CORONATION SMALLER COMPANIES FUND

Fund Information as at 31 March 2021

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

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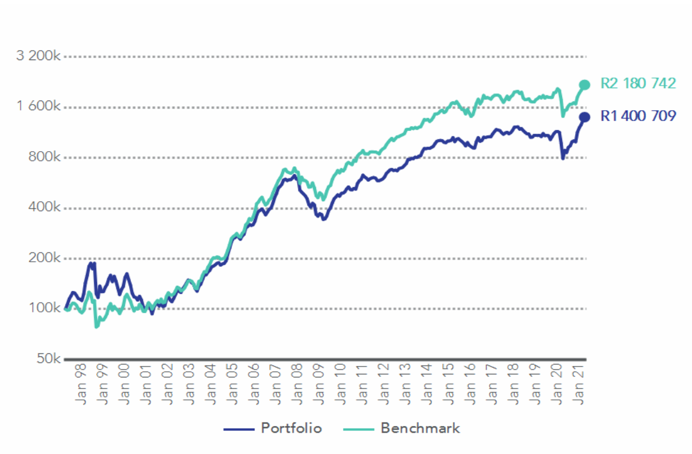
CLASS R as at 31 March 2021

Fund category	South African - Equity - Mid & Small Cap
Launch date	01 April 1997
Fund size	R157.07 million
NAV	8406.19 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%	0.99%
Fund expenses	0.09%	0.08%
VAT	0.15%	0.15%
Transaction costs (inc. VAT)	0.20%	0.18%
Total Investment Charge	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)	1300.7%	2080.7%	(780.0)%
Since Launch (annualised)	11.6%	13.7%	(2.1)%
Latest 20 years (annualised)	14.5%	16.6%	(2.2)%
Latest 15 years (annualised)	8.9%	11.0%	(2.1)%
Latest 10 years (annualised)	9.0%	10.0%	(0.9)%
Latest 5 years (annualised)	6.9%	5.1%	1.8%
Latest 3 years (annualised)	5.7%	4.0%	1.7%
Latest 1 year	76.8%	54.1%	22.7%
Year to date	15.7%	12.1%	3.6%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	18.6%	17.3%
Sharpe Ratio	0.14	0.27
Maximum Gain	67.2%	63.6%
Maximum Drawdown	(50.2)%	(38.2)%
Positive Months	61.8%	62.2%

	Fund	Date Range
Highest annual return	76.8%	Apr 2020 - Mar 2021
Lowest annual return	(41.4%)	Nov 2007 - Oct 2008

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2021
Domestic Assets	**100.0%**
Equities	**96.6%**
Basic Materials	5.4%
Industrials	14.4%
Consumer Goods	13.5%
Health Care	3.7%
Consumer Services	23.4%
Energy	3.0%
Financials	31.0%
Technology	1.2%
Derivatives	1.0%
Real Estate	**1.8%**
Commodities	**0.9%**
Metals	0.9%
Cash	**0.7%**

TOP 10 HOLDINGS

As at 31 Mar 2021	% of Fund
Spar Group Ltd	5.7%
Metair Investments Ltd	4.7%
PSG Group	4.6%
Advtech Ltd	4.6%
Distell Group Ltd	4.3%
Mondi Limited	4.3%
Nedbank Group Ltd	4.0%
Wilson Bayly-Ovcon	3.8%
RMI Holdings	3.8%
Aspen Phamacare Holdings Ltd	3.7%

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

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%										**15.7%**
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%**

Issue date: 2021/04/19

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.

The Fund has made a good start to 2021, delivering a 15.7% return for the quarter. The Fund remains the best performing small and mid-cap fund over one, three and five years to end-March 2021, delivering a return of 5.7% per annum for the past three years. While one may not get excited about this return from an absolute perspective, the number does include a year during which most companies were severely impacted by the global pandemic – Covid-19.

It is remarkable how well many shares have recovered after the initial Covid-19-induced panic selling. It is not uncommon to see shares that have doubled, or more than doubled, off their April 2020 lows. In fact, the Fund is up 76.8% in the past year, admittedly off a low base. It seems to us that while Covid-19 has hurt some companies, others have used the crisis wisely to strengthen their business. This may have happened in a number of ways:

- Permanently lowering the cost base
- Generating strong cash flows as a result of not having to fund working and fixed capital expenditure and using these cash flows to:
  - Buy back undervalued shares
  - Make acquisitions at distressed valuations
  - Return capital to shareholders.

Our focus, therefore, has been to identify those companies that might come out of this pandemic in better shape than before. Some examples of this are Mpact and Cashbuild.

Mpact generated very strong cash flows in the past year and used these cash flows to buy back 15% of their own shares at very attractive levels. This has been materially value-enhancing to shareholders, and there is now a good chance that the business is worth more today than before the pandemic.

Similarly, Cashbuild has been a beneficiary of the pandemic as a result of the very strong demand we have seen for building materials. In addition, Cashbuild has bought a large competitor, The Building Company, based on the company's pre-pandemic earnings – i.e., before the strong industry sales growth. This acquisition should end up being materially earnings and value-enhancing when it is finally consummated.

Managing a fund is all about rotating out of shares that have limited upside (and have typically performed well) into shares with more upside (and have typically not performed well) while at the same time being mindful of the overall quality of the portfolio holdings (i.e., not rotating out of good quality into poor). Our two largest buys and sells in the quarter to end-March are good examples of this.

JSE Limited and Zeder (the two largest buys)

The JSE is a fantastic business. It is essentially a regulated monopoly (yes, there are other exchanges, but they have <1% market share), generates high returns on capital and strong cash flows. It also has countercyclical features in that it benefits from volatility in markets, which often occurs when other shares perform poorly. As such, it is a good addition to a diversified portfolio.

Zeder has an attractive risk/reward profile, in our opinion. It is no secret that the company is essentially in wind up mode, a process overseen by PSG, whom we consider astute investors. Zeder's underlying assets are worth somewhere around R4 per share, while the share price trades at around R2.60. We acknowledge that a wind up will not be easy or happen quickly, but even if this process takes three years, we believe that our investment in Zeder today will ultimately result in an attractive risk-adjusted return for our investors in the Fund.

Bytes Technology Group and Impala Platinum (our two largest sells)

Bytes (and Altron) have been fantastic holdings for the Fund. Bytes was spun out of Altron and listed on the London Stock Exchange. In the process, a huge amount of shareholder value has been created. The business is well placed as a value-added reseller of software, predominantly in the UK. However, at today's price, it trades on a 28x one-year forward PE multiple on our forecasts, which we consider to be stretched. As such, we sold out of Bytes and are very happy with the returns realised within the Fund from the holding!

Impala is not a dissimilar situation. It has been a fantastic performing holding for the Fund. Right now, platinum-group metals (PGM) shares are in high demand, fuelled by the seemingly insatiable appetite for the underlying PGM metals. This demand has driven the PGM basket price to levels that we consider to be materially above normal and cost curve support levels. These high metal prices mean that Impala still only trades on a mid-single-digit forward multiple, which gives an illusion of value and safety. However, there is nothing safe about owning PGM shares at these levels, in our opinion, and we have therefore elected to take the profits and invest the proceeds in other lower heartbeat opportunities within the Fund.

Portfolio manager
Alistair Lea
as at 31 March 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; 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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