

## WHAT IS THE FUND'S OBJECTIVE?

Optimum Growth aims to maximise long-term investment growth by investing in a range of opportunities available in public asset markets from both South Africa and around the world. Our intent is to provide competitive after inflation returns measured in rand over all five year periods.

## WHAT DOES THE FUND INVEST IN?

Optimum Growth will normally have a significant bias towards shares, but can invest in a variety of assets including listed property, bonds and cash. The fund has a flexible mandate and can invest in any combination of developed economies (including the US, Europe and Japan), South African assets and other emerging market assets.

The fund will vary exposure to South African, developed and emerging market assets based on where the most attractive valuations are available. We expect the fund to have the majority of its assets invested in global equities over time. Its exposure will be in a variety of currencies, primarily the US dollar, British pound, euro and yen.

The fund may use exchange traded funds and other financial instruments (eg. derivatives) to implement specific investment views.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

## Risk Profile

Maximum growth/  
minimum income exposures

Optimum Growth aims to achieve the best possible long-term growth for investors.

Consequently, it will have a sizeable exposure to shares, which typically offer the best returns over the long run.

Optimum Growth will only invest in assets we view as being attractively valued and that could offer strong long-term investment growth. The fund's share selection is the result of rigorous international research conducted by Coronation's investment team.

While shares typically offer superior long-term returns, this comes with higher levels of risk and volatility. We have a disciplined approach to reducing risk, but shares can be volatile investments and may suffer capital losses over the short term. Global currency movements may intensify investment gains or declines.

## HOW LONG SHOULD INVESTORS REMAIN INVESTED?

An investment term of more than five years is recommended.

## WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are building wealth, and who

- ▶ are looking for the best growth opportunities available in both South African and international markets;
- ▶ are comfortable with allowing Coronation a wide degree of discretion, in allowing us to make both the equity and international allocation decisions;
- ▶ require investment growth over the long term and accept the possibility of volatility and the risk of short-term losses;
- ▶ do not require an income from their investment.

## WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of a minimum of 0.85% and a maximum of 2.40%, depending on the fund's performance, is payable.

If the fund's return (after fees and costs) is equal to that of its benchmark, a fee of 1.00% will be charged.

We share in 20% of the outperformance above the benchmark, up to a maximum total annual fee of 2.40%. Performance is measured over a rolling 24-month period.

When the fund return is below the benchmark over a rolling 60-month period the fee is discounted by 0.15%.

All fees exclude VAT. 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 any fees to access or withdraw from the fund.

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

## WHO ARE THE FUND MANAGERS?

**GAVIN JOUBERT**

BBusSc, CA (SA), CFA

**MARC TALPERT**

BAccSc, HDipAcc, CA (SA), CFA

**SUHAIL SULEMAN**

BBusSc, CFA

## GENERAL FUND INFORMATION

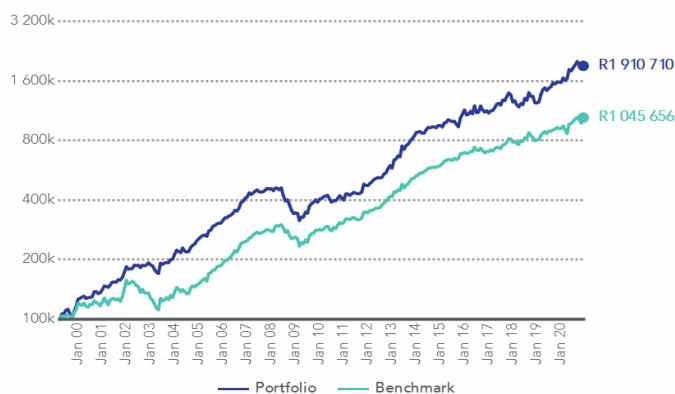
Launch Date	15 March 1999
Fund Class	A
Benchmark	Composite: 35% JSE CAPI, 15% ALBI, 35% MSCI ACWI, 15% BGBA
Fund Category	Worldwide – Multi-asset – Flexible
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment Minimum	R5 000 or R500/m debit order
Bloomberg Code	COROPTG
ISIN Code	ZAE000019782
JSE Code	CNOG

<b>Fund category</b>	Worldwide - Multi Asset - Flexible
<b>Launch date</b>	15 March 1999
<b>Fund size</b>	R12.32 billion
<b>NAV</b>	15035.51 cents
<b>Benchmark/Performance</b>	Composite (35% JSE CAPI, 15% ALBI, 35% MSCI ACWI, 15% BGBA)
<b>Fee Hurdle</b>	
<b>Portfolio manager/s</b>	Gavin Joubert, Marc Talpert and Suhail Suleman

Total Expense Ratio	1 Year	3 Year
Fee for performance in line with benchmark	2.37%	1.68%
Adjusted for out/(under)-performance	1.00%	1.00%
Fund expenses	1.00%	0.45%
VAT	0.07%	0.03%
Transaction costs (inc. VAT)	0.30%	0.21%
Total Investment Charge	0.11%	0.14%
	2.48%	1.82%

## PERFORMANCE AND RISK STATISTICS

## GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



## PERFORMANCE FOR VARIOUS PERIODS VS BENCHMARK (AFTER FEES) (ZAR)

	Fund	Benchmark	Inflation
Since Launch (unannualised)	1810.7%	945.7%	243.0%
Since Launch (annualised)	14.6%	11.4%	5.9%
Latest 15 years (annualised)	13.0%	12.2%	5.6%
Latest 10 years (annualised)	16.6%	13.1%	5.1%
Latest 5 years (annualised)	11.9%	8.7%	4.6%
Latest 3 years (annualised)	11.9%	8.8%	4.0%
Latest 1 year (annualised)	20.7%	13.8%	3.3%
Year to date	21.4%	13.3%	3.0%
Annualised Deviation	12.5%	11.0%	1.5%
Sharpe Ratio	0.50	0.28	(1.68)
Downside Deviation	7.0%	5.6%	0.7%
Positive Months	65.0%	63.1%	91.2%

	Fund	Date Range
Highest annual return	51.1%	Jan 2013 - Dec 2013
Lowest annual return	(31.5%)	Mar 2008 - Feb 2009

## PERFORMANCE FOR VARIOUS PERIODS VS MSCI ACWI (AFTER FEES) (USD)

	Fund	Benchmark	MSCI ACWI
Since Launch (unannualised)	663.7%	318.5%	249.2%
Since Launch (annualised)	9.8%	6.8%	5.9%
Latest 10 years (annualised)	7.9%	4.7%	10.4%
Latest 5 years (annualised)	10.3%	7.2%	10.8%
Latest 3 years (annualised)	7.3%	4.3%	9.0%
Latest 1 year (annualised)	14.3%	7.7%	15.0%
Year to date	9.9%	2.6%	11.1%

## MONTHLY PERFORMANCE RETURNS (AFTER FEES) (ZAR)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2020	5.4%	(2.8)%	2.2%	11.1%	(1.7)%	3.8%	3.3%	4.2%	(4.1)%	(3.5)%	2.7%		21.4%
Fund 2019	1.3%	9.0%	6.0%	2.0%	(3.0)%	2.7%	1.7%	4.7%	(1.4)%	2.2%	0.2%	(0.6)%	26.9%
Fund 2018	1.5%	(4.6)%	(2.4)%	3.8%	(1.0)%	7.6%	(2.2)%	9.2%	(4.2)%	0.0%	(7.2)%	(0.2)%	(1.2)%

## PORTFOLIO DETAIL

## EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Nov 2020
<b>Equities</b>	<b>73.7%</b>
North America	29.2%
Europe	16.7%
Asia	12.6%
South Africa	6.9%
United Kingdom	5.6%
Latin American	2.7%
<b>Bonds</b>	<b>1.3%</b>
North America	0.6%
South Africa	0.5%
Europe	0.1%
Latin American	0.1%
<b>Cash</b>	<b>18.7%</b>
USD	10.4%
Other	7.3%
ZAR	0.9%
<b>Commodities</b>	<b>4.1%</b>
Europe	4.1%
<b>Real Estate</b>	<b>2.3%</b>
Europe	1.3%
North America	0.3%
Asia	0.3%
Latin American	0.2%
South Africa	0.1%

## TOP 10 HOLDINGS

As at 30 Sep 2020	% of Fund
Alibaba Group Holding	3.0%
Alphabet Inc	2.7%
JD.com Inc ADR	2.6%
Naspers Ltd	2.5%
Heineken Holdings NV	2.5%
Salesforce.com Inc	2.3%
Philip Morris Int Inc	2.2%
Visa Inc	2.1%
Microsoft Corp	2.1%
Facebook Inc.	2.0%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2019	01 Oct 2019	57.31	48.05	9.25
29 Mar 2019	01 Apr 2019	30.81	26.96	3.85
28 Sep 2018	01 Oct 2018	69.10	67.56	1.54
29 Sep 2017	02 Oct 2017	15.67	13.67	2.00

The Fund appreciated 3.2% in the third quarter of 2020 (Q3-20), compared with a 2.3% return of the benchmark, resulting in 0.9% alpha for the period. After a strong absolute return in the prior quarter (of 13.4%), it was encouraging to generate continued positive absolute returns and alpha.

This quarter was less eventful compared to the first six months of the year, which exhibited extreme volatility. The largest positive contributors in the quarter were Alibaba (+30%, 0.7% positive impact), Salesforce (+31%, 0.6% positive impact) and JD.com (+25%, 0.5% positive impact). The Fund incurred *unrealised* losses on a collection of put option and short index positions, which provided valuable protection in the first quarter of this year but detracted from performance this quarter. Collectively, these put options and short index positions had a 0.9% negative impact during the quarter, but having them continues to provide the Fund with protection should there be a market selloff. Outside of this, the one other notable negative detractor was Unibail-Rodamco-Westfield (-37%, 0.3% negative impact), which came under renewed pressure post the announcement of a proposed rights issue to deleverage the balance sheet.

Over the past five years, the Fund has generated a positive return of 15.4% per annum (p.a), over ten years a return of 16.8% p.a and, since inception over 20 years ago, 14.8% p.a (3.3% annualised outperformance).

The Fund ended the quarter with 69.2% net equity exposure, slightly lower than at the end of June.

Our negative view on global bonds remained unchanged as a large portion of developed market sovereign bonds offer negative yields to maturity, with the follow-on effect that most corporate bonds also offer yields which do not compensate for the risk undertaken. Only 1.4% of the Fund is invested in bonds, which is largely made up of a 0.6% position in L Brands (owner of Victoria Secret) corporate bonds.

The Fund also has c.2.8% invested in global property: largely Vonovia (German residential) and Unibail (European and US retail property). Lastly, the Fund has a physical gold position of 3.9%, along with a 0.7% holding in Barrick Gold Corp, the largest gold miner globally. The physical gold position was added to during the quarter for its diversifying properties. The balance of the Fund is invested in cash, largely offshore. As has been the case for many years, the bulk of the Fund (over 90%) is invested offshore with very little exposure to South Africa.

The markets remain volatile as the Covid-19 pandemic continues to cause disruption around the world, with various governments responding in different ways, which continues to create a disruptive operating environment for many businesses. The Fund is positioned in a manner without taking a strong view as to when normalisation will occur across the world, as the last nine months have indicated once again that trying to predict the future is inherently difficult. The Fund holds a collection of businesses which we feel are attractively priced and can operate in what we deem a highly complex and fast changing environment

Notable buys/increases in position sizes during the quarter were NetEase, RELX Plc and Visa.

NetEase is the second largest gaming company in China with a long history of successful execution over its more than 20-year history. Notwithstanding the material tailwind Covid-19 provided their gaming business, which has been sustained as life in China has normalised, NetEase has also been very successful in incubating new businesses and creating immense shareholder value. Outside of their gaming business, which we feel still has good growth potential in China, along with significant potential outside of China, NetEase own the second-largest music streaming service in China, which operates in a duopoly with Tencent Music Entertainment. The online music streaming market in China should experience long duration growth due to currently low-paying rates along with very low average revenues per user. NetEase also own a rapidly growing online education business (Youdao) which separately listed late last year, with NetEase still holding c.58%. Both the online music business and the online education business are lossmaking, but should start to contribute both profits and cash flow to the combined group in the next 18-24 months. NetEase also has just under 20% of their market

capitalisation in cash and trades on a c.6.5% 2021 free cash flow (FCF) to enterprise value yield, which we feel is attractive.

RELX is a global provider of information-based analytics and decision tools for professionals and business customers. Their revenue is largely recurring in nature due to subscriptions and being usage-based, which is deeply embedded into customer workflows. They have highly recognised brands within the scientific, legal and risk analytic markets and have done a good job over the years to transition their products to the digital realm. Their risk analytic business is made up of a significant proprietary dataset, which is hard to replicate and creates real value for their clients (ie: insurers) who access it to make critical business decisions. Growth should be driven by continued penetration into existing clients and expanding their service offerings. The business is highly cash generative as most of their revenue is received in advance, and the bulk of their FCF has been returned to shareholders in the past. We estimate the business should be able to grow earnings in the high single digits which, coupled with a c.2.5% dividend yield, should generate double-digit total returns in hard currency.

Visa is a business the Fund has owned for many years due to our positive view on the structural growth drivers supporting the business fundamentals, being a continued transition from cash to electronic means. We believe that Covid-19 has potentially accelerated this transition due to rapid increases in ecommerce penetration and a behavioral shift away from handling cash. We acknowledge there are some headwinds brought about by a curtailment in travel but believe this is transitional as opposed to permanent and, ultimately, the move away from cash has been accelerated due to the pandemic. Cashless penetration (as a percentage of personal consumption) globally was just under 50% last year - up nearly 20% from a decade ago. We expect this trend to continue, with penetration approaching 70% over the next decade. This is supportive of growth for Visa, with the business generating very high incremental margins due to low incremental costs in supporting these additional volumes. Against this backdrop, we expect high single-digit revenue growth, which should translate to low double-digit earnings growth.

We are now just over nine months into the Covid-19 pandemic, yet there still remain many unknowns as to the ultimate length, how governments will respond and what permanent consumer behaviors will manifest post the pandemic. However, against this backdrop we feel the portfolio has been built bottom up, whilst ensuring adequate diversification with limited exposure to potential hard-to-predict future trends.

#### Portfolio managers

Gavin Joubert, Marc Talpert & Suhail Suleman  
as at 30 September 2020

## IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION OPTIMUM GROWTH FUND

The Optimum Growth 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 100% 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. 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 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](http://www.coronation.com)

## IMPORTANT INFORMATION REGARDING TERMS OF USE

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