CORONATION RESOURCES FUND

Fund Information as at 31 May 2020

CORONATION
TRUST IS EARNED™

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

10/10
Aggressive

Maximum growth/
minimum income exposures

Growth Assets: 100%
Income Assets: 0%

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.

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

CORONATION RESOURCES FUND

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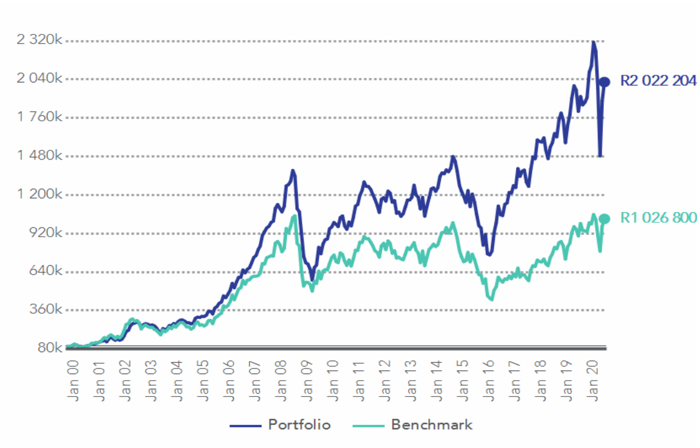
CLASS P as at 31 May 2020

Fund category	South African - Equity - Resources
Launch date	01 October 1999
Fund size	R588.53 million
NAV	13005.45 cents
Benchmark/Performance Fee Hurdle	FTSE/JSE Africa Resources Index (TR)†
Portfolio manager/s	Nicholas Stein and Nicholas Hops

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

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 May 2020
Domestic Assets	96.8%
Equities	95.1%
Basic Materials	95.1%
Commodities	1.0%
Cash	0.7%
International Assets	3.2%
Bonds	3.2%
Cash	0.0%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1922.2%	926.8%	995.4%
Since Launch (annualised)	15.7%	11.9%	3.7%
Latest 20 years (annualised)	16.3%	12.5%	3.8%
Latest 15 years (annualised)	11.8%	8.4%	3.4%
Latest 10 years (annualised)	7.6%	3.6%	3.9%
Latest 5 years (annualised)	12.0%	7.0%	5.0%
Latest 3 years (annualised)	16.1%	19.9%	(3.9)%
Latest 1 year	11.8%	13.8%	(2.0)%
Year to date	(12.5)%	(3.0)%	(9.5)%

TOP 10 HOLDINGS

As at 31 Mar 2020	% of Fund
Anglo American Plc	26.9%
Northam Platinum Ltd	12.2%
Impala Platinum Holdings Ltd	11.8%
Glencore Xstrata Plc	9.2%
Pan African Resources Plc	7.7%
Exxaro Resources Ltd	7.4%
Bhp Billiton Plc	7.1%
Mondi Limited	6.6%
Sibanye Stillwater Ltd	6.2%
Anglo Platinum Ltd	2.0%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	23.9%	26.4%
Sharpe Ratio	0.31	0.14
Maximum Gain	93.4%	86.3%
Maximum Drawdown	(57.9)%	(58.3)%
Positive Months	58.5%	54.8%

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

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

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%								(12.5)%
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%

The first quarter of 2020 was a tough one from both an absolute and a relative perspective for the fund. It returned -35.8% against a benchmark return of -25.3%. While this has hit the medium-term performance, the long-term track record of the fund remains compelling, with it performing well against both its peer group and the benchmark over most meaningful periods.

For the quarter, the fund benefited from overweight holdings in Pan African Resources and Exxaro. Being overweight platinum-group metals (PGM) shares and underweight BHP and the gold majors detracted from performance.

The dominant news for the quarter centred around the Covid-19 virus. For broader Coronation comments on this, refer to our CIO's commentary. As far as the resources sector goes, since the realities of Covid-19 became apparent until quarter-end, oil fell 60%, PGMs 15-30%, base metals around 10-20%, bulks 0-10% and gold was flat.

It is hard to know how long things will endure as they are, as well as the timing and extent of any recovery. 2020 demand is likely to be weak for most commodities. Longer-term demand is also likely to be a bit lower than we would have expected prior to the Covid-19 pandemic due to second-order effects of less consumer wealth. Offsetting this, we would expect meaningful stimulus programmes kicking in and aiding commodity demand (notably in China). What is unique with this downturn is the supply impact. Typically, producers do not cut production or do not do so aggressively enough, ensuring a painful downcycle and a protracted recovery. Government-mandated cuts in the wake of Covid-19 have meant that, in many cases, market balance is not thrown significantly out of kilter. For example, South African (SA) PGM cuts and Peruvian copper supply cuts will help market balances. This will pressure current year earnings, but should lead to a faster recovery.

Meaningful supply cuts and the possibility of vicious negative commodity price moves favour those companies with strong balance sheets. To that end, we have exited our positions in Sappi and Sasol (discussed below).

The bull case for Sasol was predicated on a few legs:

- A mid-cost oil producer with above-average reserve life;
- The share price giving little credit to the disastrous Lake Charles Chemical Project (LCCP), which was nearing completion. This would have seen a meaningful earnings and free cash flow (FCF) pick-up as it ramped up and project capex ceased; and
- A new, well-regarded CEO being installed.

While Sasol's debt was high, it was not alarmingly so, and was expected to degear quite quickly as LCCP capex stopped and free cash started being generated from the asset. Unfortunately, the combination of two leftfield events sent oil prices crashing:

1. The largest impact from Covid-19 on oil demand: Oil demand from transport is a material component of overall oil demand. This demand was decimated (and can never be recovered).

2. A ramp-up in oil supply: While initial talks between Organization of the Petroleum Exporting Countries and Russia centred around how much supply to cut and how to share the burden, talks broke down, with Russia turning around and boosting supply and the Saudi's following in short order. Each of these two events in isolation is enormous. Together, they have proved catastrophic for oil prices and producers of oil (with consumers and oil-importing countries being the key beneficiaries). Short of a reversal by the Saudi's and Russia, we would expect oil to be in a very oversupplied position over the medium term. A reversal of their position is hard to call and not guaranteed, given that they want US shale oil producers to be the players that balance the market. The lower oil prices has left Sasol in a precarious financial position. It appears likely that Sasol will need to raise capital from shareholders and sell assets. Both of these prospects have resulted in us impairing our Sasol fair value. Given the path dependency, reduced upside and very attractive upside on offer from most of the other holdings of the fund, we reduced our Sasol position to zero during the quarter, with an exit price above R80.

The sharp decline in the PGM shares is a bit surprising to us, having all declined in the region of 50% post-Covid-19. They went into 2020 facing meaningful supply/demand deficits. While we expect weak 2020 automotive demand as a result of Covid-19, in the case of PGMs there are a few mitigating factors. In past downcycles, the automotive sector has been one of the key recipients of stimulus measures to reignite demand (e.g. 2008/2009 Cash for Clunkers programme). On the supply side, SA produces 62% of primary 3E mine supply. Given the government-mandated Covid-19 shutdown, this goes a long way to softening the blow from reduced demand. Further, since scrap recycling is also impacted by shutdowns globally, scrap supply as a source is also reduced. We have also seen Norilsk terminate a project that would have contributed to longer-term supply. All-in, we expect 2020 to be a tough year from an earnings perspective given the impact of production shuts. However, our long-term view of a market in deficit remains. Most of the PGM shares trade on mid-single-digit multiples of our assessment of normal earnings. We added to our holdings post-Covid-19.

The gold shares have held up comparatively well in this environment. We do not believe the SA gold majors offer value at current levels. They are high-cost producers and have relatively short reserve lives. We expect them to use the higher gold price environment to increase capex to lengthen reserve lives, impacting FCFs that shareholders will see. Even if spot prices persist, we see limited margins of safety. While Pan African Resources lacks the geographic diversification of the majors, its assets are lower-cost, medium-lived and lower-risk (given a material component comes from reprocessing old tailings dumps). Pan African Resources is attractively prices at 4 times our assessment of normal earnings.

The diversified majors are attractive, particularly Anglo American, Exxaro and Glencore. They all have diversified, attractive commodity mixes, low-cost positions and solid balance sheets. With their share prices 20-40% lower post-Covid-19, we have added to these positions. Mondi has been used as a funding source, as it has held up well.

We believe the resources sector offers compelling value at current share prices. While the short-term performance of the fund has been disappointing, we are very encouraged by the fund's holdings and its ability to generate meaningful alpha over the long term.

Portfolio managers
Nicholas Stein and Nicholas Hops
as at 31 March 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; 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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