

## 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?



**GODWILL  
CHAHWAHWA**  
BCompt, CA (SA)  
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
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORCGRO
ISIN Code	ZAE000019741
JSE Code	CNCG

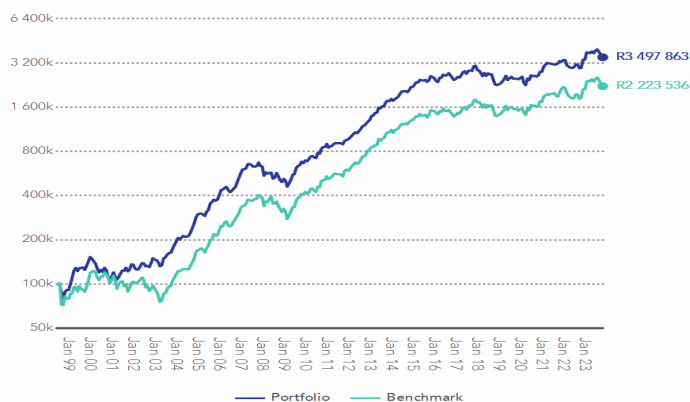
CLASS P as at 31 October 2023

ASISA Fund Category	South African - Equity - Industrial
Launch date	01 July 1998
Fund size	R661.59 million
NAV	22436.56 cents
Benchmark	FTSE/JSE Industrial Index
Portfolio manager/s	Godwill Chahwahwa and Nicholas Hops

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.17%	1.17%
Fund expenses	1.00%	0.99%
VAT	0.03%	0.02%
Transaction costs (inc. VAT)	0.15%	0.15%
Total Investment Charge	0.26%	0.22%
	1.43%	1.38%

## PERFORMANCE AND RISK STATISTICS

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



## PORTFOLIO DETAIL

## EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Oct 2023
<b>Domestic Assets</b>	<b>100.0%</b>
■ <b>Equities</b>	<b>99.8%</b>
Basic Materials	7.4%
Industrials	1.4%
Consumer Goods	13.9%
Health Care	2.7%
Consumer Services	33.6%
Telecommunications	7.5%
Technology	33.2%
■ <b>Cash</b>	<b>0.2%</b>

## PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	3397.9%	2123.5%	1274.3%
Since Launch (annualised)	15.1%	13.0%	2.0%
Latest 20 years (annualised)	16.2%	16.5%	(0.3)%
Latest 15 years (annualised)	13.7%	13.7%	0.0%
Latest 10 years (annualised)	7.0%	7.5%	(0.5)%
Latest 5 years (annualised)	8.9%	9.7%	(0.7)%
Latest 3 years (annualised)	10.0%	11.1%	(1.1)%
Latest 1 year	17.9%	19.6%	(1.8)%
Year to date	3.8%	5.2%	(1.4)%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	15.3%	17.5%
Sharpe Ratio	0.44	0.27
Maximum Gain	55.8%	61.7%
Maximum Drawdown	(31.6)%	(38.5)%
Positive Months	62.5%	62.2%

	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 2023	11.8%	0.0%	(0.9)%	2.6%	(2.6)%	3.9%	1.9%	(4.2)%	(3.9)%	(3.9)%			<b>3.8%</b>
Fund 2022	(0.1)%	(7.7)%	(2.2)%	(1.7)%	(0.3)%	1.2%	4.4%	(0.4)%	(5.5)%	0.8%	13.5%	0.1%	<b>0.7%</b>
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%	<b>20.2%</b>
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%	<b>10.3%</b>
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%	<b>10.2%</b>

## TOP 10 HOLDINGS

As at 30 Sep 2023	% of Fund
Naspers Ltd	23.6%
Prosus Nv	9.5%
Mtn Group Ltd	8.8%
British American Tobacco Plc	8.2%
Mondi Limited	6.9%
Bid Corp Ltd	6.2%
Cie Financiere Richemont Ag	4.6%
Anheuser-busch Inbev Sa/nv	4.1%
Woolworths Holdings Ltd	3.0%
Advtech Ltd	2.8%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Sep 2023	02 Oct 2023	198.00	196.55	1.46
31 Mar 2023	03 Apr 2023	17.05	16.75	0.30
30 Sep 2022	03 Oct 2022	194.36	194.28	0.08
31 Mar 2022	01 Apr 2022	82.87	82.57	0.30

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

### Performance

Following a positive second quarter, the industrial sector experienced a negative third quarter (Q3-23), with the Fund delivering -6.3% relative to the benchmark return of -6.2%, bringing the Fund return for the last 12 months to 23.6%. Since its inception, the Fund has generated an annualised return of 15.3%, 2.0% per annum ahead of the benchmark.

### Fund positioning

Global financial market news in Q3-23 was dominated by data showing a more convincing moderation in headline and core inflation in developed economies, coupled with central banks signalling more clearly that policy rates may be at or close to peaking but will remain high for longer. Activity data, especially in the US, has been more resilient than most expected, given high inflation and rising policy rates. The risk of a recession in this environment has receded but not disappeared – high interest rates for longer will continue to put pressure on borrowing costs and related activity. Financial conditions continue to tighten as financial intermediaries remain cautious, and a recession in the US is still possible into 2024. While European growth remains subdued, and China's recovery has faltered with weaker global demand undermining export growth and the challenging effects of its weak property market, uncertainty is high, and asset prices remain under pressure.

In the last quarter, the MSCI World Index retreated -3.5% while the MSCI Emerging Market Index was down -2.9%. Against this backdrop, the JSE All Share Index declined -3.5%, and within that, industrials fared the worst at -6.2%, followed by the resources sector at -4.3%. Financials performed the best at 2.2%.

During the quarter, we reduced the Fund's underweight in Richemont into share price weakness, added to the position in Mondi and introduced Curro into the portfolio. Global luxury stocks have come under pressure this past quarter amidst concerns of a demand slowdown in the US and a weak recovery in China following the easing of Covid restrictions. In addition, high inflation and rising interest rates started impacting consumer discretionary spending. The resultant sell-off drove a significant correction in price-to-earnings (PE) multiples from the peaks reached in 2021 of 34x for the sector (excluding Hermès) to the current 19x, in line with the long-term sector average. Richemont declined some 25% during the quarter and trades on an attractive 15.7x PE ratio (or 13.8x excluding surplus cash on the balance sheet). We have used this weakness to add to the Fund's holding.

The paper and packaging sector has also come under cyclical pressure off the highs reached in 2022 as demand softened in a higher interest rate environment and the industry worked stocks down from high levels built when supply was constrained by tight global supply chains in 2022. Paper packaging is a sector that stands to benefit over the long term from structural tailwinds around sustainability in packaging (e.g., the shift from plastic to paper) as well as the shift in retail sales in favour of ecommerce.

Within the sector, Mondi is a market leader with low cost, well-invested plants, enabling them to generate market-leading returns while maintaining a robust balance sheet through the cycle. They are investing significantly in new capacity to take advantage of these structural tailwinds. Mondi has recently completed their exit from Russia, proceeds from which will be returned to shareholders. This capital return equals roughly 10% of Mondi's current market capitalisation. The share trades on an attractive 11.7x PE multiple (excluding the Russia sale proceeds) and offers mid-teens growth per annum over the medium term as the new capacity comes on stream, offering an attractive return profile in our view.

Prospects for the private education sector in SA are attractive in our view, and in addition to the holding in ADvTECH, we have introduced Curro into the Fund. The underinvestment and limited capacity in the public education system support growth in private education for the long term. Curro has undergone significant investment into new schools but is now at a point where they can grow into this capacity with much lower capex needed. This is supportive of strong free cash flow generation and earnings growth going forward, which we believe is underappreciated given the undemanding multiple (11x) the business currently trades at. We funded these additions by exiting the Altron and Barloworld holdings and reducing the holding in Anheuser-Busch InBev.

Contributors to fund performance for the quarter include underweight positions in Richemont and MultiChoice and overweights in ADvTECH, Grindrod and British American Tobacco. Detractors from performance were underweight positions in Shoprite, Bidvest, Truworths and The Foschini Group and an overweight in Naspers.

### Outlook

We remain underweight domestic stocks in the Fund as the domestic picture remains challenging while valuations are not sufficiently attractive relative to the downside risks. Loadshedding continues to be a critical constraint on economic activity, and while investments are being made on the renewable side to alleviate the power constraints, it will be some time before these efforts bear fruit. Other infrastructure challenges, such as an underinvested and declining rail infrastructure, continue to add significantly to the cost of doing business in the country. We continue to look for opportunities to position the Fund to generate the best risk-adjusted returns available within the industrial universe.

### Portfolio managers

**Nicholas Hops and Godwill Chahwahwa**  
as at 30 September 2023

**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) 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](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 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](http://www.coronation.com)

**IMPORTANT INFORMATION REGARDING TERMS OF USE**

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