

WHAT IS THE FUND'S OBJECTIVE?

The fund aims to maximise long-term growth from investing in the financial services industry. It seeks to outperform an index of financial companies listed on the Johannesburg Stock Exchange (the JSE Financial Index) over the longer term.

WHAT DOES THE FUND INVEST IN?

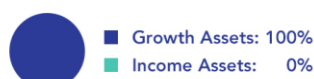
The fund will remain fully invested in JSE-listed companies that earn a significant portion of their earnings from financial services. These include banks, insurance companies and related businesses.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Risk Profile



Maximum growth/ minimum income exposures



The fund's managers actively seek out attractively valued financial companies that could offer strong long-term investment 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 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 who

- want to diversify their investments to include specific exposure to banks, insurers and related businesses;
- believe that the financial sector offers compelling value;
- accept that the fund may underperform the broader market significantly in the short term as a result of its sector focus;
- seek to hold the Financial Fund as one of multiple funds in their investment portfolio.

WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 1.25% (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?



**NEILL
YOUNG**
BBusSc (Hons Fin), CA
(SA), CFA



**GODWILL
CHAHWAHWA**
BCompt, CA (SA)
CFA

GENERAL FUND INFORMATION

Launch Date	1 July 1998
Fund Class	A
Benchmark	FTSE/JSE Financial Index
Fund Category	South African – Equity – Financial
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORFING
ISIN Code	ZAE000019766
JSE Code	CNFG

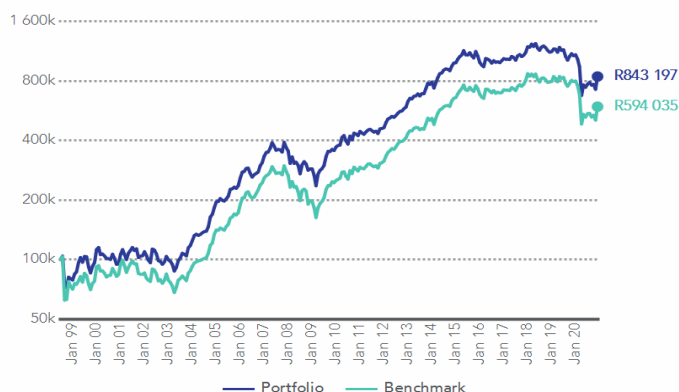
CLASS A as at 30 November 2020

Fund category	South African - Equity - Financial
Launch date	01 July 1998
Fund size	R211.57 million
NAV	4106.74 cents
Benchmark/Performance	FTSE/JSE Financial Index
Fee Hurdle	
Portfolio manager/s	Neill Young and Godwill Chahwahwa

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.47%	1.46%
Fund expenses	1.22%	1.24%
VAT	0.06%	0.04%
Transaction costs (inc. VAT)	0.18%	0.18%
Total Investment Charge	0.17%	0.16%
	1.64%	1.62%

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)	743.2%	494.0%	249.2%
Since Launch (annualised)	10.0%	8.3%	1.7%
Latest 20 years (annualised)	11.5%	10.3%	1.3%
Latest 15 years (annualised)	8.8%	8.6%	0.3%
Latest 10 years (annualised)	7.1%	7.8%	(0.7)%
Latest 5 years (annualised)	(4.7)%	(4.1)%	(0.6)%
Latest 3 years (annualised)	(8.9)%	(9.6)%	0.7%
Latest 1 year	(21.5)%	(25.3)%	3.8%
Year to date	(22.5)%	(25.8)%	3.4%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	19.8%	21.0%
Sharpe Ratio	0.06	(0.02)
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(45.4)%	(45.3)%
Positive Months	59.1%	59.9%

	Fund	Date Range
Highest annual return	63.0%	Aug 2004 - Jul 2005
Lowest annual return	(39.5)%	Apr 2019 - Mar 2020

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2020	(5.0)%	(8.6)%	(28.4)%	13.2%	(2.8)%	3.6%	2.3%	(3.2)%	1.0%	(5.8)%	16.1%		(22.5)%
Fund 2019	3.3%	(0.2)%	(3.7)%	6.1%	(3.6)%	0.9%	(7.4)%	(4.5)%	4.4%	3.3%	(2.4)%	1.2%	(3.4)%
Fund 2018	(0.5)%	3.8%	(2.8)%	3.6%	(5.3)%	(2.5)%	4.0%	1.1%	(1.9)%	(3.2)%	(2.2)%	0.7%	(5.6)%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Nov 2020
Domestic Assets	100.0%
Equities	95.9%
Financials	95.9%
Preference Shares & Other Securities	2.5%
Real Estate	1.1%
Cash	0.5%

TOP 10 HOLDINGS

As at 30 Sep 2020	% of Fund
FirstRand Limited	19.3%
Standard Bank Of SA Ltd	13.1%
Sanlam Life Assurance Limited	9.4%
Nedbank Ltd	8.1%
Quilter Plc	7.1%
Absa Bank Ltd	5.9%
Discovery Holdings Ltd	4.4%
Investec Limited	4.2%
RMI Holdings	3.8%
Ninety One Plc	3.8%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2020	01 Oct 2020	312.81	311.63	1.18
30 Sep 2019	01 Oct 2019	163.21	159.76	3.45
29 Mar 2019	01 Apr 2019	36.05	34.58	1.47
28 Sep 2018	01 Oct 2018	151.49	146.80	4.69

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

The rebound in financial stocks experienced in the second quarter of the year failed to carry through to the third quarter (Q3-20), with the benchmark returning -1.6%, while the Fund produced a zero return. This means that, year-to-date, the sector has declined 32.7%, reflecting a very limited recovery from the -37.8% at the end of March. The Fund has outperformed its benchmark over this period, but this is of little comfort given the extent of the decline in value. The severe sector drawdown continues to negatively impact longer-term returns, with the Fund returning -10.2%, -5.9% and 5.8% per annum over three, five and 10 years compared to index returns of -10.6%, -5.4% and 6.2%.

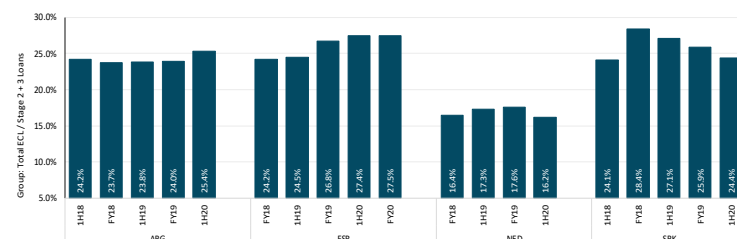
Global equity markets continued to strengthen in Q3-20, with the MSCI All Country World Index up 8.1% in US dollars, although increasing evidence of a resurgence in Covid-19 infections resulted in a 3% decline in September. The South African (SA) equity market fared less well, with the Capped Swix index up only 1% in rand for the quarter. Resource stocks continue to drive the performance of the market (up 6.0%) while the financial (-1.6%) and industrial (-2.3%) sectors were the laggards. This divergence reflects the longer-term structural challenges the domestic economy faces, now exacerbated by the impact of Covid-19. During the quarter, the rand strengthened from 17.35 to 16.75 against the dollar, the South African Reserve Bank cut the repo rate by an additional 25 basis points (bps) to 350bps (an all-time low), and the yield on the R2030 government bond increased from 9.25% to 9.42%. The SA sovereign yield curve is currently the steepest it has been in the democratic era. While this means that real yields are very attractive when compared to emerging market peers, it illustrates that the risks of a debt trap and potential default are increasingly reflected in long bond prices.

The performance of the financial sector, being predominantly domestic-facing, reflects these concerns. However, within the sector, returns were relatively dispersed. Banks returned 6.2%, life companies -6.5%, and listed property -14.1%. Most of the banks and life companies reported results to June during the period, and this provided us with a clearer indication of the impact of the Covid-19 lockdown on these businesses. While the results to an extent reflect the experience of the first six months of the year, accounting standards require that they also take into account expectations of what is likely to happen in the future. Banks must provide for anticipated future bad debt write-offs, and life insurance companies set aside reserves to absorb anticipated declines in persistency and increases in mortality claims. The performance of the property sector reflects concerns around an over-spaced sector with a weak outlook for net rental income growth in retail and office portfolios, combined with the highly geared (and in some cases unsustainable) structure of their balance sheets.

Banks all reported earnings declines in excess of 40% for the six months to June (FirstRand has a June year-end and reported a 38% decline in earnings, but its June half is of most interest and for this period reported a 78% decline in earnings). As one would expect, these businesses faced an almost perfect storm: muted advances growth, a contraction in interest margins given the lower rate environment and constrained non-interest revenue due to the drop off in economic activity. However, the biggest driver by far was a significant increase in bad debt charges to levels above those seen during the Global Financial Crisis. Of great interest at this point is an assessment of the extent of provisioning of each of the banks – have they adequately provided for the abnormally high level of defaults that are likely to emerge and can therefore return to more normal bad debt levels in the near future, or is there more to come? This is not a simple exercise. The banks have provided payment relief to certain customers during this period, and the extent of their likely rehabilitation is uncertain at this point. Similarly, job losses, small business failures and corporate insolvencies may take some time to emerge as relief packages such as the Unemployment Insurance Fund's Temporary Employer-Employee Relief Scheme and the government-guaranteed lending scheme drop away. In addition, there are differences in the composition of the banks' lending books, as well as their classifications of loan quality.

As a crude tool, however, one can look at total provision coverage of what are termed Stage 2 loans (loans for which each bank considers there to be a

significant increase in credit risk) combined with Stage 3 loans (loans considered to be non-performing). Adopting this approach in a time of much uncertainty should capture most of the loans that have the potential to be non-performing but haven't yet been classified as such. As one can see from the charts below, FirstRand and Absa have increased their coverage over the past six months, while Nedbank and Standard Bank have reduced theirs. FirstRand has the highest coverage, while Nedbank has the lowest. In the case of FirstRand, this would suggest a greater cushion exists to absorb future bad debts, while, in the case of Nedbank, the lower coverage may reflect higher collateral values on their significant commercial property lending book.



As a general comment, we regard the banks' books as being sufficiently provided. Despite this, we anticipate bad debt charges to remain elevated for a period of 12-18 months as increased evidence of strain emerges. Earnings for these companies are unlikely to return to pre-Covid-19 2019 levels until 2023 or 2024. The market appears to be looking through much of the near-term earnings noise, but the ratings on longer-term 'normal earnings' are comparably low, certainly relative to their own history. Therein lies the challenge in investing in domestic stocks and, in particular, the banks, which are, in many respects, a proxy for the SA economy: a structurally low growth environment will constrain earnings growth and returns, which, in turn, constrains the ratings afforded to these companies. FirstRand represents the largest investment of the Fund, at 19.4%. It is certainly not the cheapest of the four banks, but we view its rating as attractive in the SA context given its ability to recover to a position of generating superior excess returns, the conservatively provided advances book, and its strength in digital – the importance of which has been illustrated all the more in the lockdown period.

Contributors to Fund performance relative to the benchmark for the quarter included underweight positions in Old Mutual and property stocks as well as overweight positions in PSG, FirstRand and Discovery. Detractors included underweights position in Capitec and Transaction Capital along with overweight positions in Momentum Metropolitan Holdings and small caps EPE Capital Partners and Alexander Forbes. During the quarter, we increased holdings in Standard Bank, FirstRand, Sanlam and ABSA and reduced holdings in Discovery, Quilter and Rand Merchant Insurance. In addition, we exited the position in Old Mutual.

Banks are trading at all-time lows on a price-to-book basis and life insurers look similar on price-to-embedded-value metrics. Capital positions for both are sound. Property stocks also trade at record yields and discounts to net asset value (but here we believe capital positions are less robust and that, in some cases, rights issues will be required.) While these metrics suggest the sector is inexpensive, one should bear in mind that it is predominantly a domestic-facing one, and, therefore, the performance of the companies operating within it will be largely tied to the fortunes of the SA economy. Already under severe strain, the impact of Covid-19 lockdowns on the economy is likely to be long lasting. We anticipate a challenging operating environment to persist for these business for some time.

Portfolio managers
Neill Young and Godwill Chahwahwa
 as at 30 September 2020

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

The Financial 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. 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 2020 (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

This document is for information purposes only and does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase any particular investment. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance upon the information.