CORONATION FINANCIAL FUND

Fund Information as at 31 October 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
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

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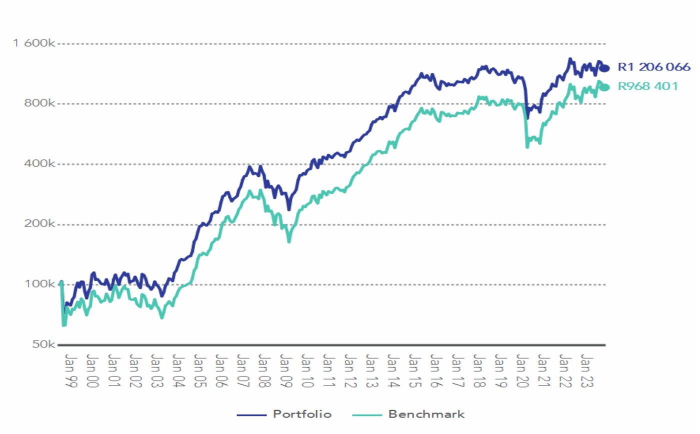
CLASS A as at 31 October 2023

ASISA Fund Category	South African - Equity - Financial
Launch date	01 July 1998
Fund size	R342.45 million
NAV	5299.03 cents
Benchmark	FTSE/JSE Financials (ex Real estate) Index
Portfolio manager/s	Neill Young and Godwill Chahwahwa

	1 Year	3 Year
Total Expense Ratio	1.46%	1.47%
Fund management fee	1.23%	1.24%
Fund expenses	0.05%	0.05%
VAT	0.18%	0.19%
Transaction costs (inc. VAT)	0.21%	0.22%
Total Investment Charge	1.68%	1.69%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Oct 2023
Domestic Assets	98.5%
Equities	97.2%
Financials	97.2%
Cash	1.4%
International Assets	1.5%
Equities	1.5%
Cash	0.0%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1106.1%	868.4%	237.7%
Since Launch (annualised)	10.3%	9.4%	1.0%
Latest 20 years (annualised)	12.5%	12.9%	(0.4)%
Latest 15 years (annualised)	10.1%	11.4%	(1.3)%
Latest 10 years (annualised)	4.4%	6.4%	(2.0)%
Latest 5 years (annualised)	1.1%	4.2%	(3.2)%
Latest 3 years (annualised)	18.4%	24.1%	(5.6)%
Latest 1 year	(1.0)%	5.4%	(6.4)%
Year to date	2.4%	6.5%	(4.1)%

TOP 10 HOLDINGS

As at 30 Sep 2023	% of Fund
FirstRand Limited	22.6%
Standard Bank Of SA Ltd	16.7%
Sanlam Life Assurance Limited	7.7%
Investec Limited	7.5%
Nedbank Ltd	7.4%
Capitec Bank Holdings Ltd	6.2%
Absa Bank Ltd	5.4%
Discovery Holdings Ltd	5.1%
Outsurance Group Ltd	4.7%
Reinet Investment Sca	3.0%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	19.9%	21.1%
Sharpe Ratio	0.10	0.05
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(45.4)%	(45.3)%
Positive Months	58.9%	59.5%

	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
29 Sep 2023	02 Oct 2023	180.39	179.14	1.24
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

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%	(8.4)%	10.8%	6.7%	(1.2)%	(4.5)%	(2.5)%			**2.4%**
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: 2023/11/09 *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 returned 0.7% for the quarter, bringing the year-to-date return to 5.1%. This compares to a benchmark return of 8.7%. Since inception, the Fund has generated an annualised return of 10.5%, 1% ahead of the benchmark.

The performance of global investment markets in the past quarter has been dominated by the growing realisation that the US Federal Reserve Board intends to leave policy rates higher for longer. While the US economy continued to exhibit resilience and inflation moderated, expectations of a soft landing began to build. Stubbornly high rates may threaten this. This, along with concerns about weak growth in China and fragility in its property sector in particular, has been reflected in asset prices. Some of the strong gains achieved in the first half of the year have been returned, but despite this, the MSCI World Index has generated an 11.1% USD return in the first nine months of the year.

In contrast, domestic assets have been dismal. Year to date, the FTSE/JSE Capped SWIX Index is essentially flat, listed property is down -4.5%, the FTSE/JSE All Bond Index has delivered a meagre 1.5%, and the rand has weakened 10% against the dollar. These returns are, in part, a reflection of the attractive yields on offer in developed markets. But equally, they are all a reflection of increasingly evident inhibitors to growth in the South African economy, the weakening commodity cycle and the fiscal pressure that results. National Treasury has communicated the need for budgetary restraint but appears increasingly isolated. The likelihood of any meaningful belt-tightening actually coming to pass seems low – particularly in an election year when policies such as the introduction of National Health Insurance and an extension of the Social Relief of Distress grant are likely to be central to an ANC campaign.

In the third quarter, the financial index returned 2.2%. Short-term insurers were the principal contributor, returning 20.1%, with life insurers up 3.9% and banks (by far the largest constituent in the index) up 1.6%. Contributions to quarterly performance relative to the benchmark came from overweight positions in OUTsurance, Standard Bank and Sanlam, and underweight positions in Old Mutual and Remgro. The largest detractors from performance came from overweight positions in St James' Place, Nedbank and FirstRand, and underweight positions in Capitec and Absa. Over one and three years, Transaction Capital remains the largest detractor from Fund performance. At its peak, it made up 2.4% of the Fund. Given the collapse in the share price, it currently makes up 0.4% of the Fund. We see significant value in the share but are cognisant that the path to realising this comes with greater than the average variability of potential outcomes.

Portfolio actions and positioning

During the quarter, we increased the Fund's holdings in Reinet, FirstRand, Investec, OUTsurance and St James' Place and made small reductions to holdings in Capitec and Quilter.

Both banks and insurers reported financial results to end-June. The endowment benefit of higher interest rates was evident in the banks' net interest margins which, combined with trading gains from those with operations in the rest of Africa, resulted in strong revenue growth. Some of this benefit was offset by an increase in credit losses as rising pressure on consumer disposable income began to bite. The second half of the year should see some continued endowment benefit but a stabilisation of the credit performance.

Life insurers reported improved investment returns and a strong recovery in operational earnings as mortality claims normalised following the elevated levels experienced during the Covid pandemic. However, the challenging economic environment is evident in high lapsation levels, particularly in the mass market. In addition, new business volumes are increasingly under pressure in the affluent market placing pressure on new business margins. We expect the industry to continue to face volume challenges as banks target the funeral and simple life cover markets.

FirstRand is the Fund's largest holding and one of the largest overweight positions relative to the benchmark. The company has recently announced significant changes in its leadership structure, with the chairman, group CEO and CFO, and the CEO of the retail and commercial bank (FNB) all vacating their roles. Usually, an announcement like this would be a cause for concern. In the case of FirstRand, we take a different view. While the timing of the changes is slightly earlier than we may have expected, this is evidence of regular, thought-out succession planning and showcases the bench strength within the business. The COO will move to the CEO role, and no executive skills will be lost to the group, except the group CEO (who is retiring). The incoming chair is a highly rated previous CEO of the group, available to support the incoming CEO should this be necessary. Importantly, the CEO of FNB will be redeployed internally to head up the group's fintech strategy. FirstRand is already an established leader in digital strategies in the domestic banking sector. We would view a dedicated focus on this part of the business by an individual of this calibre in a positive light, given the changing nature of retail banking globally and the growth challenges faced by domestic-facing businesses in a low-growth economy.

Outlook

South Africa faces the challenges of a weakening commodity cycle and increasingly evident infrastructural constraints (power, rail, roads, water), which are likely to place even greater pressure on economic growth and social stability. We are of the view that it is the higher quality domestic businesses that will be able to navigate a low-growth economy successfully by taking market share from peers. These businesses may not be the cheapest in their respective sectors, but nonetheless trade at relatively undemanding multiples and feature strongly in the portfolio. They are supplemented by companies that have exposure to markets with stronger fundamentals where we see attractive growth opportunities.

Portfolio managers
Neill Young and Godwill Chahwahwa
as at 30 September 2023

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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) Ltd (FSP 548) , 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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