

WHAT IS THE FUND'S OBJECTIVE?

The fund aims to maximise long-term growth from investing in a select group of small to medium-sized JSE-listed companies.

It seeks to outperform the combined JSE Mid and Small Cap Indices.

WHAT DOES THE FUND INVEST IN?

The fund invests in companies outside the forty largest companies on the JSE, across all primary equity sectors (resources, industrials and financials).

The fund will be fully invested in shares.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS



The fund actively seeks out attractively valued companies that could offer strong long-term 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 smaller companies in particular may experience price swings. Smaller companies have fewer shares trading freely in the market, which can restrict trading and amplify price movements. Consequently, there is a heightened 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

- ▶ wish to benefit from the potential growth in medium-size and small companies;
- ▶ want to diversify their investments to include specific exposure to companies outside of the top forty largest listings;
- ▶ accept the inherent volatility in investing in less liquid shares;
- ▶ want to hold the Smaller Companies 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?



ALISTAIR LEA
CA (SA), CFA



SIPHAMANDLA SHOJI
BSc (Actuarial)

GENERAL FUND INFORMATION

Launch Date	1 April 1997
Fund Class	R
Benchmark	Composite: JSE Mid & Small Cap Indices
Fund Category	South African – Equity – Mid and Small Cap
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORSPEG
ISIN Code	ZAE000019824
JSE Code	COSG

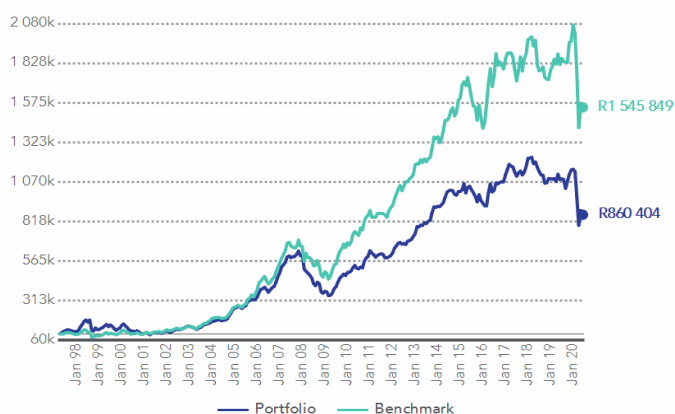
CLASS R as at 31 May 2020

Fund category	South African - Equity - Mid & Small Cap
Launch date	01 April 1997
Fund size	R90.01 million
NAV	5194.27 cents
Benchmark/Performance	Composite: FTSE/JSE Africa Mid & Small Cap Indices
Fee Hurdle	Cap Indices
Portfolio manager/s	Alistair Lea and Siphamandla Shozi

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.22%	1.21%
Fund expenses	1.00%	1.00%
VAT	0.07%	0.07%
	0.15%	0.15%
Transaction costs (inc. VAT)	0.13%	0.17%
Total Investment Charge	1.35%	1.38%

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)	760.4%	1445.8%	(685.4)%
Since Launch (annualised)	9.7%	12.5%	(2.8)%
Latest 20 years (annualised)	10.4%	14.8%	(4.4)%
Latest 15 years (annualised)	7.9%	12.0%	(4.0)%
Latest 10 years (annualised)	5.2%	7.7%	(2.4)%
Latest 5 years (annualised)	(3.8)%	(1.6)%	(2.2)%
Latest 3 years (annualised)	(8.7)%	(4.7)%	(4.0)%
Latest 1 year	(20.7)%	(15.0)%	(5.7)%
Year to date	(25.3)%	(25.4)%	0.1%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	18.5%	17.5%
Sharpe Ratio	0.03	0.19
Maximum Gain	67.2%	63.6%
Maximum Drawdown	(50.2)%	(38.2)%
Positive Months	60.8%	61.2%

	Fund	Date Range
Highest annual return	68.3%	May 1997 - Apr 1998
Lowest annual return	(41.4)%	Nov 2007 - Oct 2008

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2020	(1.3)%	(13.9)%	(19.0)%	12.2%	(3.2)%								(25.3)%
Fund 2019	(0.1)%	0.2%	(1.8)%	4.5%	(3.1)%	0.5%	(0.4)%	(5.3)%	4.3%	4.2%	2.5%	0.4%	5.6%
Fund 2018	0.1%	0.4%	(3.4)%	0.9%	(2.8)%	(2.3)%	(1.9)%	(0.1)%	(4.6)%	0.3%	2.6%	(0.2)%	(10.7)%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 May 2020
Domestic Assets	100.0%
■ Equities	94.7%
Basic Materials	11.3%
Industrials	9.5%
Consumer Goods	11.6%
Health Care	5.9%
Consumer Services	22.7%
Telecommunications	0.8%
Financials	24.7%
Technology	7.5%
Derivatives	0.6%
■ Real Estate	2.9%
■ Commodities	1.1%
Metals	1.1%
■ Cash	1.4%

TOP 10 HOLDINGS

As at 31 Mar 2020	% of Fund
Spar Group Ltd	6.8%
RMI Holdings	5.3%
Quilter plc	5.3%
Metair Investments Ltd	4.6%
Distell Group Ltd	4.6%
Allied Electronics Corp	4.5%
Advtech Ltd	4.4%
PSG Group	3.9%
Cartrack Holdings Ltd	3.7%
Pick 'N Pay Stores	3.3%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2020	01 Apr 2020	204.99	191.64	13.35
30 Sep 2019	01 Oct 2019	74.64	70.41	4.23
29 Mar 2019	01 Apr 2019	34.54	31.69	2.85
28 Sep 2018	01 Oct 2018	70.18	67.92	2.25

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

The last quarter has probably been the toughest single three-month period the Fund has endured, with it down 31.2% for the period. By now, we are all well versed in the cause of this decline – Covid-19, which I will not discuss in this commentary, but rather refer you to a note written to our clients on the subject by our Chief Investment Officer, Karl Leinberger.

While it is cold comfort, the Fund's one and three-year declines of 26% and 12.2% respectively, make it the second-best performing fund in its category over both these time periods. It is also instructive to point out that in 2008, the year of the Global Financial Crisis, the Fund fell 39%, but delivered 32% and 28% in the following two years. I know you have heard it before, but history has shown that the best times to invest in equities is often the time of maximum pessimism. This feels very much like one of those times. Human ingenuity is such that we will overcome Covid-19, and the world could well look like a very different place in three, six or 12 months' time.

Despite the real problems that Covid-19 brings to many listed companies and to people in general, we are seeing opportunities to invest in some very undervalued shares. Early on in the crisis, we raised a fair amount of cash in the Fund (around 8%), and, as we stand today, have deployed half of that into new investments, with the other half ready to go. We are also weighing up whether to switch out of companies that have been strong performers through this crisis – such as JSE Limited, Spar, Dis-Chem and Pick n Pay – into shares that have taken a beating – such as the apparel retailers.

The largest additions to the Fund in the quarter were the purchase of Truworths, JSE Limited and Mr Price.

Unfortunately, the Truworths purchase was made early on in the quarter before the impact of Covid-19 was known. Since then, the business has had to close its stores during lockdown, which will have a large impact on earnings in the current financial year. In times like these, the most important investment consideration is whether the company has the balance sheet to survive. Truworths, thankfully, has a fortress-like balance sheet with significant net cash, and will certainly be able to ride out the storm. And, perversely, one of its biggest competitors, Edcon, looks very close to failure due to a toxic combination of high debt levels and very weak earnings. There is thus a scenario where Truworths (and all the apparel retailers who survive this crisis) emerge stronger once this crisis is behind us. We also bought Mr Price in the quarter, but the difference here was that we bought it in the few days following the Covid-19-induced sell-off. Mr Price is a high-quality business with an equally strong balance sheet. There is no question that it will survive this crisis.

There are few businesses that will benefit from Covid-19. The JSE is one of them. The huge volatility we have seen in stock markets around the world, including on the JSE, means that the value of trade being conducted on the exchange has increased dramatically in the past month. The JSE earns fees on this increased trade, and

as a result, its prospects for the year ahead are better today than they were at the start of the year. The JSE is one of a handful of shares that have appreciated in the month of March.

The three biggest sales during the quarter were Reinet, Oceana and Comair.

The sales of Reinet and Oceana were motivated primarily by the fact that these shares became relatively less attractive compared to many shares which fell materially. Reinet and Oceana have held up very well in this crisis (cigarette and fish consumption supposedly less/not impacted) and were shares we could sell to raise cash for better opportunities.

In the case of Comair, we reacted quickly when it was becoming apparent that Covid-19 would decimate airline shares. The share has now halved from the level at which we sold out. Comair (and many airlines globally) has high levels of debt, raised to Fund the upgrade of its fleet of planes, and can ill afford a sustained period of material earnings pressure. The long-term impact on air travel in South Africa is also hard to comprehend, with more companies likely to cut back on business travel for the next while, driven partly by the crash course we have all had in online/remote communication.

Portfolio managers
Alistair Lea and Siphamandla Shozi
as at 31 March 2020

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

The Smaller Companies 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. 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 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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