

## WHAT IS THE FUND'S OBJECTIVE?

The fund aims to maximise long-term investment growth from investing in a select group of South African listed industrial and consumer companies.

It seeks to outperform an index of industrial companies listed on the Johannesburg Stock Exchange (the JSE Industrial Index) over the longer term.

## WHAT DOES THE FUND INVEST IN?

The fund will remain fully invested in companies listed on the JSE, most excluding those involved in mining and financial services. It can invest in a wide range of industries, including technology, telecommunication, healthcare and consumer goods.

While the fund may not invest in foreign markets, it can have exposure to international companies that are listed in South Africa. The fund is mandated to use derivative instruments for efficient portfolio management purposes.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

## Risk Profile

Maximum growth/  
minimum income exposures

The fund's managers actively seek out attractively valued companies that could offer strong long-term growth.

Shares are selected following rigorous and independent 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

- ▶ want to diversify their investments to include exposure to a wide range of industrial companies;
- ▶ accept that the fund may underperform the market significantly in the short term in pursuit of superior long-term gains;
- ▶ want to hold the Industrial 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](http://www.coronation.com).

## WHO ARE THE FUND MANAGERS?



**TUMISHO  
MOTLANTHE**  
BBusSc, CFA



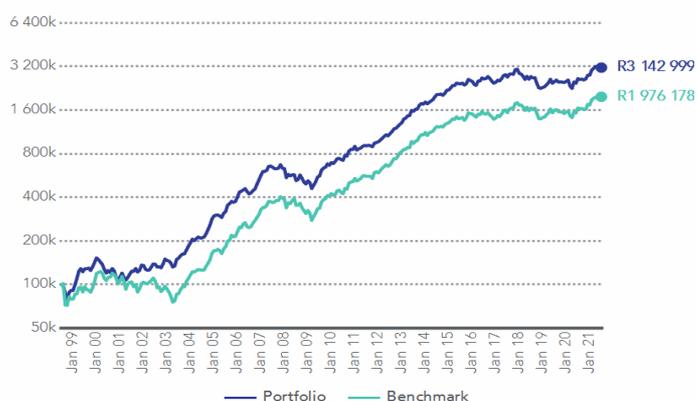
**NICHOLAS  
HOPS**  
BbusSc, CFA

## GENERAL FUND INFORMATION

Launch Date	1 July 1998
Fund Class	P (previously class A)
Benchmark	FTSE/JSE Industrial Index
Fund Category	South African – Equity – Industrial
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORCGRO
ISIN Code	ZAE000019741
JSE Code	CNCG

CLASS P as at 30 June 2021

<b>Fund category</b>	South African - Equity - Industrial
<b>Launch date</b>	01 July 1998
<b>Fund size</b>	R744.03 million
<b>NAV</b>	20763.40 cents
<b>Benchmark/Performance</b>	FTSE/JSE Industrial Index
<b>Fee Hurdle</b>	
<b>Portfolio manager/s</b>	Tumiso Motlanthe and Nicholas Hops

**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)	3043.0%	1876.2%	1166.8%
Since Launch (annualised)	16.2%	13.9%	2.3%
Latest 20 years (annualised)	17.6%	15.8%	1.7%
Latest 15 years (annualised)	14.3%	14.9%	(0.5)%
Latest 10 years (annualised)	13.2%	13.5%	(0.2)%
Latest 5 years (annualised)	3.7%	5.5%	(1.8)%
Latest 3 years (annualised)	4.9%	6.2%	(1.3)%
Latest 1 year	19.3%	19.4%	(0.2)%
Year to date	12.8%	13.8%	(1.0)%

**RISK STATISTICS SINCE LAUNCH**

	Fund	Benchmark
Annualised Deviation	15.3%	17.5%
Sharpe Ratio	0.50	0.30
Maximum Gain	55.8%	61.7%
Maximum Drawdown	(31.6)%	(38.5)%
Positive Months	63.8%	63.8%

	Fund	Date Range
Highest annual return	68.0%	Jan 1999 - Dec 1999
Lowest annual return	(26.2)%	Dec 2017 - Nov 2018

**MONTHLY PERFORMANCE RETURNS (AFTER FEES)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2021	8.4%	2.6%	3.2%	(0.7)%	(0.6)%	(0.5)%							12.8%
Fund 2020	2.0%	(9.1)%	(3.6)%	10.6%	(2.0)%	7.6%	(1.4)%	0.7%	(1.3)%	1.7%	5.8%	0.2%	10.3%
Fund 2019	1.3%	2.9%	3.5%	5.7%	(6.3)%	2.6%	2.6%	(3.1)%	0.2%	(0.2)%	(0.8)%	1.9%	10.2%

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.16%	1.16%
Fund expenses	0.99%	0.99%
VAT	0.02%	0.02%
Transaction costs (inc. VAT)	0.15%	0.15%
Total Investment Charge	0.13%	0.15%
	1.29%	1.31%

**PORTFOLIO DETAIL****EFFECTIVE ASSET ALLOCATION EXPOSURE**

Sector	30 Jun 2021
<b>Domestic Assets</b>	<b>100.0%</b>
<b>Equities</b>	<b>100.0%</b>
Basic Materials	1.5%
Industrials	4.5%
Consumer Goods	18.8%
Health Care	4.1%
Consumer Services	50.0%
Telecommunications	5.3%
Financials	3.2%
Technology	9.5%
Consumer Staples	3.1%
<b>Cash</b>	<b>0.0%</b>

**TOP 10 HOLDINGS**

As at 30 Jun 2021	% of Fund
Naspers Ltd	31.5%
British American Tobacco Plc	7.9%
Prosus Nv	6.0%
Mtn Group Ltd	5.3%
Compagnie Financiere Richemont Sa	4.5%
Spar Group Ltd	4.2%
Aspen Pharmacare Holdings Ltd	4.1%
Bid Corp Ltd	3.7%
Anheuser-busch Inbev Sa/nv	3.1%
Advtech Ltd	2.8%

**INCOME DISTRIBUTIONS**

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2021	01 Apr 2021	671.21	669.91	1.30
30 Sep 2020	01 Oct 2020	216.87	216.87	0.00
31 Mar 2020	01 Apr 2020	198.89	193.52	5.37
30 Sep 2019	01 Oct 2019	63.50	62.86	0.64

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

The Fund had a tough second quarter of the year (Q2-21) after a good initial three months, finishing the quarter 2.6% behind the benchmark and 1% over the six months to end-June. It was a tough quarter from an absolute return perspective as well, with the Fund down 1.79%. Since its inception, the Fund has beaten the benchmark by 2.3% per annum, although recent years have been slightly behind. We are optimistic about the value represented in the portfolio, with Naspers, British American Tobacco and a collection of South African-focused stocks looking particularly attractive.

The Fund continued to buy cheap South Africa (SA) stocks in the quarter, including Altron, HCI and MPact, while funding these from Richemont, Bytes and Woolworths.

Last quarter we spoke about the strong earnings results coming out of SA-focused stocks. Since then, this has continued and picked up steam, with an increasing number of reported results coming in ahead of expectations. Across the board, we have seen companies cut their cloth and resize cost bases to maintain profitability in a lockdown-impacted revenue environment. Some of these cost cuts are temporary and will reverse when revenues return to the impacted business, but some will be permanent and select companies will have improved their normal earnings power through this period. Our net buys mostly fell into this category during the quarter.

The largest contributor to performance in the quarter was Distell, which has returned 43%, contributing 60 basis points (bps). In May, Heineken approached Distell with a potential offer to acquire the majority of its business. We believe that Heineken will benefit from Distell's established footprint on the African continent and their strong brand portfolio, which include Amarula, Savanna and Klipdrift, amongst others. Distell is a growth business with a long runway ahead of it, both in SA and in select African countries, as they invest in and roll out their multi-category portfolio of brands. A high-quality business that trades below our assessment of fair value, it gives us sufficient comfort to maintain our position. Should the board and major shareholders be able to extract as high a price as possible for the business from Heineken, that would be a bonus.

The largest detractor in the quarter was our large underweight position in Richemont. Richemont continued its strong post-pandemic run, as jewellery sales have gone from strength to strength to an all-time high at the end of the quarter. Richemont is the owner of a truly unique brand in the Cartier jewellery business, having seen double-digit euro revenue growth for more than 15 years. Hard luxury goods have been resilient in the recovery from the pandemic as wealthy buyers, unable to spend on international holidays, have repurposed their spending towards this category. While the runway for Richemont to keep growing the jewellery business is clear, as branded jewellery grows from low levels, we believe this is more than discounted in the current share price.

The second-largest detractor in the period was Naspers/Prosus, taking away 44bps from relative performance as it declined nearly 15% over the three months. This decline followed a strong run in Q1-21, which left Naspers flat for the first six months of the year. Two key factors have contributed to this underperformance. The first is the Naspers/Prosus share swap that was announced in May. The second is the tightening up by the Chinese authorities on technology firms when it comes to deemed monopolistic behaviour and data security. There is a concern in the market that the Naspers/Prosus share swap creates added complexity and may orphan the Naspers asset. We believe that it may not be the final iteration and that more steps will be taken down the line specifically to unlock the discount at the Naspers level.

While there has been no direct action by the regulator on Tencent, there has been focus on some subsidiary companies, and the risk remains that at some point Tencent receives similar attention. We do not dismiss this risk but believe that the impact on Tencent's three key business verticals is unlikely to materially reduce the asset's long-term value, especially when bought at a large discount through Naspers/Prosus. In the gaming business, the Chinese government has already tightened regulations, and Tencent are compliant, they also have a strong international component to this business. Stringent consumer data protection within Weixin (WeChat, Tencent's super app) and the open nature of this platform reduce the likelihood that the advertising business is targeted. We see the risk of regulatory intervention at its highest in the fintech business; here, we gain comfort that payments, which carry a lower regulatory risk than other financial products, make up 70% of the business and the non-payments business is in line with the new regulation. There is a lot of uncertainty, but our analysis leads us to believe that Tencent is broadly on the right side of the regulatory bodies.

We remain optimistic on the outlook for the Fund going forward. We are on the lookout for opportunities to increase exposure to SA industrial stocks that are being mispriced by the market. In our largest position, Naspers/Prosus, we believe that continued strong operational performance and regulatory certainty will be good for the share price from these levels.

**Portfolio managers**  
**Tumisho Motlanthe and Nicholas Hops**  
as at 30 June 2021

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

The Industrial 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. 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 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](http://www.coronation.com)

**IMPORTANT INFORMATION REGARDING TERMS OF USE**

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