# CORONATION EQUITY FUND

Fund Information as at 31 July 2022

CORONATION

TRUST IS EARNED™

## WHAT IS THE FUND'S OBJECTIVE?

The fund seeks to maximise long-term capital appreciation by investing primarily in a broad spectrum of listed equities.

## WHAT DOES THE FUND INVEST IN?

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

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 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 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 | 15 April 1996 |
| Fund Class | A |
| Benchmark | Composite: 87.5% SA equity, 12.5% International equity |
| 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 | COREQYA |
| ISIN Code | ZAE000058566 |
| JSE Code | CORA |

# CORONATION EQUITY FUND

CORONATION

TRUST IS EARNED™

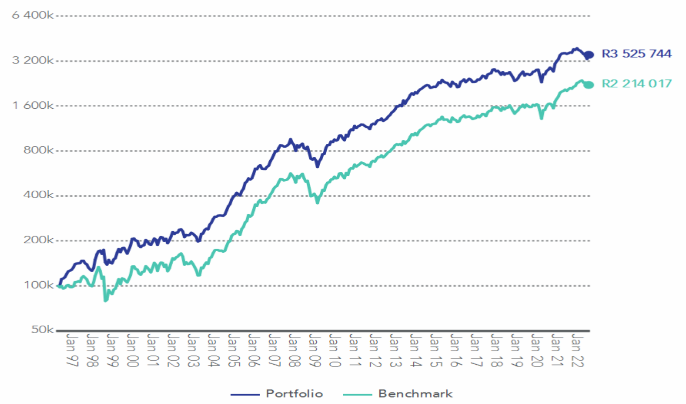
CLASS A as at 31 July 2022

| | |
|---|---|
| ASISA Fund Category | South African - Equity - General |
| Launch date | 15 April 1996 |
| Fund size | R 7.84 billion |
| NAV | 20494.74 cents |
| Benchmark/Performance Fee Hurdle | Composite (87.5% SA equity,12.5% International equity) |
| Portfolio manager/s | Karl Leinberger and Sarah-Jane Alexander |

| | 1 Year | 3 Year |
|---|---|---|
| Total Expense Ratio | 1.96% | 1.30% |
| Fee for performance in line with benchmark | 1.09% | 1.10% |
| Adjusted for out/(under)-performance | 0.59% | 0.02% |
| Fund expenses | 0.02% | 0.02% |
| VAT | 0.25% | 0.17% |
| Transaction costs (inc. VAT) | 0.25% | 0.26% |
| Total Investment Charge | 2.21% | 1.56% |

## PERFORMANCE AND RISK STATISTICS

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




### PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

| | Fund | Benchmark | Peer Group Average |
|---|---|---|---|
| Since Launch (unannualised) | 3425.7% | 2114.0% | 2446.0% |
| Since Launch (annualised) | 14.5% | 12.5% | 13.1% |
| Latest 20 years (annualised) | 15.1% | 14.9% | 13.6% |
| Latest 15 years (annualised) | 9.9% | 10.3% | 8.1% |
| Latest 10 years (annualised) | 10.3% | 11.2% | 8.7% |
| Latest 5 years (annualised) | 6.3% | 8.8% | 6.1% |
| Latest 3 years (annualised) | 10.4% | 11.5% | 9.4% |
| Latest 2 years (annualised) | 12.3% | 15.7% | 15.7% |
| Latest 1 year | (2.3)% | 6.7% | 6.7% |
| Year to date | (9.7)% | (3.0)% | (2.8)% |

### RISK STATISTICS SINCE LAUNCH

| | Fund | Benchmark |
|---|---|---|
| Annualised Deviation | 15.2% | 17.2% |
| Sharpe Ratio | 0.36 | 0.20 |
| Maximum Gain | 47.6% | 43.5% |
| Maximum Drawdown | (35.1)% | (41.0)% |
| Positive Months | 61.9% | 63.5% |
| | **Fund** | **Date Range** |
| Highest annual return | 62.5% | Aug 2004 - Jul 2005 |
| Lowest annual return | (28.7%) | Mar 2008 - Feb 2009 |

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

| Sector | 31 Jul 2022 |
|---|---|
| Domestic Assets | 66.6% |
| Equities | 66.0% |
| Basic Materials | 17.0% |
| Industrials | 1.6% |
| Consumer Goods | 7.3% |
| Health Care | 1.0% |
| Consumer Services | 9.7% |
| Telecommunications | 2.1% |
| Financials | 15.3% |
| Technology | 10.4% |
| Derivatives | 1.7% |
| Real Estate | 0.2% |
| Cash | 0.8% |
| Other (Currency Futures) | (0.4)% |
| International Assets | 33.4% |
| Equities | 33.3% |
| Cash | 0.1% |

### TOP 10 HOLDINGS

| As at 30 Jun 2022 | % of Fund |
|---|---|
| Prosus | 6.3% |
| Naspers Ltd | 4.4% |
| Glencore Xstrata Plc | 4.1% |
| FirstRand Limited | 3.8% |
| Standard Bank Group Ltd | 3.3% |
| Compagnie Financiere Richemont SA | 2.9% |
| Anglo American Plc | 2.8% |
| Sasol Ltd | 2.8% |
| Auto1 Group Se | 2.8% |
| JD.com Inc | 2.8% |

### INCOME DISTRIBUTIONS

| Declaration | Payment | Amount | Dividend | Interest |
|---|---|---|---|---|
| 31 Mar 2022 | 01 Apr 2022 | 112.50 | 109.22 | 3.28 |
| 30 Sep 2021 | 01 Oct 2021 | 165.18 | 162.96 | 2.21 |
| 31 Mar 2021 | 01 Apr 2021 | 300.50 | 298.39 | 2.12 |
| 30 Sep 2020 | 01 Oct 2020 | 171.35 | 169.38 | 1.96 |

### MONTHLY PERFORMANCE RETURNS (AFTER FEES)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fund 2022 | (2.9)% | (0.8)% | (2.6)% | (2.8)% | (0.6)% | (6.7)% | 6.8% | | | | | | **(9.7)%** |
| Fund 2021 | 3.2% | 6.4% | 2.4% | 0.5% | 0.1% | (1.1)% | 1.0% | 1.2% | (0.4)% | 5.5% | (1.1)% | 2.7% | **22.1%** |
| Fund 2020 | 0.2% | (8.5)% | (9.9)% | 12.7% | 0.0% | 5.4% | 1.9% | 3.6% | (2.4)% | (3.6)% | 12.7% | 4.0% | **14.2%** |
| Fund 2019 | 2.9% | 4.7% | 2.8% | 3.1% | (6.2)% | 2.9% | (0.5)% | (1.4)% | 1.5% | 3.7% | 0.5% | 2.5% | **17.2%** |
| Fund 2018 | 0.9% | (2.6)% | (3.4)% | 4.2% | (4.0)% | 2.2% | (0.5)% | 2.4% | (3.9)% | (4.0)% | (5.3)% | 1.3% | **(12.6)%** |

*Issue date: 2022/08/11*

*Please refer to page 4 of the Comprehensive Fact Sheet for important additional infomation, including change in cost disclosures.*

CORONATION
TRUST IS EARNED™

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

The Fund returned -9.9% for the quarter, resulting in a return of -7.7% over the last year. The Fund has performed well against its peer group over all meaningful time periods.

The first half of the year saw broad weakness across asset classes. Markets faced numerous headwinds, including surging inflation, rising rates (after more than a decade of easy money), war between Russia and Ukraine and slowing growth in China. These factors combined to increase the risk of a global recession.

The MSCI World Index declined -16.2% for the quarter (dragging 12-month returns down to -14.3%). The MSCI Emerging Markets [EM] Net Index declined -11.4%, resulting in a year-to-date (YTD) decline of -25.3%. China fell -11.2% as an extended lockdown in Shanghai undermined the country's economic growth. China stuck doggedly to their zero-Covid policy despite the near-term economic cost. Ineffective vaccines, low vaccination levels in the elderly population (relative to developed economies) and very low community transmission mean herd immunity is low. Given these headwinds, it is unclear whether attempts to stimulate growth will succeed. Russia remained a global pariah given ongoing military hostility in Ukraine. Western allies are broadly united in their opposition to Russian aggression. Energy commodities remain elevated due to trapped Russian supply and limited investment into new sources of production for several years given decarbonisation commitments. So far this year, the prices of oil (+47.6% YTD), gas (+45.4% YTD) and coal (+127.6% YTD) have all risen meaningfully.

Inflation continued to surprise to the upside as surging energy prices have exacerbated already high inflation. US inflation hit 8.6% during the quarter. Central banks have responded to inflation with widespread rate hikes. Whether inflation can be contained will depend on the willingness of central banks to increase rates sufficiently to properly dampen demand and slow growth.

Although an allocation to global equities has detracted from performance over the last year, we believe that global equities offer attractive risk and return characteristics within a portfolio. As global markets have sold off, we have increased the allocation to global stocks within the portfolio, reflecting the exciting opportunities we are finding.

Rising interest rates have resulted in a wholesale sell-off in long duration growth stocks. In a world where economic growth is slowing, the growth offered by these businesses becomes scarcer. While some may prove to be weak businesses, there are many trading 70% down, offering exciting long-term growth prospects. Indiscriminate price moves do not distinguish between these. We have spoken previously about Auto 1 Group, which is building a pan-European online car retailer. The business has a strong vehicle sourcing model and has executed in line with its guidance as it builds its direct-to-consumer sales business. Despite this, it has sold off materially and offers investors an attractive entry point to a very large market where incumbents offer customers a comparably poor service. Other long duration investments include strongly growing Korean ecommerce and search businesses Coupang and Naver.

A brutal decade in emerging markets is creating further opportunity to pick up high-quality businesses. We have spoken previously about the Fund's holding in Chinese internet stocks such as JD.com and Tencent (via Prosus/Naspers) where we believed that the shares were pricing in a very conservative outcome. The Fund has also built a position in HDFC, India's premier housing finance company. The merger of HDFC's mortgage business with HDFC Bank will create a powerful platform, allowing the bank to provide great distribution reach and data to the mortgage business. The bank too is a high-quality business with a multidecade growth opportunity.

Within the luxury sector, fears of a slowdown in global growth combined with Chinese lockdowns and Russian exits have put pressure on share prices across the sector, creating an opportunity to build positions in both affordable and high-end luxury. Brand owners Capri and Tapestry trade on PE multiples of less than 10 times. An online retailer of luxury goods such as Farfetch has not been immune to the price sell-off which we believe under-price the business's long-term prospects. We have also built a position in Richemont over the last few quarters as luxury companies have derated. We believe the prospects for this high-quality business remain strong. Richemont has a portfolio of desirable luxury brands across the jewellery and watch sector, with branded jewellery expected to continue growing strongly as it takes market share.

In South Africa (SA), while the commodity cycle has supported the economy in the last few years, we remain concerned about the country's ability to deliver sufficient economic growth in the long term. A decade of mismanagement has undermined infrastructure, with power and rail capacity in particular constraining the economy. Loadshedding YTD has run at record highs, as Eskom struggles to generate sufficient power to keep the lights on. At these levels, economic growth will be constrained. Other frustrations include poor educational outcomes (which are failing to produce the skills needed to support a productive labour force) and ineffective policy. A year of campaigning ahead of the ANC's December elective conference will limit any appetite for reform.

The FTSE/JSE Capped SWIX Index declined during the quarter (-10.6%), giving up first-quarter gains to deliver -4.6% YTD. This still marked SA as one of the better performing markets in 2022, with USD returns (-10.2% for the FTSE/JSE All Share) ahead of the MSCI World Index (-20.5%) YTD. Given low starting valuations, we now see SA equities as extremely cheap with broad value across the resource, domestic and global stocks listed on the JSE. For the quarter, resources returned -20.7%, financials -15.8% and industrials -3.0%.

Major industrial constituents Naspers (+42.3%) and Prosus (+32.6%) were up strongly for the quarter. The market responded positively to the Naspers/Prosus announcement regarding their intention to commence an open-ended buyback programme of Naspers and Prosus shares funded by selling down the stake in Tencent. Coronation had previously urged the board (via a letter) to consider these actions given the very beneficial impact on net asset value per share. The meaningful discount at which NPN and PRX trade to their underlying Tencent investment means that at a per share level, exposure to Tencent is in fact increased through this buyback. The discount has already narrowed considerably since the announcement in recognition of both the value that this transaction would create and the positive message it sends about management's commitment to narrow the discount as well as their intention to optimise capital allocation. The portfolio continues to hold a number of global businesses listed in SA that we believe offer considerable value. Examples include British American Tobacco, Bidcorp, Quilter and Richemont.

Domestic stocks continue to offer attractive stock picking opportunities with their low starting expectations and undemanding valuations (with many trading on high dividend yields too). During the quarter, Remgro made an offer for MediClinic. The JSE has seen several buyouts by international bidders in the last few years underlining the value on offer.

Our emphasis within the portfolio has been on finding businesses that can prosper even in a low growth economy. Examples of these include RMI and Transaction Capital (TCP). RMI's core holding is OUTsurance which offers strong growth prospects, particularly in Australia, and can pay out the bulk of its earnings while growing. With regards to TCP, we expect the WeBuyCars business to continue to gain market share given its convenient and trusted consumer offer. Management is working hard to build a new technology-led platform in the TCRS business to service global clients.

The financials index returned -15.3% for the quarter. Year-to-date trading by the banks (+7.0%) has shown an ongoing recovery with advances growth across the corporate and retail sectors and low- to mid-cycle credit losses thus far. The rate hiking cycle will deliver endowment benefit for the banks. Strong corporate and household balance sheets are expected to withstand the level of rate hikes forecast without any blow out in credit losses. The Fund has moderate exposure to the banks via FirstRand, Standard Bank and Nedbank. Insurers (-23.1% for the quarter and -10.3% YTD) have seen more challenging trading as the businesses face low growth and competitive pricing in risk at the same time as Covid-related mortalities have inflated claims.

The resource sector declined -20.7% as metal prices broadly retreated off their March highs. European countries have committed to reducing their reliance on Russian energy supply. This is supportive of longer-term goals to decarbonise, but the transition period will be challenging, requiring increased supply of oil, gas and coal from other parts of the world. Fossil fuels have already faced several years of low investment given decarbonisation goals. Attracting capital to fund new production is difficult unless there is a willingness to commit to longer offtake periods. Near-term decarbonisation targets are already wavering in Europe. Constrained supply and growing demand are expected to keep energy markets tight.

While resource holdings were reduced during recent strength, the portfolio continues to hold positions in diversified miners such as Glencore and Anglo American. Both offer attractive free cash flow streams even at more normal commodity prices. Energy producers such as Exxaro and Sasol also offer attractive free cash flows given the tightness in near-term markets and are expected to return a significant portion of their market capitalisation in the form of dividends in the coming years.

The Fund remains underweight the platinum group metals miners. While near-term cash flows are likely to be strong, longer-term demand will be undermined by a shift to electric vehicles. Governments (particularly European) are expected to accelerate the adoption of battery electric vehicles given recent events as they strive to increase energy independence and reduce reliance on Russian oil and palladium.

As always, our commitment to long-term investing and a disciplined valuation-based approach remains the bedrock of our investment process. While headwinds exist in both global markets and the domestic economy, we believe growth assets are well priced for the risks and offer attractive returns off these low starting prices.

**Portfolio managers**
**Karl Leinberger and Sarah-Jane Alexander**
as at 30 June 2022

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

The 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. Class R NAV prices were used for the period prior to the launch of Class A. 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.

From 1 April 2021 to 31 March 2022, the lowest of the performance- adjusted fee calculated using CAPI or C-SWIX as the SA Equity component of the benchmark will be accrued daily. From 1 April 2022, only the performance-adjusted fee calculated using C-SWIX as the SA Equity component of the benchmark will apply.

The peer group average is calculated as the average return of all the funds in the respective ASISA category (excluding Coronation Funds in that category)

## HOW ARE THE BENCHMARK RETURNS CALCULATED?

The benchmark used for performance purposes is a composite benchmark consisting of 87.5% Domestic Equity (CSWIX), 12.5% International Equity (ACWI).

From 1 April 2021 the SA equity component of the composite 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 performance of the previously applicable index values and that of the new composite benchmark using C-SWIX 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. 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

This document is for information purposes only and does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase any particular investment. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance upon the information.