CORONATION RESOURCES FUND

Fund Information as at 30 November 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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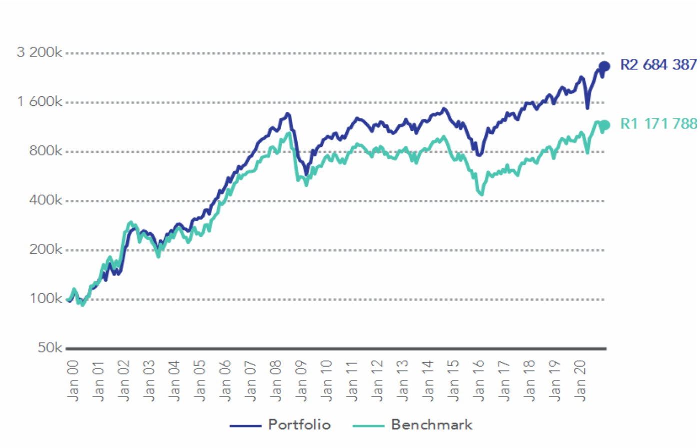
CLASS P as at 30 November 2020

Fund category	South African - Equity - Resources
Launch date	01 October 1999
Fund size	R854.52 million
NAV	17053.46 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	1.17%	1.20%
Fund management fee	0.99%	1.00%
Fund expenses	0.02%	0.05%
VAT	0.15%	0.15%
Transaction costs (inc. VAT)	0.44%	0.34%
Total Investment Charge	1.61%	1.54%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Nov 2020
Domestic Assets	97.0%
Equities	96.2%
Oil & Gas	4.2%
Basic Materials	92.0%
Cash	0.8%
International Assets	3.0%
Equities	3.0%
Cash	0.0%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	2584.4%	1071.8%	1512.6%
Since Launch (annualised)	16.8%	12.3%	4.5%
Latest 20 years (annualised)	16.6%	11.9%	4.7%
Latest 15 years (annualised)	12.2%	7.5%	4.7%
Latest 10 years (annualised)	9.0%	3.9%	5.1%
Latest 5 years (annualised)	28.3%	20.1%	8.2%
Latest 3 years (annualised)	19.1%	17.8%	1.2%
Latest 1 year	25.6%	18.4%	7.2%
Year to date	16.1%	10.7%	5.4%

TOP 10 HOLDINGS

As at 30 Sep 2020	% of Fund
Anglo American Plc	25.1%
Northam Platinum Ltd	10.2%
Glencore Xstrata Plc	9.5%
Impala Platinum Holdings Ltd	9.1%
Exxaro Resources Ltd	9.1%
Sibanye Stillwater Ltd	7.2%
Bhp Billiton Plc	6.4%
Royal Bafokeng Platinum Ltd	5.3%
Centamin Egypt Ltd	4.9%
Mondi Limited	4.7%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	24.1%	26.4%
Sharpe Ratio	0.36	0.16
Maximum Gain	93.4%	86.3%
Maximum Drawdown	(57.9)%	(58.3)%
Positive Months	58.7%	55.1%

	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
30 Sep 2020	01 Oct 2020	196.87	184.16	12.72
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

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%	7.2%	12.3%	4.9%	(1.0)%	(8.7)%	16.4%		**16.1%**
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 Fund continued to build on positive momentum in the third quarter (Q3-20), returning 16.6%, which was 10.5% ahead of benchmark for the period. After the vicious market correction in the first quarter of the year (Q1-20), which was heavily felt in the commodity sector, the Fund was 10.5% below the benchmark in Q1-20. Subsequent performance has narrowed the year-to-date (YTD) performance gap to 2.6% behind the benchmark. Longer-term performance is highly compelling against both peers and the benchmark, with the Fund 4.4% ahead of the benchmark over the last decade. The resources sector has performed very well in comparison to general South African (SA) equity benchmarks and we believe it remains attractive, which we explore below.

In the quarter, the Fund benefitted from its positions across the platinum group metal (PGM) stocks as well as Montauk Energy, a new position in the Fund. Primary detractors in the quarter were Gold Fields, Glencore and Merafe. In the quarter, we reduced our PGM exposure and invested the proceeds into the diversified miners, given their relative underperformance. Anglo American, BHP and Exxaro were some of the top buys.

We believe that the commodity sector currently has several elements to it that are unprecedented in comparison to historical cycles which, when combined, present a unique investment opportunity. The sector is displaying remarkable supply restraint in the face of healthy margins and incentive prices in several commodities. The decarbonisation of the world that will take place over the next few decades is incredibly positive for metal demand and stands to produce strong price outcomes when combined with supply, which is yet to meaningfully respond. On top of this supportive earnings environment, management teams have committed to delivering material capital returns to shareholders, made more attractive by historically cheap starting valuations.

If one considers the previous cycle ending in 2015, it played out broadly as follows: robust demand growth driven by China on which miners capitalised. They then extrapolated it into the future by living beyond their means (increasing debt levels and channelling it into capital expenditure to boost supply). Gearing works in a rising price environment, yet increased gearing is a contributing factor to a deflationary price environment. Overexuberant investment into volume growth in good or benign times sowed the seeds for oversupply (bad times). This came to a head when there was a wobble in 2015. A deflationary price environment ensued and collided with stretched balance sheets. Low prices and high debt are a toxic combination. The JSE Africa Resources Index fell 61%, while Anglo American and Glencore fell 80% and 72%, respectively. This led market commentators at the time to question the viability of many of these stocks. Glencore undertook a rights issue and Anglo American expressed a strong desire to do so.

This 2015 near-death experience is firmly entrenched in the minds of mining executives, many of whom have retained their positions in their respective companies. However, they now appear to appreciate the risk of price deflation caused by excess leverage and supply growth and understand that high gearing and mining companies are not very compatible.

On the back of 2015's wake-up call, companies have started running conservative balance sheets. Rather than anticipating demand growth and bringing forward supply using leverage (basically using balance sheets to balance the market), they are using retained earnings (and allowing commodity prices to balance the market). This places the miners on a firmer financial footing and the sector now lags cycles rather than leading them, resulting in far less slack in the system. Take the 2019 Brumadinho tailings dam disaster that saw Vale's production drop by 34% (c. 64 million tons). Global peers have been unable to supply the missing tons due to low flexibility in supply, this has sent iron ore prices up 68% from January 2019 to today.

While we don't expect this capital expenditure discipline to last forever, we expect it to remain in place as long as the current cohort of executives remain in place at the companies and/or while share prices remain at levels attractive to valuation-based investors.

A critical point we feel gets overlooked is that you cannot make energy-intensive industries greener without the use of certain commodities. Reducing carbon dioxide (CO_2) emissions requires either a decrease in the population or for the existing population to use less energy. Both scenarios seem unlikely. The alternative is to focus on energy efficiency and CO^2 intensity per unit of energy. Indeed, it is on the latter point where much of the action today is taking place. Two areas of focus are the vehicle drivetrain and electricity production. In both cases, copper is a critical component given its unrivalled thermal and electrical conductivity.

The vehicle drivetrain is in the process of a shift away from fossil fuel (oil) as a power source to electricity. A typical electric vehicle (EV) requires 150 kilograms of copper. Based on our in-house assumption of a 25% battery electric vehicle (BEV) penetration by 2030, this decarbonisation of the drivetrain would require an additional 1.6 megatonnes of copper and 719 kilotonnes of nickel. This incremental demand represented 7% and 30% of the 2019 supply base for copper and nickel, respectively - enough to push these markets into material deficits in the years to come. Efforts are also underway to transform the electricity mix away from fossil fuels such as coal towards greener energy sources, such as wind and solar. Wind and solar require multiples more copper per unit of power than coal and traditional sources (they require this for the increased cabling, as well as generators, inverters, and transformers). Bernstein estimates that copper demand from wind energy will require an additional 1 megatonnes per annum of copper by 2030.

The PGMs also benefit heavily from the shift towards cleaner air and general decarbonisation. In the medium term, PGMs will benefit from increased regulatory pressure on car manufacturers to reduce emissions, with large fines for non-compliance. Adding palladium or rhodium to the catalyst of an emissions treatment system is a natural solution for vehicle and catalyst manufacturers. Longer term, the PGM complex stands to benefit from the arrival of the hydrogen economy, at least a few decades after it was first heralded to arrive. The last 12 months have seen a step change in political will to tackle climate change from most political parties globally as well as large corporates. The most recent stimulus response out of Europe is a clear example, with a continental "net zero" goal by 2050 and tens of billions of euros committed to the cause. China has also committed to being net zero by 2060. There is a broad consensus that, to fully decarbonise, there is a large role for hydrogen to play across a raft of industries. Fuel cells can be used to power ships, heavy & light duty vehicles and even buildings. Not to mention the burning of hydrogen for heat in heavy industry such as steel and cement manufacturing. Platinum in particular is vital in several elements of a hydrogen-based economy.

We believe the above factors contribute to a favourable commodity price environment in the years to come, with management committed to returning large portions of their free cash flow to shareholders. When coupled with what we see as attractive starting valuations in most of the individual commodity stocks, we believe that, through stock selection, we will be able to generate excess return over and above a rising commodity tide over meaningful time periods.

Portfolio managers
Nicholas Stein and Nicholas Hops
as at 30 September 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 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

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