

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 Financial Fund primarily invests in the shares of companies listed on the Johannesburg Stock Exchange but can also invest in international equities.

The fund will remain fully invested in listed companies that earn a significant portion of their earnings from financial services. These include banks, insurance companies and related businesses.

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 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

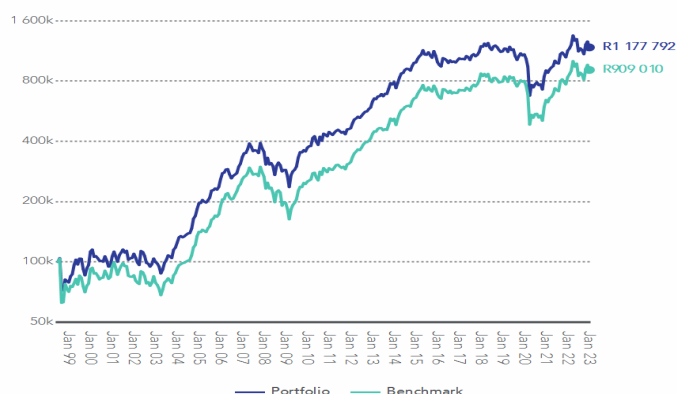
Launch Date	1 July 1998
Fund Class	A
Benchmark	FTSE/JSE Financials ex Real estate Index
ASISA Fund Category	South African – Equity – Financial
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORFING
ISIN Code	ZAE000019766
JSE Code	CNFG

CLASS A as at 31 December 2022

ASISA Fund Category	South African - Equity - Financial
Launch date	01 July 1998
Fund size	R333.19 million
NAV	5429.56 cents
Benchmark	FTSE/JSE Financials (ex Real estate) Index
Portfolio manager/s	Neill Young and Godwill Chahwahwa

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)	1077.8%	809.0%	268.8%
Since Launch (annualised)	10.6%	9.4%	1.2%
Latest 20 years (annualised)	13.1%	13.0%	0.1%
Latest 15 years (annualised)	8.3%	8.5%	(0.2)%
Latest 10 years (annualised)	6.4%	7.6%	(1.2)%
Latest 5 years (annualised)	(0.3)%	0.8%	(1.1)%
Latest 3 years (annualised)	2.7%	4.3%	(1.6)%
Latest 1 year	3.9%	8.6%	(4.8)%
Year to date	3.9%	8.6%	(4.8)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	19.8%	21.1%
Sharpe Ratio	0.11	0.05
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(45.4)%	(45.3)%
Positive Months	59.2%	59.9%

	Fund	Date Range
Highest annual return	63.0%	Aug 2004 - Jul 2005
Lowest annual return	(39.5)%	Apr 2019 - Mar 2020

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2022	2.7%	4.1%	11.4%	(5.8)%	1.9%	(13.2)%	3.6%	(2.0)%	(4.6)%	11.8%	3.5%	(6.6)%	3.9%
Fund 2021	(2.6)%	3.7%	2.5%	1.5%	6.5%	(2.7)%	(0.5)%	11.5%	1.8%	(2.4)%	(3.0)%	7.8%	25.5%
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)%

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.48%	1.47%
Fund expenses	1.24%	1.23%
VAT	0.05%	0.05%
Transaction costs (inc. VAT)	0.19%	0.19%
Total Investment Charge	0.23%	0.21%
	1.71%	1.68%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2022
Domestic Assets	98.7%
Equities	98.1%
Financials	98.1%
Cash	0.6%
International Assets	1.3%
Equities	1.3%
Cash	0.0%

TOP 10 HOLDINGS

As at 31 Dec 2022	% of Fund
FirstRand Limited	20.9%
Standard Bank Of SA Ltd	16.9%
Absa Bank Ltd	11.6%
Nedbank Ltd	9.2%
Capitec Bank Holdings Ltd	7.6%
Sanlam Life Assurance Limited	6.5%
Discovery Holdings Ltd	5.6%
Outsurance Group Ltd	3.6%
Transaction Capital	3.1%
Ninety One Plc	2.4%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2022	03 Oct 2022	142.43	141.71	0.73
31 Mar 2022	01 Apr 2022	46.25	45.84	0.41
30 Sep 2021	01 Oct 2021	94.86	94.46	0.40
31 Mar 2021	01 Apr 2021	8.50	8.39	0.11

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

Performance

The Fund returned 8.1% for the fourth quarter of 2022 (Q4-22) which delivered a strong rebound after a soft third quarter. This takes the return for the year into positive territory (+3.9%). Since inception, the Fund has generated 10.6%, outperforming the benchmark by 1.2% p.a.

Almost a year after Russia's surprise invasion of Ukraine, an end to the war remains unclear. The effects of the war on an already challenging inflation problem were significant, and during the year, policymakers set about raising rates to combat the highest inflation seen in decades across developed markets. While inflation is now seen to have peaked in most developed economies, the risk of persistence above central bank targets remains high, both as the war in Ukraine continues to threaten energy and food prices and as the broader base of price pressors (which have emerged in many developed countries) are likely to take time to subside. December saw a moderation in the pace of rate hikes from major central banks, moving from 75 basis points (bps) increments to 50bps increments by the Federal Reserve Board (the Fed), the Bank of England and the European Central Bank. Yet, all of them signalled that the job is by no means complete. Central banks have reiterated their willingness to sacrifice growth by taking policy rates into restrictive territory to ensure inflation does not become entrenched. While global markets rallied in the quarter, with the MSCI All Country World Index (ACWI) delivering +9.8% in US dollars, returns for the year for the ACWI remained negative at -18.4%.

In South Africa (SA), the economy grew stronger than expected at 1.6% quarter on quarter (q/q) in the third quarter of 2022 following a contraction of 0.7% q/q in the second quarter of 2022. Structurally however, the SA economy continues to struggle to generate sustained, long-term growth. Ageing and underinvested infrastructure, as well as poorly run state-owned entities are significant growth constraints. High levels of unscheduled power outages rendered Eskom unable to increase planned maintenance sufficiently to reduce the high levels of loadshedding experienced during the second half of 2022. The resignations of Eskom's CEO and COO during Q4-22 add further uncertainty. The Phala Phala fiasco was a reminder of just how fragile the political situation is. The rand weakened on the back of this but recovered some of the losses on the more positive outcomes of December's ANC elective conference to end the year 6% weaker relative to the US dollar. President Cyril Ramaphosa's re-election alongside several of his allies should enable ongoing, albeit slow, reform.

Fund positioning

The SA market, as represented by the JSE All Share Index, delivered a strong +15.2% in Q4-22, bringing returns for the year to +3.6%. Within this, the resources (+16.1%) and industrials (+15.7%) sectors outperformed financials (+12.9%) for the quarter. Within financials, banks (+15.0%) continued to outperform the life sector (+4.3%). In the last three years, the extent of divergence between returns from the banking sector (+9.0% p.a.) and the life sector (-7.7% p.a.) is significant. Through this Covid impacted period, banks have fared better operationally than life companies, with bank earnings recovering strongly and expected to exceed their pre-Covid levels by 2022. The life sector has struggled with Covid-inflated mortality claims, weak equity markets, low growth, and competitive pricing in the risk space. The de-rating in life insurance valuations has been significant and the sector trades at single-digit

earnings multiples and high single-digit dividend yields, albeit with limited growth prospects. We believe there is an opportunity to own the stronger franchises within the sector, such as Sanlam and Discovery, at very attractive valuations. Both stocks are represented in the Fund.

In contrast, the banks continued a strong operational earnings recovery. While costs and credit losses are normalising, good revenue growth (advances and rising rates) enabled the banks to deliver healthy profit growth. Given reasonable balance sheet strength, corporate and retail clients are expected to withstand rate hikes. Out of the big four banks, Absa has delivered the highest returns this year after delivering strong earnings growth off its pre-Covid base, driven by market share gains and good operating leverage. Whilst the share price has risen, multiples remain low in absolute terms and versus its peers. With board and management succession issues resolved, and the Barclays separation complete, we expect Absa to continue delivering against its long-term targets. Absa, FirstRand, Nedbank and Standard Bank are all well represented in the Fund.

With the fall in equity markets during the year, shares in asset management businesses came under pressure and under-performed the financial sector for the year. Falling markets impact the level of assets under management and consequently the revenues earned by asset managers, therefore near-term earnings prospects are impaired. The long-term picture is less vulnerable, however, provided the asset manager has a strong franchise value that is able to attract net inflows and grow assets under management over the long term. We believe Ninety One falls into this category and the recent sell-off in the shares offers an attractive opportunity to add to the Fund's holding. Ninety One has a strong brand, extensive distribution and a compelling long-term investment track record. The business is diversified, both in terms of product lines and geographically, and the management team is aligned with shareholders via their 28% shareholding in the business. Following the weakness in the share this year, Ninety One trades on just under 12 times forward PE and offers an 8% forward dividend yield. We used this opportunity to add to the Fund's holding.

Contributors to Fund performance relative to the benchmark for the quarter included underweight positions in Remgro and Old Mutual as well as an overweight position in OUTsurance. Detractors included underweight positions in Investec and Capitec Bank as well as overweights in Transaction Capital and RMI Holdings. During the quarter, we added to Fund holdings in Capitec Bank, St James's Place Plc, Absa, Nedbank and Ninety One. These were funded from Transaction Capital, RMI Holdings and FirstRand.

Outlook

Amid challenges often lie attractive opportunities. SA is facing significant challenges on many fronts, and these will affect all businesses operating in this country. Many franchises will decline, but there will also be winners who use the challenges to take market share and grow. We aim to continuously seek out such businesses and to acquire them for the Fund at valuations offering sufficient margin of safety relative to risks in the investment.

Portfolio managers

Neill Young and Godwill Chahwahwa
as at 31 December 2022

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. The fund is mandated to invest 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. 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 over the period referenced. 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 underlying 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 previous financial year (updated annually). The 3 year TER is for a rolling 36-month period to the last available 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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