

## WHAT IS THE FUND'S OBJECTIVE?

The fund aims to maximise long-term growth from investing in a select group of resource companies. It seeks to outperform an index of resource companies listed on the Johannesburg Stock Exchange (the JSE Resources Index) over the longer term.

## WHAT DOES THE FUND INVEST IN?

The fund will remain fully invested in a broad range of resource and basic materials industry shares that are affected by changes in the commodity cycle. This includes companies involved in mining, minerals, energy, natural resources and other commodities. 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 companies that could offer strong long-term growth. The fund reflects Coronation's best investment views in the resource sector.

Shares are selected following rigorous research into the long-term potential of a company. Shares can be volatile investments, and the cyclical demand for commodities can add to the risk of capital loss.

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

- want to diversify their investments to include specific exposure to the resource sector;
- believe that resource shares offer compelling value;
- accept the cyclical nature of commodity demand and the resulting increased risk of short-term losses;
- want to hold the Resources 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 IS THE FUND MANAGER?



**NICHOLAS STEIN**  
CA (SA), CFA



**NICHOLAS HOPS**  
BbusSc, CFA

## GENERAL FUND INFORMATION

Launch Date	1 October 1999
Fund Class	P (previously class A)
Benchmark	FTSE/JSE Resources Index
Fund Category	South African – Equity – Resources
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORVALU
ISIN Code	ZAE000022877
JSE Code	CCGF

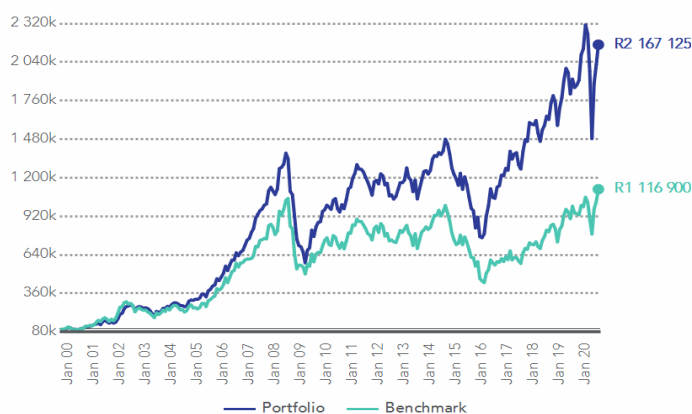
CLASS P as at 30 June 2020

<b>Fund category</b>	South African - Equity - Resources
<b>Launch date</b>	01 October 1999
<b>Fund size</b>	R632.59 million
<b>NAV</b>	13937.49 cents
<b>Benchmark/Performance</b>	FTSE/JSE Africa Resources Index (TR)†
<b>Fee Hurdle</b>	
<b>Portfolio manager/s</b>	Nicholas Stein and Nicholas Hops

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.20%	1.23%
Fund expenses	1.00%	1.00%
VAT	0.04%	0.08%
Transaction costs (inc. VAT)	0.15%	0.15%
Total Investment Charge	0.19%	0.32%
	1.39%	1.55%

## 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)	2067.1%	1016.9%	1050.2%
Since Launch (annualised)	16.0%	12.3%	3.6%
Latest 20 years (annualised)	16.4%	12.6%	3.8%
Latest 15 years (annualised)	12.1%	8.8%	3.3%
Latest 10 years (annualised)	8.6%	5.0%	3.6%
Latest 5 years (annualised)	15.4%	10.5%	4.9%
Latest 3 years (annualised)	19.7%	24.6%	(4.9)%
Latest 1 year	13.0%	12.4%	0.6%
Year to date	(6.3)%	5.5%	(11.8)%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	23.9%	26.4%
Sharpe Ratio	0.32	0.15
Maximum Gain	93.4%	86.3%
Maximum Drawdown	(57.9)%	(58.3)%
Positive Months	58.6%	55.0%

	Fund	Date Range
Highest annual return	100.5%	Apr 2001 - Mar 2002
Lowest annual return	(54.2)%	Mar 2008 - Feb 2009

## MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2020	(2.8)%	(12.2)%	(24.7)%	26.9%	7.3%	7.2%							(6.3)%
Fund 2019	4.4%	6.9%	4.8%	(1.6)%	(7.9)%	6.1%	(3.2)%	1.0%	1.8%	9.7%	2.1%	8.2%	35.4%
Fund 2018	2.0%	(5.6)%	(4.0)%	5.7%	2.2%	4.2%	(1.5)%	7.4%	3.0%	(3.0)%	(9.4)%	8.1%	7.7%

## PORTFOLIO DETAIL

## EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2020
<b>Domestic Assets</b>	<b>96.8%</b>
■ Equities	94.8%
Oil & Gas	1.4%
Basic Materials	93.4%
■ Commodities	1.6%
■ Cash	0.4%
<b>International Assets</b>	<b>3.2%</b>
■ Bonds	3.2%
■ Cash	0.0%

## TOP 10 HOLDINGS

As at 30 Jun 2020	% of Fund
Anglo American Plc	25.6%
Glencore Xstrata Plc	10.0%
Impala Platinum Holdings Ltd	9.8%
Northam Platinum Ltd	9.3%
Exxaro Resources Ltd	9.0%
Sibanye Stillwater Ltd	8.9%
Mondi Limited	6.1%
Pan African Resources Plc	5.5%
Bhp Billiton Plc	4.2%
Royal Bafokeng Platinum Ltd	1.9%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2020	01 Apr 2020	250.55	244.05	6.50
30 Sep 2019	01 Oct 2019	94.53	94.21	0.32
29 Mar 2019	01 Apr 2019	112.42	110.10	2.31
28 Sep 2018	01 Oct 2018	268.16	259.42	8.73

**This commentary is for the retail class of the Fund.**

The second quarter of 2020 (Q2-20) was a much improved one for the Fund, both from an absolute and a relative perspective. The Fund returned 46.0% against a benchmark return of 41.2%, a solid relative performance, but still leaving us 11.8% behind the benchmark year-to-date. The medium-term performance of the Fund is behind the benchmark, but its longer-term track record in comparison to both its peers and the benchmark remains strong. In the quarter, the Fund benefitted from its overweight allocations to Pan African Resources and platinum-group metals (PGM) equities, while the strong outperformance of the gold equities again detracted from performance.

In the quarter, the Fund took profits in our holding of Pan African Resources and invested the capital primarily into diversified miners and PGM producers. We also bought the Rhodium exchange-traded fund in anticipation of dramatic supply shortages in both the short and long term.

Much like the first three months of the year, the news headlines have been dominated by the Covid-19 virus and its impact on the world. Another three months have passed and it seems as though the worst of the demand destruction is behind us. From a commodity demand perspective, the shape of the recovery and which regions recover faster, is very important. China has seemingly contained the spread of the virus for the time being, and we have seen a dramatic recovery in commodity-intensive regions of the economy such as infrastructure build, automotive and property sales. As a result, we have seen China-heavy commodities perform particularly well in the quarter, with extra complications added by supply disruptions. Brazilian iron ore supply has been heavily disrupted this year thanks to heavier-than-usual rains and Covid-19-related supply cuts. Weak supply, combined with strong demand growth from China, kept the iron ore price elevated well above the cost curve, finishing the quarter at c.\$100/t. The PGM sector saw the most aggressive supply reduction of all the commodities, with the majority of the South African (SA) industry shut for the month of April and with a slow ramp up towards 100% capacity over the last two months.

Some deep-level underground shaft operators believe they will struggle to hit 100% production capacity, with social distancing and extra health and safety precautions in place. While this is detrimental for these producers, it is beneficial to the sector as a whole as a result of reduced supply. The closure of the majority of the SA PGM industry in April resulted in a 56% reduction in global mine supply, and we estimate SA PGM supply for 2020 could drop by between 20% and 30%, dramatically reducing the potential for inventory build-up. PGMs are easily stored, especially relative to the value they contain. It is much easier to store a ton of platinum, valued at \$26.3 million, than a \$100 ton of iron ore. Avoiding an inventory build-up is particularly important, as inventories that accumulate in one year are used to supply the market in future years, which can negatively impact pricing.

Over the last year, we reviewed our position on Sibanye-Stillwater and built up a reasonable position in the fund. We have previously been cautious on the highly acquisitive nature of the business, as CEO Neal Froneman transformed the company from a high-risk deep-level gold miner into a global precious metals behemoth, becoming the third-largest PGM producer globally on a 3E basis. This strategy was funded through a combination of debt and equity and, as recently as early 2019, the company was under severe

financial pressure due to high levels of debt and a strike at their SA gold operations. Towards the end of 2019, the gold strike

was behind them and Sibanye began to generate formidable quantities of cash from both arms of the business. Another turning point in the investment case for Sibanye was the dramatic increase in their safety performance after a string of fatalities at their gold operation in 2018.

In the last 18 months, they have generated an exemplary safety record and are hitting safety milestones never seen before in the deep-level gold mining industry. While Sibanye still has a large quantum of debt on their balance sheet, we believe that current free cash flow, notwithstanding the impact from the Covid-19 mine shutdowns, will enable them to reduce this dramatically and start returning capital to shareholders. We believe that the company will be in this position at the end of the 2020 financial year and pay their first dividend since 2016. 80% of our fair value is represented by the PGM business, both in South Africa and US. Sibanye have been owners of the US Stillwater palladium heavy asset since 2017, which gives them a highly beneficial geographical diversification. The gold business makes up the remaining 20% of our value and allows the Fund to increase its exposure to gold in addition to Pan African Resources. While we are constructive on the outlook for the gold price over the medium term, we have never found value in the pure gold names outside of Pan African Resources, with Sibanye offering more than 50% upside to our fair value. Of concern for us is the stated ambition of the company to expand its gold business into North America through an acquisition. North American gold assets, particularly in this gold price environment, do not come cheap, but, perhaps given the success of their merger and acquisition strategy to date, this risk may not be as pronounced as we initially believed.

**Portfolio managers****Nicholas Stein and Nicholas Hops**

as at 30 June 2020

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

The Resources 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. The fund is mandated to invest up to 25% (excluding Africa) of its portfolio into foreign securities and may as a result be exposed to macroeconomic, settlement, political, tax, reporting or illiquidity risk factors that may be different to similar investments in the South African markets. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Asset allocation and top 10 holdings are reflected on a look-through basis. Any African exposure (ex SA) is reflected under international assets. 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 P 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](http://www.coronation.com)

## IMPORTANT INFORMATION REGARDING TERMS OF USE

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