

## 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



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](http://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

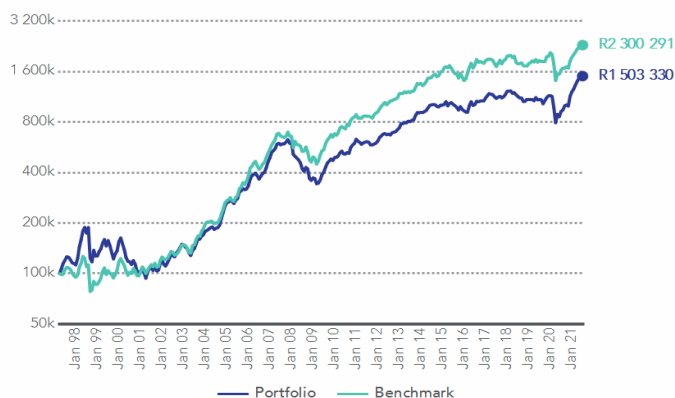
CLASS R as at 30 June 2021

<b>Fund category</b>	South African - Equity - Mid & Small Cap
<b>Launch date</b>	01 April 1997
<b>Fund size</b>	R255.87 million
<b>NAV</b>	8667.52 cents
<b>Benchmark/Performance</b>	Composite: FTSE/JSE Africa Mid & Small Cap Indices
<b>Fee Hurdle</b>	Cap Indices
<b>Portfolio manager/s</b>	Alistair Lea

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.23%	1.21%
Fund expenses	0.99%	0.99%
VAT	0.09%	0.08%
Transaction costs (inc. VAT)	0.15%	0.15%
Total Investment Charge	0.20%	0.19%
	1.43%	1.40%

## 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)	1403.3%	2200.3%	(797.0)%
Since Launch (annualised)	11.8%	13.8%	(2.0)%
Latest 20 years (annualised)	14.1%	16.3%	(2.2)%
Latest 15 years (annualised)	9.9%	12.0%	(2.1)%
Latest 10 years (annualised)	9.4%	10.2%	(0.8)%
Latest 5 years (annualised)	8.2%	5.7%	2.5%
Latest 3 years (annualised)	9.8%	9.0%	0.8%
Latest 1 year	62.4%	41.0%	21.4%
Year to date	24.2%	18.2%	6.0%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	18.5%	17.3%
Sharpe Ratio	0.15	0.28
Maximum Gain	67.2%	63.6%
Maximum Drawdown	(50.2)%	(38.2)%
Positive Months	61.9%	62.2%

	Fund	Date Range
Highest annual return	79.4%	Jun 2020 - May 2021
Lowest annual return	(41.4)%	Nov 2007 - Oct 2008

## MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2021	4.0%	5.6%	5.4%	4.2%	5.8%	(2.6)%							24.2%
Fund 2020	(1.3)%	(13.9)%	(19.0)%	12.2%	(3.2)%	7.6%	1.9%	5.9%	1.3%	(1.5)%	14.2%	6.4%	5.1%
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%

## PORTFOLIO DETAIL

## EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2021
<b>Domestic Assets</b>	<b>100.0%</b>
■ <b>Equities</b>	<b>95.0%</b>
Basic Materials	5.0%
Industrials	15.4%
Consumer Goods	12.7%
Health Care	3.4%
Consumer Services	24.0%
Energy	2.1%
Financials	27.3%
Technology	1.9%
Derivatives	3.0%
■ <b>Preference Shares &amp; Other Securities</b>	<b>2.4%</b>
■ <b>Real Estate</b>	<b>1.2%</b>
■ <b>Commodities</b>	<b>0.6%</b>
Metals	0.6%
■ <b>Cash</b>	<b>0.8%</b>

## TOP 10 HOLDINGS

As at 30 Jun 2021	% of Fund
Spar Group Ltd	6.6%
Mondi Limited	5.1%
Distell Group Ltd	5.0%
Nedbank Group Ltd	4.4%
RMI Holdings	4.2%
Metair Investments Ltd	4.2%
Invicta Holdings Ltd	4.1%
Advtech Ltd	4.0%
Wilson Bayly-Ovcon	3.9%
PSG Group	3.9%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2021	01 Apr 2021	333.27	329.77	3.50
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

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

The Fund has had another decent quarter, delivering a return of 7.3%. It remains the best performing small and mid-cap fund over 1, 3 and 5 years, delivering a return of 9.7% per annum for the past three years, which we consider reasonable versus inflation and competitor funds.

The strong performance from mid- and small-caps in the past year has largely remedied the long-term performance numbers of the Fund. We have moved from seeing some outstanding investment opportunities to a more normal environment, where many shares are now closer to being fairly valued. Where we see value right now, we also see risk and are having to weigh up whether to invest in lower quality, riskier shares with lots of upside versus sticking with better quality companies that offer less upside but more visibility. As we have discussed in previous commentaries, we favour the latter approach.

The two largest buys in the quarter were Reinet and Spar.

Reinet is an unusual share for a small-cap fund to buy in that it has historically been a proxy for British American Tobacco (BAT) - one of the largest shares on the JSE and historically the largest part of Reinet. While BAT still represents some 30% to 40% of the value in Reinet, Pension Insurance Corporation (PIC) now accounts for about 50% of the value. PIC is involved in the pension risk transfer market in the UK, where corporates are looking to offload pension liabilities to someone who can better manage and fund them. This is a growing market, with only about 10% of the UK's pension liabilities insured to date, with this number expected to grow to around 30% by 2030. PIC is one of the largest players in this market and is set to benefit from this growth.

100% of Reinet's assets are also earners of hard currency. With the rand strength we have seen over the past year, it strikes us as an opportune time to increase the Fund's exposure to rand-hedge shares. Reinet is also trading at an all-time high discount to its underlying asset value of 40%.

Spar is the Fund's largest holding and a company much liked by us. It is a good example of the type of share that we enjoy holding - a quality, defensive business superbly managed at a fair price. Today Spar trades on a one-year forward PE of roughly 13 times, but that includes a negative contribution from its new Polish business. If we calculate Spar's normal earnings - i.e. what it should earn when all its operations are running normally, then it trades on a normal PE of just above 10 times. We think that is a low multiple for a business of this quality and is why we have been adding to our holding in Spar

The two largest sells in the quarter were the JSE and Liberty Holdings.

While we like many aspects of the JSE, we are becoming a bit concerned about two factors. The first is the JSE's reliance on the fees generated from trading in Naspers and Prosus shares, and the second is the JSE's reliance on fees from its BDA system.

On the first point, trade in Naspers and Prosus makes up close to 20% of the equity trade value on the JSE. Our sense is that, over time, Naspers will try and reduce its size on the JSE, which it has already done. More trade is then likely to migrate to Prosus on offshore exchanges.

On the second point, fees earned from transactions through the BDA system makes up nearly 20% of JSE revenues. This system is used for both regulatory oversight and reporting purposes and is mandatory for JSE customers to use. There is a chance that BDA becomes non-mandatory in time, probably coinciding with a move to a Central Counterparty Clearing mechanism. This could have an impact on the JSE.

Liberty Holdings was a small holding in the Fund that we decided to exit. Although cheap, it is a somewhat challenged business, with many credible competitors operating without the burden of legacy systems and ways of doing business.

We had seen strong flows into the Fund in the past few months, having experienced outflows in the wake of Covid-19 a year ago when share prices were plummeting. Unfortunately, this tendency of investors to panic when there is bad news and emboldened when share prices are going up is nothing new. It happens time and time again and typically means that the average investor in the Fund does not receive the returns that I quoted at the start of the commentary. It is difficult to invest at a time of maximum pessimism, but it is the best time to do so.

**Portfolio manager**  
**Alistair Lea**  
as at 30 June 2021

## 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](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 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.

## BENCHMARK DETAILS

The benchmark used for performance purposes is a composite benchmark consisting of FSTE/JSE Africa Mid & Small Cap Indices.

Note that we use the FTSE/JSE Africa Small Cap 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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