

## WHAT IS THE FUND'S OBJECTIVE?

Market Plus aims to maximise long-term investment growth, at lower levels of risk than a fund that is only invested in shares.

## WHAT DOES THE FUND INVEST IN?

Market Plus can invest in a wide range of assets such as shares, bonds, listed property and cash, both in South Africa and internationally.

It will typically have a strong bias towards shares, which offer the highest expected long-term returns. But unlike an equity fund, it does not have to remain fully invested in shares when we believe the stock market is too expensive.

Foreign investments (excluding Africa) may represent up to 40% of its assets. 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

Market Plus represents Coronation's view on the best combination of different assets that could maximise long-term returns at a reasonable level of risk.

The fund is primarily invested in shares, and will actively seek out only those investments we believe are attractively valued and may offer superior long-term growth.

Market Plus will typically have more exposure to shares than a traditional balanced fund. Shares can be volatile investments and there is a risk of capital loss, especially over the short term. However, the fund is managed with a strong emphasis on instrument valuation and it is therefore unlikely to lose money over the longer term. It may still produce negative returns in extreme years, but at a lower level than a pure equity fund.

## HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The recommended investment term for this fund is five years and longer.

## WHO SHOULD CONSIDER INVESTING IN THE FUND?

Long-term investors who are building wealth and

- can stay invested for at least five years (preferably longer);
- seek to preserve the purchasing power of their savings over the long term by investing in a diversified portfolio;
- are not dependent on an income from their investment;
- who do not need to accept the investment constraints applicable to retirement savers.

## WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of a minimum of 0.75% and a maximum of 2.40% is payable, depending on the fund's performance.

If the fund's return (after fees and costs) is equal to that of its benchmark, an annual fee of 1.25% will be charged. We share in 20% of performance above the benchmark plus 2%, up to a maximum annual total fee of 2.40%. Performance is measured over a rolling 24-month period.

When the fund underperforms the benchmark over any 60-month period, the fee is reduced by 0.50%.

TFI Class A - An annual fee of 1.25% is payable. This class is only available for Tax Free Investments.

All fees exclude VAT. Fund expenses that are incurred in the fund include fees payable to unconnected international fund managers on a portion of assets situated offshore as well as trading, custody and audit charges. All performance information is disclosed after deducting all fees and other portfolio costs.

More detail is available on [www.coronation.com](http://www.coronation.com).

## WHO ARE THE FUND MANAGERS?



NEVILLE  
CHESTER  
BCom, CA (SA), CFA



NICHOLAS  
STEIN  
CA (SA), CFA

## GENERAL FUND INFORMATION

Launch Date	2 July 2001
Fund Class	A
Benchmark	Composite: 52.5% equity, 22.5% bonds, 5% cash, 20% international
Fund Category	Worldwide – Multi-asset – Flexible
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORMKPL
ISIN Code	ZAE000031506
JSE Code	CMPF

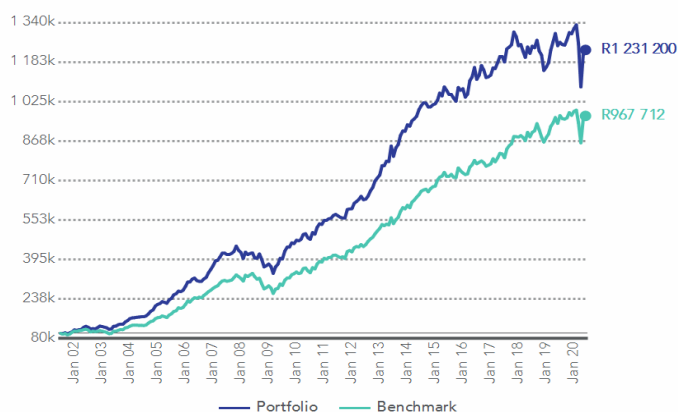
CLASS A as at 31 May 2020

Fund category	Worldwide - Multi Asset - Flexible
Launch date	02 July 2001
Fund size	R 3.78 billion
NAV	7370.57 cents
Benchmark/Performance	Composite (52.5% equity, 22.5% bonds, 20% international, 5% cash)
Fee Hurdle	
Portfolio manager/s	Neville Chester and Nicholas Stein

	CLASS A		CLASS TFI A	
	1 Year	3 Year	1 Year	3 Year
Total Expense Ratio	1.03%	1.18%	1.67%	1.71%
Fund Management Fee	1.25%	1.25%	1.30%	1.34%
Adjusted for out/(under)-performance	(0.50)%	(0.38)%	0.00%	0.00%
Fund expenses	0.18%	0.18%	0.18%	0.18%
VAT	0.11%	0.13%	0.19%	0.19%
Transaction costs (inc. VAT)	0.15%	0.17%	0.15%	0.17%
Total Investment Charge	1.18%	1.35%	1.82%	1.88%

## 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)	1131.2%	867.7%	263.5%
Since Launch (annualised)	14.2%	12.7%	1.4%
Latest 15 years (annualised)	11.7%	12.2%	(0.4)%
Latest 10 years (annualised)	9.8%	10.7%	(0.9)%
Latest 5 years (annualised)	2.9%	5.9%	(3.0)%
Latest 3 years (annualised)	0.7%	5.8%	(5.1)%
Latest 1 year	(1.3)%	3.2%	(4.6)%
Year to date	(6.5)%	(1.9)%	(4.6)%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	11.2%	10.3%
Sharpe Ratio	0.55	0.46
Maximum Gain	36.7%	29.3%
Maximum Drawdown	(24.4)%	(23.6)%
Positive Months	65.6%	66.5%

	Fund	Date Range
Highest annual return	50.0%	Aug 2004 - Jul 2005
Lowest annual return	(20.1)%	Mar 2008 - Feb 2009

## MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2020	1.1%	(5.7)%	(13.7)%	11.8%	1.7%								(6.5)%
Fund 2019	1.5%	4.2%	2.7%	2.7%	(3.8)%	1.1%	(0.7)%	(0.2)%	1.8%	2.3%	(0.4)%	1.6%	13.3%
Fund 2018	0.4%	(2.1)%	(2.1)%	3.5%	(2.1)%	2.4%	(0.5)%	2.4%	(3.4)%	(1.3)%	(5.1)%	1.2%	(6.9)%

## PORTFOLIO DETAIL

## EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 May 2020
<b>Domestic Assets</b>	<b>69.0%</b>
■ Equities	40.8%
Basic Materials	9.6%
Industrials	0.3%
Consumer Goods	5.6%
Health Care	2.6%
Consumer Services	10.8%
Telecommunications	1.2%
Financials	7.8%
Technology	2.8%
Derivatives	0.0%
Other	0.0%
■ Preference Shares & Other Securities	0.1%
■ Real Estate	4.3%
■ Bonds	19.4%
■ Commodities	4.0%
■ Cash	1.8%
■ Other (Currency Futures)	(1.3)%
<b>International Assets</b>	<b>31.0%</b>
■ Equities	24.8%
■ Real Estate	0.4%
■ Bonds	5.4%
■ Commodities	0.1%
■ Cash	0.4%

## TOP 10 HOLDINGS

As at 31 Mar 2020	% of Fund
Naspers Ltd	7.9%
British American Tobacco Plc	4.8%
Anglo American Plc	4.6%
Egerton Capital Equity Fund	2.9%
Prosus	2.8%
Standard Bank Group Ltd	2.3%
Maverick Capital	2.1%
Shoprite Holdings Ltd	2.0%
Quilter plc	1.8%
Nedbank Group Ltd	1.6%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2020	01 Apr 2020	135.90	59.22	76.68
30 Sep 2019	01 Oct 2019	154.02	65.70	88.32
29 Mar 2019	01 Apr 2019	152.46	59.00	93.47
28 Sep 2018	01 Oct 2018	177.41	84.31	93.10

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

The first quarter of 2020 will be remembered for a number of records; none of which we would ever want to repeat. Globally this will go down as the worst first quarter in stock markets in recorded history. In the US, the S&P 500 Index recorded the fastest bear market (defined as a 20% fall in markets) in history, falling over 20% in 20 days, compared to 1929 when it took 36 days. This was followed shortly thereafter by the highest ever print in unemployment claims in the US. The main driver behind this is the developing Covid-19 pandemic. The details of this are explained in our CIO's commentary accessible on our website.

What this has meant is a torrid quarter for absolute performance, with the fund declining by 20.5% since the beginning of the year, and it is cold comfort to us that we have managed to outperform the market and the fund's benchmark which fell by 22.9% this year. With stock markets melting down all around the world, there have been precious few places to hide. Perversely enough, one of the best performing counters has been our large overweight position in Naspers/Prosus. Despite being domiciled in China, where the original virus outbreak occurred, this company has benefited from the early exit of China from lockdown, but mainly due to the fact that its main source of revenue is virtual products (gaming, video, music, on-line content etc.) all of which was uninterrupted and, in fact, generally boosted by a move to self-isolation.

Naspers has appreciated by around 11% so far this year, benefiting from the much weaker rand as much as from its holding in Tencent. It has also proved fortuitous that their attempt to buy out Just Eat for a cash purchase price of \$8 billion fell through, so that they were not saddled with a new food delivery business in the midst of a lockdown. They now have that cash war-chest to pick up potential casualties from the global rout in markets.

Given that Tencent has actually increased by around 23% in rand terms so far this year (and, by implication, Naspers has underperformed this move) and the Naspers group is in such a solid position with a very strong balance sheet, we remain holders despite the very strong relative outperformance in the fund. By our calculations, Naspers trades in excess of a 50% discount to its underlying assets.

The second-best performer for the quarter was the fund's large holding in British American Tobacco (BAT). After having been a major underperformer in 2018, we built BAT up to a top three position in the fund. A global staple, trading on a single-digit earnings multiple seemed to be a very attractive proposition. It has proven to be a very defensive stock to own through this period of global volatility. With a lot of concerns already discounted in the price, the stock is likely to benefit from continued demand, as well as the drop-off in oil prices resulting in its customers having more disposable income for tobacco purchases. With a globally diversified footprint and strong cash generation, BAT remains one of our top three holdings.

Finally, the third best performer in our portfolio was our holding in Shoprite, which managed to eke out a small gain for the quarter. This position was built up last year as the market turned sceptical on the growth prospects for the African retailing giant, after a couple of quarters of poor performance. Our analysis indicated that most of these tough results were from one-off factors, and that the core underlying franchise remained exceptionally strong. While its African business will always remain susceptible to economic cycles on the continent, it is a compelling retail footprint that you were not paying for in the share price. Since the self-isolation and then lockdown was promulgated, FMCG retailers have benefited from a huge burst in panic buying and 'pantry stocking'. They are also continuing to trade to ensure that South Africans have access to food during the lockdown period. While ultimately this is just a case of future purchases being brought forward and will impact sales later on, the FMCG retailers should be one of the few businesses that will emerge from this period relatively unscathed. Our other FMCG retail holding, Spar, was our fifth best performing share in the period.

The greatest disappointment during the quarter was the performance of our platinum shares. While the rand platinum group metal (PGM) basket was up in excess of 50% for the quarter, the share prices of our holdings of Northam and

Impala have fallen around 44% and 46% respectively. A starker divergence between the economic fundamentals and the actual share prices would be hard to find. There are many factors at play, both for and against the outlook of these companies, yet the share prices appear to be only pricing the most negative of outcomes. Based on our assessment of normal PGM prices (much lower than today's levels), the platinum shares are all trading on very low single-digit earnings multiples. While production has largely been shuttered under the lockdown, any return to normal production will see a significant return to profitability. And any hiatus in demand from the shutdown in global auto manufacturers is offset by this lack of supply from South Africa (SA). Given this favourable outlook for the sector, we have added to our holdings in the month of March.

The sector that hurt the fund the most has been the banking sector. As the lockdowns came into place, the banks sold off dramatically, with further negative moves post the Moody's downgrade. We think the Moody's downgrade is a non-event for the banks. SA's yields and credit spreads were already pricing this in, and this should have very little real impact on the bank results. The real damage to the banking system will come from the lockdown. Any stress in a regional economy always ends up in the banking sector. It is the primary mechanism for extending credit into an economy and any contraction in that economy will be felt in the banks' credit losses. With every small business now under threat of going out of business, and plenty of mid-size and large ones as well, the risks are very real of a major spike in credit losses. While in the developed world, massive government stimulus and support plans have been introduced, SA has failed to implement equivalent plans along with its lockdown. This is primarily a result of a lack of fiscal space to do this given where our government finances are currently.

Having said that, the banking system is extremely well capitalised. While the SA banks never suffered direct fallout in the Global Financial Crisis (GFC), they were required to implement all the new capitalisation standards that were approved post the GFC. This means that banks have very significant capital buffers and can handle a substantial deterioration in credit losses. The SARB has also started to relax capital buffers to allow banks to cope with the influx of Covid-19-related bad debts, without having to resort to raising new capital. All of this means that the banks should easily be able to handle the stress, if the lockdown is lifted as planned. Should it continue in this extreme form for longer, then the stresses will magnify and the banks could end up in a loss-making position, which, while not threatening their existence, will take a number of years from which to recover. Given the above, we have continued to hold our positions in the bank shares but have not added to them.

Lockdowns are occurring around the world, and the lockdown in the UK has meant that any plans of turning around the fortunes of INTU (the UK based shopping centre portfolio) have been impaired. Prior to the crisis, the company was already struggling with significant debt levels and tough trading conditions, but they had a plan to largely resolve this. The impact of Covid-19 will see further retailer insolvencies in the UK and further declines in centre valuations. We have therefore decided to sell out the remaining holding in INTU, which had largely been completed by the quarter end.

As the portfolio stood at the beginning of April, our models show the stocks we own in the portfolio have a total upside of 68% to our analysts' fair values. This is the highest potential total return the portfolio has offered in a decade. Obviously, there are assumptions in these valuations, but we have moved quickly as a team to ensure we have priced in the effects of the pandemic and the lockdown on our fair values. While the moves have been extreme and brutal so far, we think the market has been priced into equity valuations and from here onwards expect a sharp rebound. The portfolio quality has continued to improve and we have used the selloff to buy high quality businesses on low ratings, which will stand the fund in good stead over the long term.

**Portfolio managers**  
**Neville Chester and Nicholas Stein**  
as at 31 March 2020

**IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION MARKET PLUS FUND**

The Market Plus Fund should be considered a medium- to 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 35% (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 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 TFI Class TER and Transaction Costs cannot be determined accurately because of the short life span of the class. Calculations are based on actual data where possible and best estimates where actual data is not available.

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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