CORONATION FINANCIAL FUND

Fund Information as at 30 November 2021

CORONATION

TRUST IS EARNED™

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

CORONATION FINANCIAL FUND

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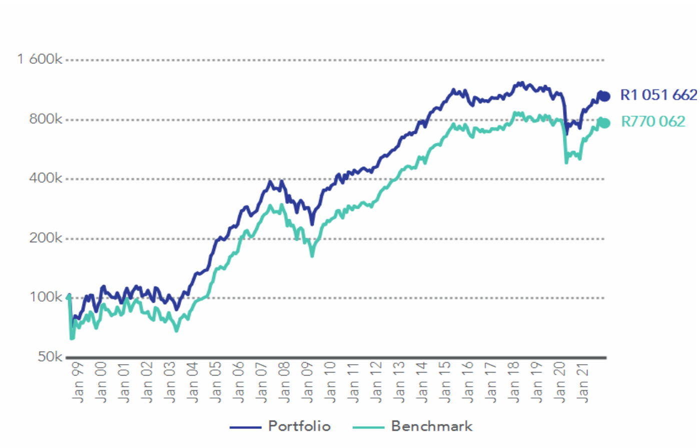
CLASS A as at 30 November 2021

Fund category	South African - Equity - Financial
Launch date	01 July 1998
Fund size	R278.04 million
NAV	5022.19 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)	951.7%	670.1%	281.6%
Since Launch (annualised)	10.6%	9.1%	1.5%
Latest 20 years (annualised)	12.2%	11.7%	0.5%
Latest 15 years (annualised)	8.5%	7.9%	0.5%
Latest 10 years (annualised)	8.6%	9.5%	(0.9)%
Latest 5 years (annualised)	0.7%	1.9%	(1.2)%
Latest 3 years (annualised)	(2.0)%	(0.9)%	(1.1)%
Latest 1 year	24.7%	29.6%	(4.9)%
Year to date	16.3%	19.7%	(3.3)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	19.6%	20.9%
Sharpe Ratio	0.10	0.03
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(45.4)%	(45.3)%
Positive Months	59.1%	59.8%

	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	30 Nov 2021
Domestic Assets	100.0%
Equities	99.3%
Industrials	2.2%
Financials	97.1%
Cash	0.7%

TOP 10 HOLDINGS

As at 30 Sep 2021	% of Fund
FirstRand Limited	23.1%
Standard Bank Of SA Ltd	13.9%
Sanlam Life Assurance Limited	9.1%
Absa Bank Ltd	7.9%
Nedbank Ltd	6.1%
Capitec Bank Holdings Ltd	5.2%
Discovery Holdings Ltd	5.2%
Investec Limited	4.7%
RMI Holdings	3.7%
Old Mutual Ltd	3.6%

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)%		**16.3%**
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%**

Issue date: 2021/12/09 *Please refer to page 4 of the Comprehensive Fact Sheet for important additional infomation, including change in cost disclosures.*

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

The Fund returned 12.9% for the quarter, benefiting from strong financial sector. Over the past year, the Fund generated a strong absolute return of 44.1% off a low base. Since inception, it has delivered an annualised return of 10.9%.

Despite the strong recent returns, medium term returns for the sector remain anaemic - a consequence of its fortunes being largely tied to a low growth domestic economy.

Several positive political developments took place in the first half of the year, hinting at steps towards meaningful structural reform to support economic growth. This included the commitment to allow power self-generation of up to 100 megawatts, the sale of a majority stake in SAA, and concrete steps against high profile politicians involved in corruption, most notably the arrest of former President Jacob Zuma. This narrative has faded somewhat over the past quarter, and much of the goodwill that was starting to build was undone by the riots and looting that occurred in KwaZulu-Natal and parts of Gauteng in the first two weeks of July. Consumer confidence undoubtedly took a knock, but the accumulation in personal savings by those still employed will probably be put to use sooner or later. More importantly though, these incidents have further dented already low levels of business confidence and will put the brakes on sorely needed direct investment by both domestic and international corporates. The incident has also increased the longer-term risk of a loss of skills due to emigration, something this country can ill-afford.

Banks delivered strong returns for the quarter, with a return of 15%, outperforming life insurers (12%) and non-life insurers (-4%). During the period, most of these companies released half-year or year-end results to June. A high-level observation is that the provisions for bad debts put through by banks at the onset of Covid-19 a year ago have proven to be adequate (if not excessive), whereas the provisions for mortality claims raised by life companies were insufficient, and further top-ups were required for the impact of the third and potential subsequent waves. Consequently, banks delivered strong earnings growth off a very depressed base due to significantly lower bad debt charges, while life insurance earnings performance was more muted. Stripping out some of the noise from Covid-19 provisioning, however, shows that core earnings growth remains under pressure.

Corporate action was a notable theme this past quarter. Standard Bank made an offer to buy out minorities in Liberty Life and RMI announced its intention to restructure the business. The Standard Bank offer for Liberty is consistent with a general trend of convergence in financial services. It should fully align the businesses, maximising the potential client base and providing scale benefits. The Fund does not hold shares in Liberty but has a significant holding in Standard Bank at 13.9% of Fund.

Like many holding companies, RMI has seen the discount (at which it trades to the value of its underlying parts) widen over the last few years. We believe this undervalues some of the attractive assets it owns, including OUTsurance, an unlisted short-term insurer with a strong history of delivering earnings growth while achieving high levels of cash flow conversion. We have had many engagements with RMI management over the years as to how this value could be unlocked and were pleased to note the restructuring announced in September. RMI intends to unbundle its holdings in Metropolitan Momentum and Discovery to shareholders, leaving a smaller, more focused company with its major holdings in short-term insurance (OUTsurance and Hastings). RMI have also committed to pay out 50% free cash flow to shareholders. Although a capital raise in the form of a rights issue will be required to achieve this, the restructuring and higher payout are an undoubtable positive. We hope that these are the first steps on a journey to further improve shareholder returns, by passing through more of the underlying dividends. The Fund has a 3.7% holding in RMI.

Contributors to Fund performance relative to benchmark for the quarter include underweight positions in underperformers Reinet and Capitec, and overweight positions in Ninety One and RMI. Detractors include underweight positions in outperformers Old Mutual, Remgro and Liberty, and an overweight position in Nedbank. Activity was unusually high during the quarter due to a change in the Fund's benchmark to exclude property companies. We increased the Fund's holdings in FirstRand, Standard Bank, Capitec (amongst the banks), and Sanlam, Old Mutual and Discovery (amongst the insurers). This was funded through reductions in the Fund's holdings in Reinet, Quilter, RMI and Ninety One.

Over the past year, overweight positions in the banks, in particular Nedbank and Investec, have contributed positively to returns relative to the benchmark. However, this has been offset by a few positions, particularly overweight positions in wealth manager Quilter and asset manager Ninety One. We believe these are attractive businesses – they are capital light, highly cash generative and are exposed to specific drivers in the UK and global savings markets. What we particularly like about them is their positive operational gearing to rising asset markets, such as we have seen over the past 12 months. These are both dual-listed businesses so we will consider their performance in pounds. Over the past year, the MSCI World Index has risen 22% in GBP, yet the Quilter share price is up only 11% and Ninety One up 17% (rand strength over this period has resulted in lower returns in local currency terms.) If one were to argue that Covid-19 created a lot of noise in markets in 2020, and instead rewind to pre-crisis levels: the Quilter share price is down 11% since the beginning of 2020, while the MSCI World Index is up 26%. Ninety One only listed on 16 March last year - in the eye of the Covid-19 storm - so the price discovery at the time was likely highly distorted (although off this base, the price has increased 70% against and a 60% rise in the MSCI World Index). We remain somewhat perplexed by the share price performance of these businesses – the market either does not believe that the operational gearing we anticipate will materialise, or it takes a different view of the quality of these businesses and therefore the rating assigned to them. Despite reducing our holdings slightly during the quarter, both remain overweight positions in the Fund.

We continue to see valuations as attractive in the sector, but caution that the growth environment in which many of these businesses operate remains low. In addition, competition in the more lucrative profit pools continues to intensify. The winners in this environment are likely to be those that are able to manage costs tightly, while adapting their business models to deal with ongoing disruption. We feel that the Fund is appropriately positioned for this.

Portfolio managers
Neill Young and Godwill Chahwahwa
as at 30 September 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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