

WHAT IS THE FUND'S OBJECTIVE?

The fund aims to maximise long-term investment growth from investing in a select group of South African listed industrial and consumer companies.

It seeks to outperform an index of industrial companies listed on the Johannesburg Stock Exchange (the JSE Industrial Index) over the longer term.

WHAT DOES THE FUND INVEST IN?

The fund will remain fully invested in companies listed on the JSE, most excluding those involved in mining and financial services. It can invest in a wide range of industries, including technology, telecommunication, healthcare and consumer goods.

While the fund may not invest in foreign markets, it can have exposure to international companies that are listed in South Africa. 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.

Shares are selected following rigorous and independent 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

- ▶ want to diversify their investments to include exposure to a wide range of industrial companies;
- ▶ accept that the fund may underperform the market significantly in the short term in pursuit of superior long-term gains;
- ▶ want to hold the Industrial 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.

WHO ARE THE FUND MANAGERS?



**ADRIAN
ZETLER**
BCom (Hons), CA (SA),
CFA



**TUMISHO
MOTLANTHE**
BBusSc, CFA

GENERAL FUND INFORMATION

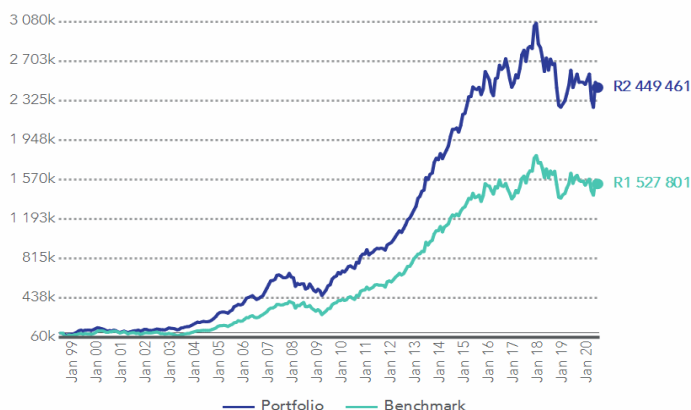
Launch Date	1 July 1998
Fund Class	P (previously class A)
Benchmark	FTSE/JSE Industrial Index
Fund Category	South African – Equity – Industrial
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORCGRO
ISIN Code	ZAE000019741
JSE Code	CNCG

CLASS P as at 31 May 2020

Fund category	South African - Equity - Industrial
Launch date	01 July 1998
Fund size	R679.51 million
NAV	16888.89 cents
Benchmark/Performance	FTSE/JSE Industrial Index
Fee Hurdle	
Portfolio manager/s	Adrian Zetler and Tumisho Motlanthe

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)	2349.5%	1427.8%	921.7%
Since Launch (annualised)	15.7%	13.2%	2.5%
Latest 20 years (annualised)	16.3%	14.2%	2.0%
Latest 15 years (annualised)	14.8%	15.5%	(0.7)%
Latest 10 years (annualised)	12.9%	13.5%	(0.6)%
Latest 5 years (annualised)	0.1%	1.8%	(1.7)%
Latest 3 years (annualised)	(4.4)%	(1.6)%	(2.9)%
Latest 1 year	0.0%	(0.3)%	0.3%
Year to date	(3.1)%	(1.4)%	(1.6)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	15.4%	17.7%
Sharpe Ratio	0.44	0.25
Maximum Gain	55.8%	61.7%
Maximum Drawdown	(31.6)%	(38.5)%
Positive Months	63.9%	63.5%

	Fund	Date Range
Highest annual return	68.0%	Jan 1999 - Dec 1999
Lowest annual return	(26.2)%	Dec 2017 - Nov 2018

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2020	2.0%	(9.1)%	(3.6)%	10.6%	(2.0)%								(3.1)%
Fund 2019	1.3%	2.9%	3.5%	5.7%	(6.3)%	2.6%	2.6%	(3.1)%	0.2%	(0.2)%	(0.8)%	1.9%	10.2%
Fund 2018	(1.2)%	(3.2)%	(5.0)%	5.0%	(4.3)%	4.1%	(1.9)%	0.3%	(8.7)%	(6.8)%	(0.8)%	1.4%	(20.0)%

	1 Year	3 Year
Total Expense Ratio	1.17%	1.16%
Fund management fee	1.00%	1.00%
Fund expenses	0.02%	0.02%
VAT	0.15%	0.15%
Transaction costs (inc. VAT)	0.13%	0.17%
Total Investment Charge	1.30%	1.33%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 May 2020
Domestic Assets	100.0%
■ Equities	98.8%
Industrials	1.5%
Consumer Goods	19.0%
Health Care	6.0%
Consumer Services	55.7%
Telecommunications	4.5%
Financials	1.7%
Technology	10.4%
■ Preference Shares & Other Securities	0.6%
■ Real Estate	0.5%
■ Cash	0.1%

TOP 10 HOLDINGS

As at 31 Mar 2020	% of Fund
Naspers Ltd	38.5%
British American Tobacco Plc	9.9%
Prosus Nv	6.0%
Mtn Group Ltd	4.2%
Spar Group Ltd	3.9%
Aspen Pharmacare Holdings Ltd	3.7%
Pick 'n Pay Stores	3.2%
Anheuser-busch Inbev Sa/nv	2.7%
Bid Corp Ltd	2.5%
Shoprite Holdings Ltd	2.4%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2020	01 Apr 2020	198.89	193.52	5.37
30 Sep 2019	01 Oct 2019	63.50	62.86	0.64
29 Mar 2019	01 Apr 2019	108.28	106.32	1.96
28 Sep 2018	01 Oct 2018	110.24	109.34	0.91

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

In a down market, the fund declined -10.6% versus the benchmark decline of -8.4% in the first quarter of 2020 (Q1-20). Since inception, it has averaged an annualised return of 15.4% relative to its benchmark's return of 13%, but remains slightly behind the benchmark over five- and 10-year periods.

Q1-20 provided investors with very few places to hide. Equity markets around the world experienced record declines during the quarter. Since January, the Covid-19 outbreak has overtaken our lives and transformed our world, presenting a medical, economic and human challenge that is unprecedented in our lifetime. The outbreak of this pandemic has impacted financial markets with a swiftness and ferocity normally only seen in a classic financial crisis. In a matter of weeks, global equity benchmarks fell from record highs into a bear market. The level of volatility experienced during this market sell-off has also been unprecedented.

While we did not escape the brutal realities of a declining South African (SA) equity market, our bias for rand hedge stocks and the high-quality SA domestic stocks, added to performance during the quarter.

In an environment with such extreme price moves, individual stock selection proved critical. Our two highest conviction ideas in the fund – Naspers/Prosus and British American Tobacco (BAT) – both came through strongly during the quarter.

Naspers (+11%) and Prosus (+17%) benefited from their exposure to Tencent, whose business proved incredibly resilient during the economic disruption caused by Covid-19. Demand for digital services such as communication tools, social networking, mobile games, online video and food and grocery delivery exploded during the lockdown period. Outside of China, we are very encouraged by Tencent's growing international gaming business, which now makes up 23% of its total gaming revenues, and we believe that Tencent is very well positioned to build a dominant global gaming franchise. However, the most exciting area in Tencent at present is undoubtedly digital payments and financial services. We think this business will contribute significantly to group profits over the next 3-5 years. Outside of Tencent, Prosus is primarily investing in three key areas: online classifieds; food delivery; and payments/fintech, all of which are growing very rapidly. Prosus is currently trading at a c.35% discount to its underlying intrinsic net asset value, while Naspers, in turn, is trading at a c.25% discount to the market value of its Prosus stake. Encouragingly, Naspers announced a share buyback during the quarter after it raised cash from the sale of a small part of its Prosus stake. We believe steps like this can create meaningful value for Naspers shareholders and help narrow the discount to intrinsic value over time. We continue to believe both Naspers and Prosus are being grossly mispriced by the market at current levels.

Unfortunately, while Naspers has been our highest conviction idea for almost a decade now, it has perversely detracted from relative performance in recent years. This was a function of its outsized weighting in the benchmark (together with Prosus, it currently comprises 45% of the fund's benchmark) and its incredible level of outperformance in comparison to the rest of our investable universe. When constructing portfolios, we try and manage overall portfolio risk, and, when such a large index constituent in such a concentrated benchmark generates such outperformance, it will be incredibly difficult for the fund to outperform.

The BAT share price (+2%) held up very well during the quarter. As expected, consumer demand for cigarettes has remained remarkably defensive during this unanticipated economic shock. BAT's steady-growth algorithm of high single-digit revenue growth, driven by strong pricing power, continued cost-savings and deleveraging remains intact and is once again being appreciated by investors. BAT is still trading on only 7.5 times one-year forward-earnings and an 8% dividend yield. We still believe this to be very attractive for a stock of this quality and it remains the second biggest position in the fund.

Stocks exposed to the domestic economy came under significant pressure during the quarter as the announcement of SA's lockdown was another body blow for businesses already struggling in a "no-growth" economic environment. Our preference for holding the high-quality defensive food retailers (Shoprite, Spar and Pick n Pay) versus the more economically-sensitive clothing retailers was well rewarded. The food and drug retail sector was down only 13.3% for the quarter while the general retailer sector was down a whopping 43.9%.

One of the buys for the fund during the quarter was Anheuser-Busch Inbev. Its share price collapsed on the back of poor results which were then compounded by the impact of Covid-19 (i.e. reduced beer consumption and weaker emerging market currencies) and concerns around its high debt levels – which we think are easily manageable. We bought our position at a price of less than 10 times our assessment of normal earnings. This is an incredible price for one of the world's best businesses which is engaged in a stable and long-lived industry that has fantastic economics. Other buying for the quarter was focused on adding to our existing high-conviction ideas, such as Bidcorp, MTN and Shoprite on share price weakness. As funding, we sold down our Richemont, Remgro and Zeder positions.

Notwithstanding the uncertainties that abound, our objective remains on building diversified portfolios. We will remain focused on the long-term and will seek to take advantage of this extreme market volatility to invest in attractive opportunities that the market may present to us and in so doing generate attractive returns for our investors over the long term. We are satisfied with the current portfolio positioning and given compelling valuations we are optimistic about future return prospects.

Portfolio managers
Adrian Zetler and Tumisho Motlanthe
 as at 31 March 2020

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

The Industrial 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; 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

IMPORTANT INFORMATION REGARDING TERMS OF USE

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