CORONATION FINANCIAL FUND

Fund Information as at 30 April 2023

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 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

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
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

CORONATION FINANCIAL FUND

CORONATION
TRUST IS EARNED™

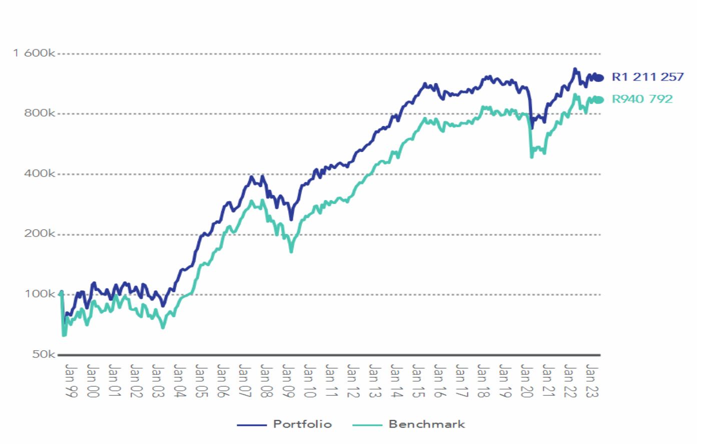
CLASS A as at 30 April 2023

ASISA Fund Category	South African - Equity - Financial
Launch date	01 July 1998
Fund size	R347.26 million
NAV	5499.92 cents
Benchmark	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%	1.23%
Fund expenses	0.05%	0.05%
VAT	0.19%	0.18%
Transaction costs (inc. VAT)	0.23%	0.21%
Total Investment Charge	1.71%	1.68%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Apr 2023
Domestic Assets	98.4%
Equities	98.1%
Financials	98.1%
Cash	0.4%
International Assets	1.6%
Equities	1.5%
Cash	0.0%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1111.3%	840.8%	270.5%
Since Launch (annualised)	10.6%	9.4%	1.1%
Latest 20 years (annualised)	13.8%	13.7%	0.1%
Latest 15 years (annualised)	9.5%	9.7%	(0.2)%
Latest 10 years (annualised)	6.1%	7.3%	(1.2)%
Latest 5 years (annualised)	(0.5)%	1.6%	(2.1)%
Latest 3 years (annualised)	16.5%	20.1%	(3.6)%
Latest 1 year	(4.8)%	(0.4)%	(4.4)%
Year to date	2.8%	3.5%	(0.7)%

TOP 10 HOLDINGS

As at 31 Mar 2023	% of Fund
FirstRand Limited	22.0%
Standard Bank Of SA Ltd	16.9%
Absa Bank Ltd	10.0%
Sanlam Life Assurance Limited	8.7%
Nedbank Ltd	8.2%
Capitec Bank Holdings Ltd	8.1%
Discovery Holdings Ltd	5.8%
Outsurance Group Ltd	3.0%
Santam Ltd	2.3%
Psg Group	2.2%

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	59.4%	60.1%

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

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2023	03 Apr 2023	82.22	81.36	0.86
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

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2023	5.6%	2.5%	(7.6)%	2.9%									**2.8%**
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)%**

Issue date: 2023/05/11

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

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

Performance

The Fund was flat for the quarter. With strong Q1-22 performance rolling off, the 12-month return for the Fund has dropped to -12.9% in a declining SA financial sector. Since inception, the Fund has generated an annualised return of 10.5%, 1.1% ahead of the benchmark.

Global markets started the year strongly, buoyed by the reopening of China, high levels of inflation beginning to roll off and an expectation of a peak in policy rates. This optimism was subsequently somewhat dimmed as inflation remained stubbornly high, with central bankers reiterating their commitment to continue with restrictive monetary policy until the job is done.

The extent of rapid rate hikes that developed markets have experienced over the past 12 months always ran the risk of resulting in something breaking. It turned out to be a run on a mid-size bank on the West Coast of the US that ultimately brought down Credit Suisse, a 166-year-old institution that (despite suffering a damaged reputation and low investor confidence) was in fact quite comfortable from both a capital and a liquidity point of view. The events in the global banking sector are expected to lead to tighter credit conditions, which has the positive spin-off of lower inflation resulting in less pressure on central banks to increase rates further. As a result, the quarter ended with markets rallying once again, reversing the declines of February.

South African markets followed the upward trend in global markets initially, but the impact of ongoing elevated levels of loadshedding on domestic economic growth is becoming increasingly apparent with cuts to GDP forecasts. In addition, softer commodity prices and an unbudgeted above-inflation increase in the public sector wage bill are once again focusing attention on sovereign debt sustainability. The FTSE/JSE Capped SWIX returned 2.4% for the quarter, driven principally by industrials and a rally in gold shares towards the end of March. The financial sector returned 0.4% for the quarter, driven by positive returns from insurers (+13.3% from life and +11.8% from non-life) but offset by a -2.3% return from the banks.

Contributions to the Fund's performance relative to the benchmark came from its underweight positions in Investec and Capitec and overweight positions in UK wealth manager St James Place as well as insurers Santam, Sanlam, Discovery and OUTsurance. The most significant detractor from performance was an overweight position in Transaction Capital. In addition, underweight positions in Old Mutual, Reinet and HCI detracted.

Portfolio actions and fund positioning

During the quarter, we increased the Fund's holdings in FirstRand, Capitec, Sanlam and Standard Bank and initiated a position in Investec. This was funded by a reduction in the holdings of OUTsurance, Nedbank, Quilter and NinetyOne.

The Fund remains overweight the banks. As illustrated in the most recent set of financial results they are, to varying degrees, beneficiaries of higher interest rates due to the endowment effect of earnings on lazy deposits and capital. This will continue to be the case into 2023 as the effect of higher average interest rates year-on-year washes through. In addition, corporate lending (which until recently had taken a backseat to retail lending) looks set to drive advances growth as businesses take on borrowings to build self-provided power for their operations. The big question to be asked is the extent to which the higher rate environment translates into greater borrower stress and an explosion in bad debts. While we anticipate credit loss ratios to increase, we don't see a blow-out in credit as a high probability event. Corporate and higher end consumer balance sheets are in reasonable shape, lending policies through Covid have been relatively conservative and balance sheets are well provided. The traditional "Big 4" banks trade on attractive multiples of between 6.5 and 9 times one-year forward earnings, and on very healthy dividend yields. Capital positions are strong, so much so that two of the banks (Nedbank and Investec) are in the process of buying back shares in addition to declaring healthy dividend pay-outs.

At the same time, the Fund is underweight the life insurers. While the sector has outperformed in the most recent quarter, it is a long-term underperformer against the banks, has put the challenges of Covid largely behind it, and its constituents to trade on inexpensive multiples and attractive dividend yields. It is tempting to see this as an opportunity to switch some of the bank exposure into the life companies. However, we have concerns about the longer-term outlook for several businesses in this sector. The core of their business models, selling risk cover, is under threat. At the bottom end of the market, banks are increasingly encroaching on the life insurers' turf in the sale of simple non-underwritten products such as funeral cover and credit life insurance, driven by their superior data-gathering ability and lower cost of distribution. At the upper end, growth in the complex underwritten risk market has stagnated and cost bases previously established to handle large volumes of new business now need to be drastically rationalised to restore profitability of the remaining business that is written. These are significant challenges for large, staid institutions to deal with. We are therefore very selective in the life insurance companies that we hold in the Fund, preferring businesses that are more diversified and have strong positions in the markets in which they operate.

Transaction Capital detracted meaningfully from Fund performance during the quarter. Following a trading update in mid-March indicating that ongoing economic headwinds had forced a significant restructuring of its subsidiary SA Taxi, the share price declined by almost 70% in the space of three days. The fact that this happened while Silicon Valley Bank was imploding probably didn't help matters. At the time of the announcement, the Fund held a 2.4% position in the company. Whilst we attributed limited value to SA Taxi even prior to this announcement (c.10% of our fair value) we overestimated the defensiveness of this business and its ability to pass on costs in a market in which public rail transport had all but collapsed. The brutal market reaction implicitly wrote down not just SA Taxi but also took a significant haircut to the overall value of the company. We believe that the other two businesses owned by Transaction Capital, WeBuyCars and Nutun, are worth significantly more than the current share price and justify a holding in the share. The ongoing confidence and support of funders will be critical in achieving our assessment of fair value.

Outlook

The global economy faces several countervailing forces. Inflation continues to roll over as base effects start to wash through and energy prices soften, yet levels remain stubbornly above central bank targets and labour markets remain tight. Strong economic growth indicators in the US and Europe had prompted concerns of higher interest rates for longer. However, the events of March may well lead to tighter credit conditions, resulting in a dampening effect on growth on the one hand but a quicker end to monetary policy tightening on the other. The Chinese economy has reopened and appears to be promoting a friendlier approach to capital markets, yet geopolitical tensions remain exceptionally high and there appears to be no end in sight to the war in Ukraine.

Domestically we continue to face our own set of challenges. Loadshedding has worsened and although significant investment by both corporates and individuals is going into self-generation, it will be some time before this starts to bear fruit. Transnet's woes continue to strangle our ability to export the commodities that we produce. And while it's not expected to have a significant impact on our ability to trade, grey listing is another cross in the box for those considering investment in the country.

The outlook for the financial sector is largely tied to the fortunes of the South African macro economy. The environment in which we currently find ourselves, along with some of the sector-specific structural challenges discussed above, cause us to continue our caution in the outlook for the broader sector. However, valuations are not demanding, and this provides a margin of safety in projecting attractive longer-term returns for the Fund.

Portfolio managers
Neill Young and Godwill Chahwahwa
as at 31 March 2023

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