CORONATION FINANCIAL FUND

Fund Information as at 31 December 2021

CORONATION
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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

10/10
Aggressive

Maximum growth/
minimum income exposures

Growth Assets: 100%
Income Assets: 0%

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

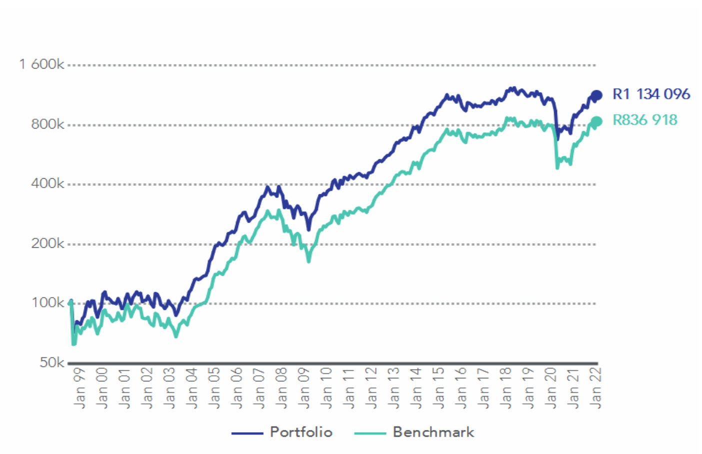
Launch Date	1 July 1998
Fund Class	A
Benchmark	FTSE/JSE Financials ex Real estate Index
Fund Category	South African – Equity – Financial
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORFING
ISIN Code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

Fund category	South African - Equity - Financial
Launch date	01 July 1998
Fund size	R297.65 million
NAV	5415.85 cents
Benchmark/Performance Fee Hurdle	FTSE/JSE Financials (ex Real estate) Index
Portfolio manager/s	Neill Young and Godwill Chahwahwa

	1 Year	3 Year
Total Expense Ratio	1.48%	1.47%
Fund management fee	1.24%	1.24%
Fund expenses	0.05%	0.05%
VAT	0.19%	0.19%
Transaction costs (inc. VAT)	0.21%	0.19%
Total Investment Charge	1.69%	1.66%

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)	1034.1%	736.9%	297.2%
Since Launch (annualised)	10.9%	9.5%	1.4%
Latest 20 years (annualised)	12.4%	12.1%	0.3%
Latest 15 years (annualised)	8.5%	8.1%	0.3%
Latest 10 years (annualised)	9.3%	10.2%	(0.9)%
Latest 5 years (annualised)	1.8%	3.0%	(1.2)%
Latest 3 years (annualised)	0.2%	1.7%	(1.4)%
Latest 1 year	25.5%	30.1%	(4.6)%
Year to date	25.5%	30.1%	(4.6)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	19.6%	20.9%
Sharpe Ratio	0.12	0.05
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(45.4)%	(45.3)%
Positive Months	59.2%	59.9%

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

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2021
Domestic Assets	100.0%
Equities	99.1%
Industrials	2.4%
Financials	96.7%
Cash	0.9%

TOP 10 HOLDINGS

As at 31 Dec 2021	% of Fund
FirstRand Limited	24.1%
Standard Bank Of SA Ltd	14.0%
Nedbank Ltd	9.6%
Sanlam Life Assurance Limited	8.1%
Capitec Bank Holdings Ltd	7.2%
RMI Holdings	6.0%
Discovery Holdings Ltd	5.0%
Transaction Capital	3.8%
Quilter Plc	3.6%
Momentum Metropolitan Holdings	3.4%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2021	01 Oct 2021	94.86	94.46	0.40
31 Mar 2021	01 Apr 2021	8.50	8.39	0.11
30 Sep 2020	01 Oct 2020	312.81	311.63	1.18
30 Sep 2019	01 Oct 2019	163.21	159.76	3.45

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2021	(2.6)%	3.7%	2.5%	1.5%	6.5%	(2.7)%	(0.5)%	11.5%	1.8%	(2.4)%	(3.0)%	7.8%	**25.5%**
Fund 2020	(5.0)%	(8.6)%	(28.4)%	13.2%	(2.8)%	3.6%	2.3%	(3.2)%	1.0%	(5.8)%	16.1%	7.2%	**(16.9)%**
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)%**
Fund 2017	(0.9)%	0.2%	(0.5)%	3.8%	(1.3)%	(3.3)%	5.3%	1.6%	(2.4)%	1.6%	3.2%	6.9%	**14.8%**

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

The Fund returned 2.1% for the quarter, resulting in a return of 25.5% over the last year. The long-term performance of the Fund remains pleasing, delivering an annualised return of 10.9% and alpha of 1.4% per annum since inception.

Global equity markets were stronger over the quarter, with the MSCI All Country World Index up 6.7% in USD (+18.5% over 12 months). Within this, developed markets outperformed emerging markets on the back of higher Covid-19 vaccination rates leading to a further easing of economic restrictions. The discovery of the highly contagious Omicron variant in December of last year threatened to derail, or at least slow, this recovery. Many countries re-introduced travel bans, focused primarily on countries in southern Africa (where the variant was first detected) and accelerated the rollout of booster shots to contain the spread of this variant but, adversely, impacting economic activity (particularly international tourism) over the crucial December holiday period. While there is early evidence pointing to the Omicron variant causing less severe disease, the threat of further variants remains a global concern, particularly where mutations result in lower vaccine efficacy.

On the back of the supply and demand imbalances arising from the pandemic, the upside risks to inflation have increased significantly. Supply chains remain constrained, commodity prices are high, and the labour shortages in the US and parts of Europe are all contributing to elevated levels of inflation at a time when economies are re-opening and seeing pent-up demand from consumers. This has brought forward the need for central banks to tighten monetary policy. In the US, the Federal Reserve Board (the Fed) left interest rates unchanged but brought forward the tapering of its bond purchases at the December Monetary Policy Committee (MPC) meeting. Furthermore, the Fed now expects three 25 basis points (bps) rate hikes to be implemented in 2022 to counter upward price pressure. In the UK, the Bank of England raised its policy rate by 15bps to 0.25% and maintained the size and pace of its asset purchases, while in the euro area, the European Central Bank left rates unchanged but announced that it will reduce the pace of its asset purchases under the Pandemic Emergency Purchase Programme and wind down the programme in March 2022. In South Africa, despite some evidence of weak economic activity during the fourth quarter of 2021, the outlook for interest rates remains for a steady normalisation of the repo rate.

The financial sector performance for the quarter was driven by strong returns from banks (3.2%) and the non-life insurance sector (10.3%), while the life insurance sector (-4.8%) lagged. Throughout 2021, the financial results from the banks showed a faster-than-expected recovery in earnings as bad debts expenses normalised lower and economic activity returned. The provisions raised in 2020 by the banking sector in anticipation of losses incurred because of the Covid-19 pandemic appear to have been conservative. The life sector also raised reserves for anticipated losses from higher Covid-19-related mortality risk, but as more Covid-19 waves came through, they needed to bolster these reserves. The earnings recovery for the life sector has therefore lagged banks as a result, but we believe the sector remains sufficiently capitalised to ride out the Covid-19 challenges.

Contributors to performance for the quarter included underweight positions in Old Mutual and overweight holdings in RMI Holdings, Ninety One and EPE Capital Partners. Detractors to quarterly performance included underweight positions in Investec, Capitec Bank and Absa and overweight positions in FirstRand as well as Momentum Metropolitan Holdings.

In our previous quarterly commentary, we discussed the announcement by RMI to unlock shareholder value by unbundling their holdings in MMI and Discovery to shareholders and create a focused company whose main asset is short-term insurer OUTsurance. During the quarter, RMI enhanced this restructuring by disposing of its holding in Hastings at a very attractive valuation, ahead of our assessment of the Hastings intrinsic value. In addition to achieving a full price, this sale improves shareholder returns by removing the need for RMI to do a rights issue to reduce debt. The sale also enables RMI to move to a dividend policy that returns 100% of free cash flows (FCF), versus the previous 50% of FCF. While these actions have been instrumental in unlocking some shareholder value, we remain optimistic about the long-term prospects of OUTsurance and retain a meaningful holding in RMI in the Fund.

Actions in the Fund this quarter included purchases of Remgro and additions to holdings in Nedbank, FirstRand, Momentum Metropolitan Holdings and PSG, with funding coming from the sale of Absa, Investec, Old Mutual, Coronation Fund Managers and EPE Capital Partners. PSG is a holding company trading at a discount to the value of its underlying holdings. This discount widened significantly over the course of 2020 and presented an attractive investment opportunity. We like the underlying businesses and management have proved to be good capital allocators over the long term, buying back shares at points of significant undervaluation and investing fresh capital into fast growth opportunities in the portfolio. It was pleasing to see the discount narrowing over this quarter in acknowledgement of both the portfolio quality and prudent capital allocation. As with PSG, Remgro trades at a discount to the value of its underlying portfolio of attractive businesses.

The Covid-19 pandemic has disrupted economies and industries significantly over the last two years. Out of this disruption, we have seen opportunities emerge and the strong businesses are taking advantage of these opportunities to bolster their businesses. Some business models have been severely challenged and will emerge weaker out of the pandemic. We are continuously positioning the Fund to own those companies which we see emerging as winners over the long term.

Portfolio managers
Neill Young and Godwill Chahwahwa
as at 31 December 2021

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 the current financial year (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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