

## 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

Maximum growth/  
minimum income exposures

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

## WHO IS THE FUND MANAGER?



**NICHOLAS STEIN**  
CA (SA), CFA



**NICHOLAS HOPS**  
BbusSc, CFA

## GENERAL FUND INFORMATION

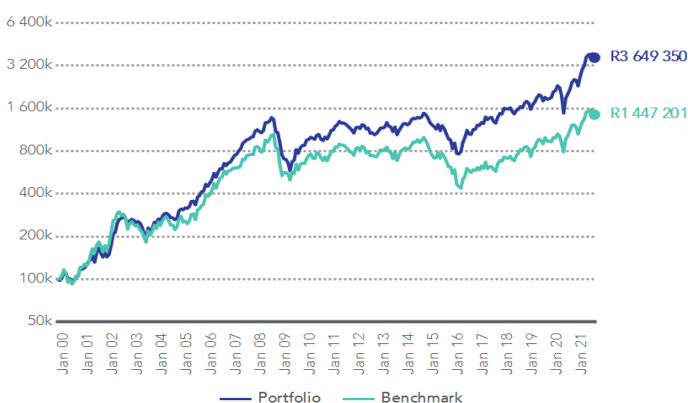
Launch Date	1 October 1999
Fund Class	P (previously class A)
Benchmark	FTSE/JSE Resources Index
Fund Category	South African – Equity – Resources
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORVALU
ISIN Code	ZAE000022877
JSE Code	CCGF

CLASS P as at 30 June 2021

<b>Fund category</b>	South African - Equity - Resources
<b>Launch date</b>	01 October 1999
<b>Fund size</b>	R 1.46 billion
<b>NAV</b>	21793.87 cents
<b>Benchmark/Performance</b>	FTSE/JSE Africa Resources Index (TR)†
<b>Fee Hurdle</b>	
<b>Portfolio manager/s</b>	Nicholas Stein 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)	3549.4%	1347.2%	2202.1%
Since Launch (annualised)	18.0%	13.1%	4.9%
Latest 20 years (annualised)	17.2%	11.2%	5.9%
Latest 15 years (annualised)	12.1%	6.3%	5.8%
Latest 10 years (annualised)	11.7%	5.7%	6.0%
Latest 5 years (annualised)	28.3%	20.6%	7.6%
Latest 3 years (annualised)	30.3%	20.9%	9.5%
Latest 1 year	68.4%	29.6%	38.8%
Year to date	21.1%	12.8%	8.3%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	24.1%	26.3%
Sharpe Ratio	0.41	0.19
Maximum Gain	93.4%	86.3%
Maximum Drawdown	(57.9)%	(58.3)%
Positive Months	59.4%	55.6%

	Fund	Date Range
Highest annual return	157.7%	Apr 2020 - Mar 2021
Lowest annual return	(54.2)%	Mar 2008 - Feb 2009

## MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2021	7.0%	13.9%	4.2%	0.4%	1.1%	(6.1)%							21.1%
Fund 2020	(2.8)%	(12.2)%	(24.7)%	26.9%	7.3%	7.2%	12.3%	4.9%	(1.0)%	(8.7)%	16.4%	12.3%	30.3%
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%

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.17%	1.18%
Fund expenses	0.99%	0.99%
VAT	0.02%	0.04%
Transaction costs (inc. VAT)	0.15%	0.15%
Total Investment Charge	0.44%	0.33%
	1.61%	1.51%

## PORTFOLIO DETAIL

## EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2021
<b>Domestic Assets</b>	<b>100.0%</b>
■ <b>Equities</b>	<b>99.3%</b>
Basic Materials	83.8%
Industrials	3.8%
Energy	11.7%
■ <b>Cash</b>	<b>0.7%</b>

## TOP 10 HOLDINGS

As at 30 Jun 2021	% of Fund
Anglo American Plc	26.5%
Glencore Xstrata Plc	10.7%
Royal Bafokeng Platinum Ltd	10.4%
Northam Platinum Ltd	10.0%
Exxaro Resources Ltd	8.6%
Impala Platinum Holdings Ltd	6.1%
Goldfields Ltd	5.9%
Anglogold Ashanti Limited	5.3%
Textainer Group Holdings Ltd	3.8%
Bhp Billiton Plc	3.3%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2021	01 Apr 2021	1,469.40	1,466.84	2.56
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

For the first half of 2021, the Fund delivered a strong absolute and relative return. The Fund returned 21.1% against a benchmark return of 12.8%. We aim to deliver outperformance over longer-term time periods. To this end, the Fund's returns since inception are compelling, with alpha of 4.9% per annum, net of fees.

Our overweight Glencore and Exxaro holdings contributed to performance, while overweight platinum group metals (PGM) holdings, overweight Montauk Renewables and underweight BHP Billiton detracted.

Recent news flow has been dominated by the Chinese government's attempts to cool commodity prices. High iron ore, steel and coal prices benefit producers of those minerals but lead to inflation and other imbalances that China is attempting to manage. The two main levers they have used is to a) talk down commodity prices by cracking down on "excessive" financial speculation in commodity markets and b) sell strategic stockpiles of certain metals. Prices of most metals and minerals have corrected over the quarter, suggesting they have had some success. On point A, our views are that the financial speculation introduces price noise, with prices overshooting and undershooting "the real price", i.e. the one set by underlying supply and demand factors. To this end, demand has remained robust (if slowing a bit off a strong base), and supply discipline remains intact. As such, we expect China's attempts to show only moderate and short-term success. To truly cool prices, China would need to demand fewer metals and minerals. This requires lower growth, with growth being sacrosanct to the Chinese government. On point B, stockpile sales have been small. Ultimately, they would need to be replaced in future, resulting in "excess" demand then.

The other offshoot from the high commodity price environment is the return of resource nationalism. Peru has a new left-leaning president, while Chile faces upcoming presidential elections, a rewrite of the constitution and a mining bill going through parliament (proposing materially higher copper royalties). In both countries, we would expect higher taxes and royalties to land, although not at extreme levels like those proposed in Chile. Chile and Peru make up 38% of mined supply. To the extent that the mining companies pause investment plans pending greater clarity, this will further tighten copper markets – which we already expect to be tight as the decade progresses. That said, mining companies will likely have to "share the rent" with governments unless this is offset by a higher normal price.

With this backdrop of high commodity prices, Chinese attempts to cool them, resource nationalism etc., we have been asked a lot in recent months if we are in a commodities super cycle. Here, our answer would be no (or we would say it is nuanced). In general, our expectations are for commodity prices to trend down. In the case of some commodities like iron ore, meaningfully so, especially if the market moves into a surplus in the coming years. Commodities exposed to decarbonisation are well placed to enjoy a prolonged period of above-average demand growth.

Despite the fact that we view commodity prices as high, we don't view the share prices as high. The market has taken quite a sceptical approach to this cycle, with share prices lagging commodity prices, resulting in shares trading on undemanding multiples. Put differently, the share prices are discounting commodity prices well south of spot (and in many cases below our base case for where they settle). Supply discipline and generous free cash flow yields add to the appeal of the investment cases.

Our Fund positioning remains largely similar. Our large positions in the diversified miners are anchored by Anglo American (good assets in good commodities, good cost position, good volume growth), Exxaro (extremely cheap, limited investment in thermal coal supply should support prices) and Glencore (improving ESG, good commodities exposed to decarbonisation and thermal coal). We think BHP Billiton is relatively expensive and over indexes to iron ore, where we are bearish.

We reintroduced Textainer during the quarter. Textainer is benefiting from new, more commercial management. Boxes are being placed at good rates and for longer durations, suggesting an enduring upcycle as old sub-economic boxes roll off their leases. It trades on an undemanding, single-digit multiple.

We continued adding to our gold position. We view gold as cheap insurance in a time of heightened risk and find valuations compelling. We had long seen gold equities trade at multiples of NPV. We now see them at discounts using spot prices and see upside risks to the gold price.

We remain overweight PGM shares. We switched some of our existing PGM holdings into Amplats, given the material underperformance of Amplats vs the others.

We are happy with the current valuation levels and portfolio positioning. We believe prospective returns from this base will prove attractive.

**Portfolio managers**  
**Nicholas Stein and Nicholas Hops**  
as at 30 June 2021

## 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](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.

## BENCHMARK DETAILS

The benchmark used for performance purposes is the FTSE/JSE Resources Index.

Note that we use the FTSE/JSE Africa Resource 10 Index for compliance monitoring purposes.

## 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 2019 (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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