CORONATION SMALLER COMPANIES 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 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

Risk Profile

10/10
Aggressive

Maximum growth/
minimum income exposures

- Growth Assets: 100%
- Income Assets: 0%

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

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

CORONATION SMALLER COMPANIES FUND

CORONATION

TRUST IS EARNED™

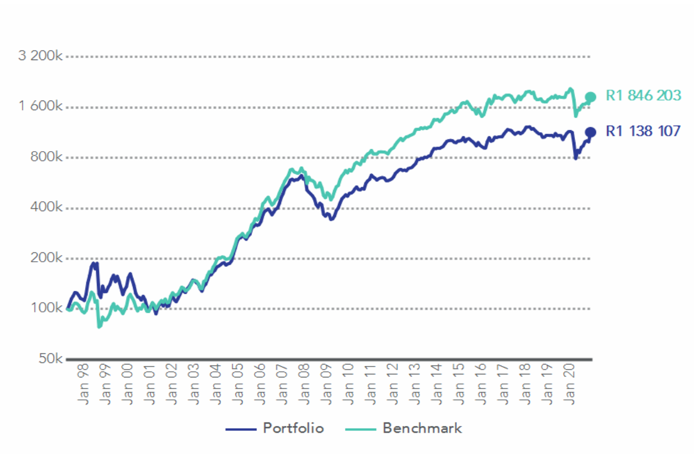
CLASS R as at 30 November 2020

Fund category	South African - Equity - Mid & Small Cap
Launch date	01 April 1997
Fund size	R119.89 million
NAV	6830.22 cents
Benchmark/Performance Fee Hurdle	Composite: FTSE/JSE Africa Mid & Small Cap Indices
Portfolio manager/s	Alistair Lea

	1 Year	3 Year
Total Expense Ratio	1.23%	1.22%
Fund management fee	0.99%	1.00%
Fund expenses	0.09%	0.07%
VAT	0.15%	0.15%
Transaction costs (inc. VAT)	0.20%	0.17%
Total Investment Charge	1.43%	1.39%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Nov 2020
Domestic Assets	100.0%
Equities	97.9%
Basic Materials	7.6%
Industrials	12.3%
Consumer Goods	12.7%
Health Care	2.1%
Consumer Services	24.3%
Financials	30.1%
Technology	6.0%
Derivatives	2.8%
Real Estate	0.4%
Commodities	1.0%
Metals	1.0%
Cash	0.8%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1038.1%	1746.2%	(708.1)%
Since Launch (annualised)	10.8%	13.1%	(2.3)%
Latest 20 years (annualised)	13.0%	15.9%	(2.9)%
Latest 15 years (annualised)	8.8%	11.6%	(2.8)%
Latest 10 years (annualised)	6.7%	8.0%	(1.3)%
Latest 5 years (annualised)	3.6%	4.5%	(0.8)%
Latest 3 years (annualised)	(0.8)%	(0.7)%	(0.1)%
Latest 1 year	(0.7)%	(6.2)%	5.5%
Year to date	(1.1)%	(10.9)%	9.7%

TOP 10 HOLDINGS

As at 30 Sep 2020	% of Fund
Spar Group Ltd	6.0%
Advtech Ltd	5.2%
RMI Holdings	5.1%
Metair Investments Ltd	5.1%
PSG Group	5.0%
Allied Elelctronics Corp	4.9%
Quilter plc	4.7%
Distell Group Ltd	4.6%
Woolworths Holdings Ltd	3.7%
Coronation Fund Managers Limited	3.5%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	18.6%	17.4%
Sharpe Ratio	0.09	0.23
Maximum Gain	67.2%	63.6%
Maximum Drawdown	(50.2)%	(38.2)%
Positive Months	61.3%	61.6%
	Fund	**Date Range**
Highest annual return	68.3%	May 1997 - Apr 1998
Lowest annual return	(41.4%)	Nov 2007 - Oct 2008

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2020	01 Oct 2020	36.40	34.80	1.60
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

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)%	7.6%	1.9%	5.9%	1.3%	(1.5)%	14.2%		**(1.1)%**
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)%**

Issue date: 2020/12/09

Please refer to page 4 of the Comprehensive Fact Sheet for important additional infomation, including change in cost disclosures.

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

Reflecting on the performance of the Fund in previous quarters, the portfolio experienced its weakest ever quarter in the first three months of 2020, delivering a 31.2% decline in the unit price. In the subsequent two quarters, the Fund recovered, returning 16.8% in the second quarter of the year (Q2-20) and 9.3% in the third (Q3-20). This demonstrates often typical investor behaviour of overreacting to bad news, and the opportunity that is presented if one is able to stay level-headed in difficult times. While it is never easy in the heat of the moment, the last three quarters have once again taught us how to approach the next crisis, which will no doubt come when we least expect it.

From a longer-term perspective, the Fund's one- and three-year declines of 5.7% and 3.2% respectively make it the best-performing Fund in its category over both time periods.

It is interesting to note the divergence in the performance of the various JSE indices over the past year. The mid- and small-cap indices (our investable universe) are down 14.9% and 17.6% respectively, while the large cap index is up 6.2%. The mid- and small-cap indices are effectively a reasonable proxy for the performance of South African (SA) businesses, while the large-cap index is very much driven by the dual-listed shares, including Naspers, Prosus and the diversified miners. It is clear then that the average company doing business in SA is really struggling, while the opposite is true for the miners and Naspers. While it is difficult to know if this trend will continue, what is clear is that very little good news is priced into many of the shares in our universe. A good example of this is Cashbuild, which peaked at R500 per share in early 2018. During this quarter, we bought shares at R140.

The largest additions to the Fund in the quarter were the purchase of The Foschini Group (TFG) and Cashbuild.

Much like Cashbuild, TFG shares peaked at over R230 in early 2018. We were able to buy in this quarter at below R70. The business has certainly not been immune to the effects of Covid-19, with all of its stores impacted by lockdowns. What Foschini seem to have done, however, is to take advantage of this crisis by buying a distressed asset in Jet. In Jet, Foschini have bought what we would consider to be a reasonable retail business for a price of R480m. Jet generates revenue of around R5bn, and, if we assume an operating margin at half the TFG group margin of 14% before the Covid-19 crisis (which is potentially too conservative, given the improved store rental terms we speculate they have been able to negotiate), Jet would generate R350m of operating profit, or R252m after tax. It thus appears that TFG have been able to buy Jet on less than a 2x price-to-earnings (PE) ratio. It couldn't have been easy for TFG management to commit to this acquisition in the heat of the Covid-19 crisis (it was announced on 13 July 2020), but it would seem to us that it might end up being an inspired and value-enhancing deal.

Cashbuild is a superbly managed business that we have held in the Fund in the past, but had since, in our opinion, become overvalued. However, following a 72% correction from its peak, it again offered value. Coincidentally, Cashbuild has also used this crisis wisely by making what looks to be an astute acquisition of the Building Company (owner of the Buco and Penny Pincher brands, among others). The same back-of-a-napkin analysis of the acquisition, assuming the acquired business can generate a 3.5% operating margin (less than Cashbuild's approximate 5% margin), shows that Cashbuild has bought the business on just over a 5x PE ratio, before any synergy or scale benefits. Again, we commend management for acting counter-cyclically and not wasting a good crisis.

The Fund's largest two sales over the quarter were the JSE and Netcare.

The JSE was a beneficiary of the Covid-19 crisis, with equity trade volumes and values spiking as a result of the extreme volatility. As such, the share outperformed. Going forward, we think things are going to be tougher for the exchange as things settle down. The share does not offer the upside we see in many other shares and we therefore sold out.

Netcare's fortunes have deteriorated since the onset of Covid-19. While it is clear that, in the short term, Covid-19-related business is more than offset by lack of elective surgeries, it is the medium- to long-term that concerns us most. Netcare and all the hospital groups derive most of their business from medical aid members. Medical aid membership is largely dependent on employment, which has taken a hit in the past few months and may well not recover to pre-Covid-19 levels in a while. Add to this the trend towards the use of hospital networks as a more affordable option, and the outlook for hospital groups looks rather tough.

Portfolio manager
Alistair Lea
as at 30 September 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 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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