

## WHAT IS THE FUND'S OBJECTIVE?

The fund aims to maximise long-term investment growth from investing in a select group of South African listed industrial and consumer companies.

It seeks to outperform an index of industrial companies listed on the Johannesburg Stock Exchange (the JSE Industrial Index) over the longer term.

## WHAT DOES THE FUND INVEST IN?

The fund will remain fully invested in companies listed on the JSE, most excluding those involved in mining and financial services. It can invest in a wide range of industries, including technology, telecommunication, healthcare and consumer goods.

While the fund may not invest in foreign markets, it can have exposure to international companies that are listed in South Africa. 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 companies that could offer strong long-term growth.

Shares are selected following rigorous and independent 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

- ▶ want to diversify their investments to include exposure to a wide range of industrial companies;
- ▶ accept that the fund may underperform the market significantly in the short term in pursuit of superior long-term gains;
- ▶ want to hold the Industrial 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](http://www.coronation.com).

## WHO ARE THE FUND MANAGERS?



**TUMISHO  
MOTLANTHE**  
BBusSc, CFA



**NICHOLAS  
HOPS**  
BBusSc, CFA

## GENERAL FUND INFORMATION

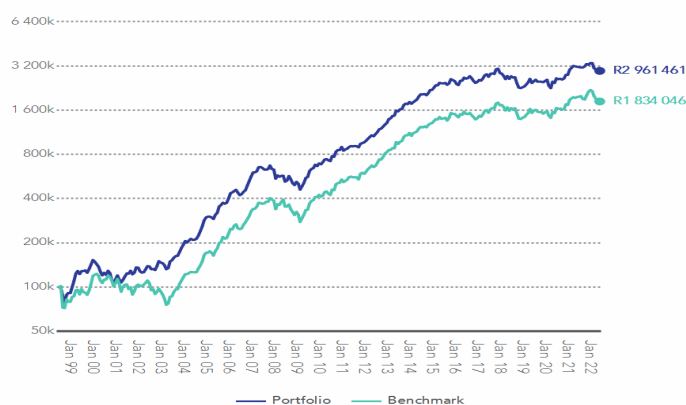
Launch Date	1 July 1998
Fund Class	P (previously class A)
Benchmark	FTSE/JSE Industrial Index
ASISA Fund Category	South African – Equity – Industrial
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORCGRO
ISIN Code	ZAE00019741
JSE Code	CNCG

CLASS P as at 31 May 2022

<b>ASISA Fund Category</b>	South African - Equity - Industrial
<b>Launch date</b>	01 July 1998
<b>Fund size</b>	R660.74 million
<b>NAV</b>	19365.25 cents
<b>Benchmark/Performance</b>	FTSE/JSE Industrial Index
<b>Fee Hurdle</b>	
<b>Portfolio manager/s</b>	Tumisho Motlanthe and Nicholas Hops

## 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)	2861.5%	1734.0%	1127.4%
Since Launch (annualised)	15.2%	12.9%	2.3%
Latest 20 years (annualised)	16.5%	15.1%	1.5%
Latest 15 years (annualised)	10.6%	11.2%	(0.6)%
Latest 10 years (annualised)	10.8%	10.8%	0.0%
Latest 5 years (annualised)	1.1%	2.7%	(1.7)%
Latest 3 years (annualised)	6.5%	6.2%	0.4%
Latest 1 year	(6.3)%	(6.8)%	0.6%
Year to date	(11.6)%	(16.5)%	4.9%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	15.2%	17.4%
Sharpe Ratio	0.45	0.26
Maximum Gain	55.8%	61.7%
Maximum Drawdown	(31.6)%	(38.5)%
Positive Months	62.7%	62.7%

	Fund	Date Range
Highest annual return	68.0%	Jan 1999 - Dec 1999
Lowest annual return	(26.2)%	Dec 2017 - Nov 2018

## MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2022	(0.1)%	(7.7)%	(2.2)%	(1.7)%	(0.3)%								(11.6)%
Fund 2021	8.4%	2.6%	3.2%	(0.7)%	(0.6)%	(0.5)%	(0.8)%	0.3%	1.5%	3.9%	(1.2)%	2.6%	20.2%
Fund 2020	2.0%	(9.1)%	(3.6)%	10.6%	(2.0)%	7.6%	(1.4)%	0.7%	(1.3)%	1.7%	5.8%	0.2%	10.3%
Fund 2019	1.3%	2.9%	3.5%	5.7%	(6.3)%	2.6%	2.6%	(3.1)%	0.2%	(0.2)%	(0.8)%	1.9%	10.2%
Fund 2018	(1.2)%	(3.2)%	(5.0)%	5.0%	(4.3)%	4.1%	(1.9)%	0.3%	(8.7)%	(6.8)%	(0.8)%	1.4%	(20.0)%

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.16%	1.16%
Fund expenses	0.99%	0.99%
VAT	0.02%	0.02%
Transaction costs (inc. VAT)	0.15%	0.15%
Total Investment Charge	0.22%	0.17%
	1.38%	1.33%

## PORTFOLIO DETAIL

## EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 May 2022
<b>Domestic Assets</b>	<b>100.0%</b>
<b>Equities</b>	<b>100.0%</b>
Basic Materials	3.7%
Industrials	3.2%
Consumer Goods	26.6%
Health Care	4.2%
Consumer Services	32.2%
Telecommunications	11.0%
Financials	2.5%
Technology	12.6%
Consumer Staples	4.0%
<b>Cash</b>	<b>0.0%</b>

## TOP 10 HOLDINGS

As at 31 Mar 2022	% of Fund
Compagnie Financiere Richemont SA	13.2%
Naspers Ltd	12.1%
MTN Group Ltd	12.0%
British American Tobacco Plc	7.3%
Prosus NV	7.0%
Aspen Pharmacare Holdings Ltd	5.2%
Anheuser-Busch Inbev SA/NV	4.6%
Spar Group Ltd	4.3%
Motus Holdings Ltd	2.9%
Textainer Group Holdings Ltd	2.9%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2022	01 Apr 2022	82.87	82.57	0.30
30 Sep 2021	01 Oct 2021	125.64	125.58	0.06
31 Mar 2021	01 Apr 2021	671.21	669.91	1.30
30 Sep 2020	01 Oct 2020	216.87	216.87	0.00

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

The Fund had a challenging start to the year, delivering a negative return of 9.8% in the first quarter (Q1-22). Positively, this was 3.3% ahead of the benchmark, which talks to the difficult environment for industrial shares during the period.

Making headlines globally was Russia's invasion of Ukraine on the 24<sup>th</sup> of February – a move which has had a meaningful impact from both a humanitarian perspective, as well as for the real economy and its financial markets. The long-term consequences of this action are still being worked through, but the net result is certainly negative in relation to the world and the way it was before.

What also moved markets was the decidedly more hawkish position taken by the US Federal Reserve (and other central banks) on inflation. Given the speed of its rise, and its expected persistence over the medium-term, a more aggressive interest rate hiking cycle is now underway. This has implications for company valuations, especially those whose earnings and cashflows are quite far into the future.

Against this backdrop, the Fund's good relative performance was driven largely by a higher exposure to well-priced stocks which held their rating, or whose share prices rose for company-specific reasons.

Being underweight in highly-rated stocks that pulled back on the above concerns also helped. Most noteworthy here was the circa 20% fall in the Richemont share price.

The second biggest contributor – adding 1.1% to outperformance – was Hosken Consolidated Investments (HCI), a holding company. Our main reason for investing here was to gain exposure to deeply discounted (Tsogo) hotel and (Tsogo) gaming assets that were hit hard during South Africa's hard lockdown in the early part of Covid, and which account for roughly 70% of the HCI fair value today. What has transpired is that the remaining 30% of the valuation has caused the share price to increase by nearly 60% year to date. Within HCI is a business called Impact Oil and Gas, that is involved in exploration off of Africa's coastline. Towards the end of February they confirmed an oil find off the coast of Namibia, which implies a significant value uplift from the market's prior estimation of this asset's worth. We currently carry it at the cost of HCI's investment in the business, equal to a bit more than 10% of HCI's fair value. The value is potentially multiples of this, and implies meaningful upside to the overall HCI fair value. Despite the big run in the share price, we remain happy holders of the company.

Other notable contributors were: British American Tobacco (+0.7%); auto components manufacturer and battery maker Metair (+0.5%); and our underweight position in packaging company Mondi (+0.6%).

On the negative side, our overweight position in Naspers/Prosus was the biggest detractor by some margin, giving up 1.3%. The shares lost more than a third of their already marked down value in the quarter, as regulatory uncertainty in China spilled over from 2021. Compounding this already entrenched dynamic, has been the effects of regulation becoming more visible in the actual revenue and earnings numbers that Tencent deliver, as well as the aforementioned impact of rising rates (which directly impacts Prosus, where many of its investments are still in their early stages). As we do the work of trying to understand where things ultimately settle for the Chinese tech sector, and for Naspers/Prosus specifically, we draw some comfort from the larger margin of safety that has emerged from this big share price move. We remain overweight.

The biggest buy during the quarter was Richemont. The big correction in the share price brought it below our assessment of the company's fair value, and offered us a unique opportunity to pick up a high-quality business on an attractive valuation. Other material buys were: software license reseller Bytes Technology Group; pharmaceutical manufacturer Aspen; and telecommunications company MTN.

To fund these purchases we sold some of our rand hedge exposure that has held up relatively well, namely Bidcorp (food service business) and British American Tobacco. We also took profits in some of the local names that had performed strongly of late, these being: Dis-Chem, HCI and food manufacturer Libstar.

As we start the second quarter (Q2-22), we remain excited by the prospects of the Fund holdings and are hopeful of them delivering good performance in the period ahead.

**Portfolio managers**

**Tumisho Motlanthe and Nicholas Hops**

as at 31 March 2022

**IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION INDUSTRIAL FUND**

The Industrial 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](http://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 P 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](http://www.coronation.com)

**IMPORTANT INFORMATION REGARDING TERMS OF USE**

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