# CORONATION SA EQUITY FUND

Fund Information as at 31 December 2022

CORONATION
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## WHAT IS THE FUND'S OBJECTIVE?

The SA Equity Fund aims to achieve the best possible long-term growth from investing in South African shares.

## WHAT DOES THE FUND INVEST IN?

The SA Equity Fund invests in the shares of companies listed on the Johannesburg Stock Exchange. While investments in foreign markets are specifically excluded, the fund can invest in international companies that are listed in South Africa.

There are no restrictions on how much exposure the fund can have to different sectors (for example, to mining, financial or industrial companies).

The fund will be fully invested in shares at all times. The fund is mandated to use derivative instruments for efficient portfolio management purposes.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Risk Profile

8/10
Aggressive

Maximum growth/
minimum income exposures

Growth Assets: 100%
Income Assets: 0%

The fund's managers actively seek out attractively valued shares that could achieve strong investment growth over the long run. Rigorous research is conducted into the long-term potential of a company and whether it is attractively valued relative to other companies, before its shares are selected for the fund.

Shares can be volatile investments and there is a meaningful risk of capital loss over the short term. However, given its focus on attractively valued shares that could offer long-term growth, the SA Equity Fund may preserve capital better than its benchmark over the long run.

## HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The fund is managed to deliver the best possible returns over the long term; an investment horizon of 10 years or more is therefore ideal. It is not suitable as a single investment for investors who need to preserve their capital over five years or less.

## WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are building wealth, and who

- are comfortable with full exposure to shares listed in South Africa;
- accept that the fund may underperform the market in the short term in pursuit of superior long-term gains.
- do not require an income in the short term.
- The fund is less concentrated than the Coronation Top 20 fund, making it more suitable for investors holding only one equity fund.

## WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of a minimum of 0.75% and a maximum of 2.60%, depending on the fund's performance, is payable.

If the fund's return (after fees and costs) is equal to that of the benchmark, a fee of 1.10% will be charged. We share in 20% of the performance above the benchmark, up to a total annual fee of 2.60%. Performance is measured over a rolling 24-month period.

When the fund return (after fees) is below the benchmark over a rolling 60-month period the fee is discounted by 0.35%.

All fees exclude VAT. 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 fund 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?

KARL LEINBERGER
BBusSc, CA (SA), CFA

SARAH-JANE ALEXANDER
BBusSc, CFA

## GENERAL FUND INFORMATION

| | |
|---|---|
| Launch Date | 30 September 2015 |
| Fund Class | A |
| Benchmark | FTSE/JSE Capped Shareholders Weighted All Share Index (C-SWIX) |
| ASISA Fund Category | South African – Equity – General |
| Regulation 28 | Does not comply |
| Income Distribution | Semi-annually (March & September) |
| Investment minimum | R5 000 or R500/m debit order |
| Bloomberg Code | CORSAEA |
| ISIN Code | ZAE000209441 |
| JSE Code | CSEFA |

# CORONATION SA EQUITY FUND

CORONATION
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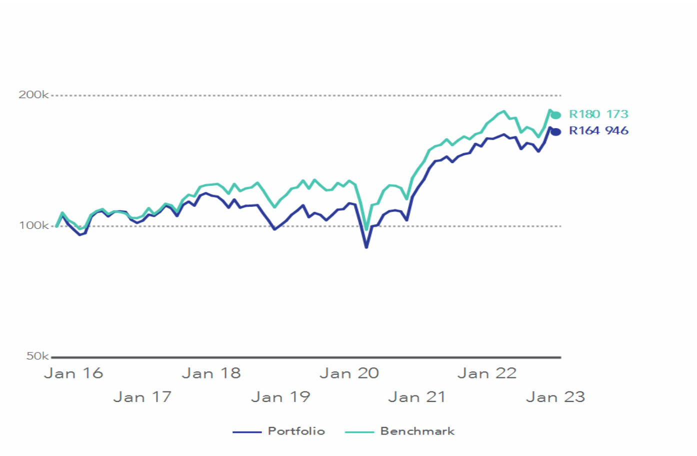
CLASS A as at 31 December 2022

| | |
|---|---|
| **ASISA Fund Category** | South African - Equity - General |
| **Launch date** | 30 September 2015 |
| **Fund size** | R 2.38 billion |
| **NAV** | 141.62 cents |
| **Benchmark/Performance Fee Hurdle** | FTSE/JSE Capped Shareholders Weighted All Share Index |
| **Portfolio manager/s** | Karl Leinberger and Sarah-Jane Alexander |

| | 1 Year* | 3 Year |
|---|---|---|
| Total Expense Ratio | 1.47% | 1.39% |
| Fee for performance in line with benchmark | 1.10% | 1.09% |
| Adjusted for out/(under)-performance | 0.15% | 0.09% |
| Fund expenses | 0.03% | 0.03% |
| VAT | 0.19% | 0.18% |
| Transaction costs (inc. VAT) | 0.30% | 0.30% |
| Total Investment Charge | 1.77% | 1.69% |

## PERFORMANCE AND RISK STATISTICS

### GROWTH OF A R100,000 INVESTMENT (AFTER FEES)




## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

| Sector | 31 Dec 2022 |
|---|---|
| Domestic Assets | 100.0% |
| Equities | 99.3% |
| Basic Materials | 22.6% |
| Industrials | 1.9% |
| Consumer Goods | 14.2% |
| Health Care | 1.2% |
| Consumer Services | 13.0% |
| Telecommunications | 3.4% |
| Financials | 27.5% |
| Technology | 15.0% |
| Derivatives | 0.4% |
| Real Estate | 0.2% |
| Cash | 0.5% |

### PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

| | Fund | Benchmark | Active Return |
|---|---|---|---|
| Since Launch (unannualised) | 65.0% | 80.2% | (15.2)% |
| Since Launch (annualised) | 7.1% | 8.5% | (1.3)% |
| Latest 5 years (annualised) | 7.0% | 7.6% | (0.6)% |
| Latest 3 years (annualised) | 13.4% | 12.3% | 1.1% |
| Latest 2 years (annualised) | 15.8% | 15.3% | 0.5% |
| Latest 1 year | 3.5% | 4.4% | (0.9)% |
| Year to date | 3.5% | 4.4% | (0.9)% |

### TOP 10 HOLDINGS

| As at 31 Dec 2022 | % of Fund |
|---|---|
| Prosus | 10.0% |
| Standard Bank Group Ltd | 8.4% |
| Anglo American Plc | 7.7% |
| Anheuser-Busch Inbev SA/NV | 5.2% |
| Compagnie Financiere Richemont SA | 4.7% |
| Naspers Ltd | 4.4% |
| FirstRand Limited | 3.8% |
| Sasol Ltd | 3.8% |
| Glencore Xstrata Plc | 3.6% |
| MTN Group Ltd | 3.4% |

### RISK STATISTICS SINCE LAUNCH

| | Fund | Benchmark |
|---|---|---|
| Annualised Deviation | 14.3% | 14.8% |
| Sharpe Ratio | 0.07 | 0.15 |
| Maximum Gain | 40.2% | 37.3% |
| Maximum Drawdown | (25.1%) | (23.3%) |
| Positive Months | 59.8% | 59.8% |

| | Fund | Date Range |
|---|---|---|
| Highest annual return | 58.1% | Apr 2020 - Mar 2021 |
| Lowest annual return | (17.9%) | Apr 2019 - Mar 2020 |

### INCOME DISTRIBUTIONS

| Declaration | Payment | Amount | Dividend | Interest |
|---|---|---|---|---|
| 30 Sep 2022 | 03 Oct 2022 | 1.98 | 1.94 | 0.04 |
| 31 Mar 2022 | 01 Apr 2022 | 1.06 | 1.04 | 0.03 |
| 30 Sep 2021 | 01 Oct 2021 | 1.68 | 1.65 | 0.03 |
| 31 Mar 2021 | 01 Apr 2021 | 3.30 | 3.27 | 0.03 |

### MONTHLY PERFORMANCE RETURNS (AFTER FEES)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fund 2022 | (0.2)% | 1.1% | 1.3% | (2.1)% | 0.6% | (6.1)% | 3.2% | (0.7)% | (3.7)% | 4.8% | 8.5% | (2.4)% | **3.5%** |
| Fund 2021 | 4.3% | 6.0% | 3.9% | 0.5% | 2.0% | (2.9)% | 3.0% | 1.3% | 0.6% | 5.0% | (1.4)% | 4.3% | **29.5%** |
| Fund 2020 | (0.7)% | (9.7)% | (11.8)% | 11.9% | 0.7% | 5.6% | 2.0% | 0.5% | (0.6)% | (4.6)% | 13.2% | 5.2% | **8.8%** |
| Fund 2019 | 2.5% | 3.2% | 2.3% | 2.8% | (6.1)% | 2.3% | (1.0)% | (2.8)% | 2.7% | 3.0% | 0.3% | 3.2% | **12.4%** |
| Fund 2018 | (0.5)% | (2.1)% | (3.6)% | 4.4% | (4.2)% | 1.0% | 0.1% | 0.2% | (4.3)% | (4.0)% | (4.4)% | 2.3% | **(14.5)%** |

** This column shows the most recently available figures for the 12 months ending November 2022.*
*The 12-month TER for the financial year ending September 2022 was 1.45% which included a 0.14% adjustment for out/(under) performance and a total investment charge of 1.76%.*

*Issue date: 2023/01/16*

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

**Performance**

The Fund returned 10.9% for the quarter (Q4-22), resulting in a return of 3.5% over the last year. The Fund has performed pleasingly since its inception.

2022 was a year of broad weakness across asset classes. Markets retreated off their January highs in the face of high inflation, rising interest rates and slowing growth. The MSCI All Country World Index (ACWI) ended the year -18% (after strengthening +10% in Q4-22). Europe has been particularly hard hit by rocketing energy prices. A recession is widely forecast across Europe and for the US in 2023.

Geopolitical tensions remained high throughout 2022. Almost a year after Russia's surprising invasion of Ukraine, the outcome remains uncertain. Escalation by a desperate Russia remains a risk. NATO and the European Union have emerged more united in the face of an increasingly polarised world order. China stuck doggedly to its zero-Covid policy for most of 2022, constraining mobility and economic growth. A sudden easing of Covid restrictions in the final weeks of 2022 should support economic growth in the year ahead, albeit raging infections in a population with limited immunity are a threat. The risks of investing in China remain heightened. President Xi Jinping tightened his control further in 2022: centralising power and decision making, enhancing state overview of everyday life, and increasing interference in the economy.

Having rebounded off its Covid lows, the South African (SA) economy continues to struggle with low growth. Aging, underinvested infrastructure and poorly run state entities hamstring the economy. High levels of power outages render Eskom unable to increase planned maintenance sufficiently to bring down 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 then recovered on the more positive outcomes of December's ANC elective conference to end the year -6% versus the USD. President Cyril Ramaphosa's re-election, alongside several of his allies, should enable ongoing, albeit slow, reform.

**Fund positioning**

In US dollar terms, the FTSE/JSE Capped SWIX Index outperformed the global benchmark to end the year -4% versus -18% for MSCI ACWI. When measured in local currency terms, the Capped SWIX returns were up +4% for the year and +12% for Q4-22. We believe SA equities are cheap and continue to deserve a place in our portfolios alongside global equities. They offer broad value across resources, global stocks listed on the JSE, and domestics.

The resource sector rose +9% for the year, helped by a strong Q4-22 (+16%). Energy prices spiked earlier in the year in the face of Russia's invasion of Ukraine, with a broader surge in commodities in Q4-22 as markets anticipated strong demand into 2023 on the back of China's reopening. We expect energy markets to be tight over the medium term as demand remains robust during the transition to lower carbon energy sources and due to the lack of investment in new capacity over the last few years constraining supply. The Fund owns Sasol and Exxaro, both of which are expected to benefit from elevated cash flows which will support high levels of dividends.

Despite slowing global growth into 2023, we expect broader commodity prices to remain resilient as constrained capital expenditure from major diversified miners since 2015 keeps markets tight. We hold positions in diversified miners such as Glencore and Anglo American. Both offer attractive free cash flow streams, even at more normal commodity prices.

The Fund started 2022 with a sizeable holding in gold equities which was sold down in Q1-22 as gold stocks outperformed. The Fund is under-weight both gold and PGMs today, preferring diversified miners and the energy plays.

The Financials Index returned +7% for the year and +13% for the quarter. The banks (+18% for the year, 15% for the quarter) continued their strong earnings recovery and are all expected to have surpassed their pre-Covid earnings during 2022. While costs and credit losses are normalising off low bases, good revenue growth (advances and rising interest rates) enabled the banks to deliver healthy profit growth. Given reasonable balance sheets strength, corporate and retail clients are expected to withstand interest rate hikes. The portfolio has reasonable exposure to the banks via FirstRand, Standard Bank, and more recently Absa. Absa has shown strong growth off its pre-Covid earnings base, driven by market share gains and good operating leverage. While the share price has risen, multiples remain low in absolute terms and versus the other banks. With board and management succession issues resolved, and the Barclays separation complete, we expect Absa to continue delivering against its long-term targets.

Life insurers underperformed their bank counterparts (-13% for the year, +4% Q4-22) as they faced Covid-inflated mortality claims, weak equity markets, low growth, and competitive pricing in risk insurance. The Fund does not own the life insurers, preferring positions in the banks and other financials. OUTsurance (+9%), Transaction Capital (TCP) (+9%) and PSG Konsult (+14%) are sizeable holdings in the portfolio. All are expected to continue growing robustly.

The Industrials Index returned -4% for the year but was up strongly in Q4-22 (+16%) as major constituents Naspers and Prosus delivered a whopping +25% and +24% respectively in the final quarter of 2022.

China stocks have experienced a volatile year – declining as political risk was perceived to be increasing and then rebounding as the economic outlook improved due to Covid restrictions easing. The large Tencent holding in Naspers/Prosus was similarly impacted. In addition, Naspers/Prosus have created value at the holding company level through an accretive buyback programme. The discount narrowed by a third in recognition of both the value this transaction creates and the positive message it sends about management's commitment to narrow the discount through optimal capital allocation.

Domestic stocks continue to offer attractive stock picking opportunities. Many trade on high dividend yields too. The JSE has seen several buyouts by international bidders in the last few years, underpinning the value on offer. 2022 was no exception, with Mediclinic and Massmart receiving buy-out offers. Our emphasis within the portfolio has been on finding businesses that can prosper even in a low-growth economy. Managers in these businesses are investing behind their expanding franchises, taking market share, and strengthening their moats. Examples include ADvTECH, Dis-Chem and Motus.

The portfolio continues to hold several global businesses listed in SA that we believe offer considerable value. Examples include Richemont, British American Tobacco, Bidcorp, and an increased holding in Anheuser-Busch InBev (ANH) built up in Q4-22. Near-term inflationary pressures have weighed on ANH's share price, but its long-term prospects remain solid. ANH has leading market positions, strong brands, scale benefits, healthy margins, and strong free cash flow conversion.

**Outlook**

While headwinds exist in both global and domestic markets, we believe SA equities are well priced for the risks and offer attractive opportunities to stock pickers.

**Portfolio managers**
**Karl Leinberger and Sarah-Jane Alexander**
as at 31 December 2022

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## IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION SA EQUITY FUND

The SA Equity 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. 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.

## HOW ARE THE BENCHMARK RETURNS CALCULATED?

From 1 April 2021 the fund's benchmark is the FTSE/JSE Capped Shareholders Weighted All Share Index (C-SWIX) which replaces the FTSE/JSE Capped All Share Index (CAPI). The benchmark returns shown in this MDD will be spliced between the previously applicable index values (CAPI up to 31 March 2021) and the new index returns from 1 April 2021.

Note that we use the formal SA – Equity – General category benchmark as specified in the ASISA Standard on Fund Classification, which is currently the FSTE/JSE All Share 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 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 a rolling 12-month period to the last available month end (updated monthly). The financial year TER displayed at the bottom of page 2, is the latest available 12-month TER to the end of the previous financial year ending 30 September (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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