South Africa's (SA's) weak fiscal position constrains its ability to provide financial support to businesses and households.

In SA, resources (+41%) outperformed industrials (+16.6%), financials (+12.9%) and property (18.7%). Within financials, banks (+7.4%) continued to lag life insurance (+19.0%) and property. The banking sector has been very active in providing support to both consumers and corporates during the lockdown. This support has been varied and includes loan restructures, instalment deferrals, covenant waivers and extending liquidity facilities. The economy is shedding jobs and many companies, particularly among small, medium and micro-enterprises, are likely to fail. One therefore expects the banks to book rising impairments over this period, and this, coupled with declining economic activity, should drive bank profits lower over the near term. The big banks came into this crisis well capitalised and with well-provided books, therefore, post Covid-19, we expect the bank franchises to prove resilient and for profitability to be restored.

FirstRand is now the largest of the bank exposures in the Fund. We took opportunity to increase the Fund holdings following relative underperformance during the quarter. This is a business that has delivered high return on equity over the past decade. FirstRand's attractive customer proposition has brought strong asset growth, resulting in dominant main bank market share in the middle/upper income market. FirstRand have leveraged their position of strength; diversifying their sources of non-interest revenue, reinvesting in their digital offering and driving down their cost-to-income ratio. These actions stand them in good stead to continue gaining market share, even in a tough economy. Conservative past lending practices and healthy capital adequacy levels mean the balance sheet should be resilient. FirstRand trades on 7.7 times our assessment of normal earnings.

The property sector rebounded surprisingly strongly as the economy started re-opening after the hard lockdown and more tenants, other than just essential services, started trading. Rent collections have started to improve across all property sectors, particularly the non-essential retail segment, which had been hardest hit due to the inability to trade during the lockdown. Concerns around balance sheet vulnerabilities eased, with the banks engaging constructively, granting covenant waivers and extending liquidity to allow the sector to weather the Covid-19 closures. The impacts of job losses and company failures will take some time to work through the property sector as both retailers and businesses downscale their space needs, and, despite securing covenant relief now, the sector will still need to bring capital structures to more sustainable levels of gearing over the long term. We therefore remain cautious on the sector and underweight in the Fund.

Contributors to Fund performance for the quarter included overweight positions in RMI, Discovery, Nedbank and Quilter, as well as the underweight in Capitec Bank. Holdings that detracted from quarterly returns included EPE Capital Partners and an underweight position in Sanlam, as well as the fact that we did not hold Transaction Capital stocks nor Redefine and Resilient Reit LTD property stocks. We took the opportunity to add to holdings in FirstRand, Sanlam, Nedbank and Standard Bank, and funded these purchases from Old Mutual, Hammerson and Discovery. Sanlam has become a significant holding in the fund, a business we believe to have the highest-quality life franchise in the SA market. The business has continuously delivered sector-beating growth and quality of earnings, but, in the past, often traded at a significant premium to embedded value. In the current market, one can access this great franchise in line with their conservatively stated embedded value - a very attractive opportunity in our view.

Markets continue to surprise us. The market correction began at a point when investors were still being bombarded daily with negative news flow. The rebound in the SA market has come despite the high and rising levels of government debt and rising unemployment. We retain our commitment to look through the short-term noise and invest where we believe the market is mispricing the long-term fundamentals.

Portfolio managers
Neill Young and Godwill Chahwahwa
as at 30 June 2020

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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