

INTERIM REPORT
2016
for the six months ended 31 March



CORONATION
TRUST IS EARNED™

 ASSETS UNDER MANAGEMENT OF R606 BILLION

 DILUTED HEADLINE EARNINGS PER SHARE OF 229.7 CENTS

 INTERIM DIVIDEND PER SHARE OF 229 CENTS

RESULTS.....

Despite another volatile and challenging period, Coronation Fund Managers Limited (Coronation) delivered a credible set of results in line with management expectations for the six months to 31 March 2016. Following an extended period of volatility in asset prices, client portfolios were well positioned to benefit from the strong rally in emerging markets, commodities, equities and the property market since the start of the calendar year. For the period under review, the MSCI Emerging Markets Index delivered 6.5%, while the MSCI All Country World Index returned 5.6% (both in US dollar terms). The FTSE/JSE All Share generated a US dollar return of -0.4%, which translated into a positive return of 5.6% in rand terms for the six months. The rand continued its decline over the period, losing 5.7% against the US dollar (to close at R14.65) and 7.4% against the euro (to close at R16.70).

As previously noted, Coronation is a cyclical business and hence its revenue stream is highly geared to both the returns of the market and the level of outperformance it generates on behalf of clients across its fund range. Due to a decline in the level of performance fees generated compared to the prior comparable period, revenue for the current period declined by 5.0% to R2.1 billion. This, in turn, led to a 6.9% decline in diluted headline earnings per share to 229.7 cents (March 2015: 246.7 cents).

BUSINESS UPDATE

The key driver of our success is our ability to create long-term value on behalf of clients in our underlying funds. This we do through an unwavering commitment to our philosophy of investing for the long term; a philosophy and process that over our 23-year history has returned significant value to investors. Since its launch in 1993, our flagship domestic equity portfolio, Houseview Equity, has outperformed the market by 2.9% (gross of fees) p.a.

A highly volatile market environment, combined with total net outflows of R47 billion, resulted in a marginal decline in assets under management over the six-month period to R606 billion (September 2015: R610 billion).

Institutional business

We remain one of the leading managers of institutional assets in the South African savings market, managing client portfolios of R380 billion (September 2015: R387 billion). For the period, our established South African institutional business recorded net outflows of R36 billion. This was driven largely by portfolio rebalancing in a shrinking occupational retirement fund market and the fact that we remain closed to new investors in our SA Equity and Multi-Asset portfolios, a decision implemented almost four years ago. Against this backdrop, stakeholders should expect continued outflows from our South African institutional business in the years ahead. Over the period, we continued to attract net inflows to our international products from global asset allocators.

Our track record of significant value creation since inception shows:

- Global Houseview, our global balanced portfolio, has delivered a return of 17.1% p.a. (gross of fees) since launch in October 1993, 1.5% p.a. ahead of its peer median.
- Domestic Houseview, our domestic balanced portfolio, has delivered a return of 16.7% p.a. (gross of fees) since launch in January 1998, 0.3% p.a. ahead of its peer median.

Our specialist emerging market and Africa strategies also continue to build impressive long-term track records:

- The Coronation Global Emerging Markets Strategy has generated an annualised alpha of 5.0% (gross of fees) since inception in July 2008.
- In turn, the Africa Frontiers Strategy has outperformed its benchmark by 3.3% p.a. (gross of fees) since inception in October 2008.

Retail business

We are one of the country's foremost managers of collective investment schemes, with R226 billion in retail assets under management (September 2015: R222 billion). Following a sustained period of rapid growth and disproportionate allocation of industry flows, our market share of long-term assets marginally declined to 13.7% (September 2015: 14.6%) in line with management expectations. Total net outflows for the period were R11 billion.

Highlights across our domestic and international fund range are detailed below, reflecting 1st quartile rankings in their respective Morningstar categories:

- Coronation Top 20, a top-performing general equity fund since launch in October 2000, has outperformed its benchmark by 4.4% p.a. (net of fees) over this same period.
- Coronation Balanced Plus, the no. 1 balanced fund in South Africa since launch in April 1996, has outperformed its average competitor by 2.5% p.a. (net of fees) over this same period.
- Coronation Capital Plus, the no. 1 multi-asset medium equity fund since launch in July 2001, has outperformed inflation by 7.4% p.a. (net of fees) over this same period.
- Coronation Balanced Defensive, a top-performing conservative fund since launch in February 2007, has outperformed inflation by 4.4% p.a. (net of fees) over this same period.
- Coronation Strategic Income, the no. 1 multi-asset income fund since launch in July 2001, has outperformed cash by, on average, 2.8% p.a. (net of fees) over this same period.
- Coronation Global Opportunities Equity [ZAR] Feeder, the no. 1 global equity general fund since launch in August 1997, has outperformed the global equity market by 1.3% p.a. (net of fees) over this same period.
- Coronation Global Managed [ZAR] Feeder, the no. 1 global multi-asset high equity fund in South Africa since launch in October 2009, has outperformed its average competitor by 1.8% p.a. (net of fees) over this same period.

During the period, we successfully launched our tax-free investment offering and implemented a comprehensive fee and benchmark adjustment that will be completed by 1 October 2016.

TRANSFORMATION

As a truly South African business, Coronation remains committed to achieving meaningful, sustainable and substantive transformation within the financial services industry. As at 31 March 2016, we are a Level 3 contributor in terms of the Financial Sector Code. Key highlights include:

- More than half of our staff composition in South Africa are black and more than half are female. At executive committee level, black representation is 75%, while at board level this figure is 57%.
- We are 21.5% black owned as measured by the Financial Sector Charter, which includes our staff-owned empowerment vehicle, the Imvula Trust.
- The Coronation Business Support Programme, now in its tenth year, continues to play a meaningful role in advancing the country's black stockbroking community.
- Our long-term investment in the upliftment of society since 1993 is reflected in our inspiring corporate social investment programmes.

☺ INTERIM CASH DIVIDEND.....

We continue to reward shareholders through regular and significant distributions of free cash flow generated. We endeavour to distribute at least 75% of after-tax cash profit. After assessing any projected future cash requirements, a gross dividend of 229.0 cents per share has been declared for the interim period ended 31 March 2016, resulting in a net dividend of 194.65 cents per share for shareholders subject to Dividends Tax (DT). In compliance with the Listings Requirements of the JSE Limited, the following dates are applicable:

Last day to trade	Friday, 3 June 2016
Shares trade ex dividend	Monday, 6 June 2016
Record date	Friday, 10 June 2016
Payment date	Monday, 13 June 2016

Share certificates may not be dematerialised or rematerialised between Monday, 6 June 2016 and Friday, 10 June 2016, both dates inclusive. In terms of DT, the following additional information is disclosed:

- The local DT rate is 15%.
- The number of ordinary shares in issue at the date of this declaration is 349 799 102.
- Coronation's tax reference number is 9 675 107 719.

☺ PROSPECTS.....

The sustainability of our business is rooted in our relentless commitment to long-term investing. We have a proven 23-year history, and a robust investment philosophy and process that has generated enormous value for clients over the long term. We continue to put the best interests of our clients at the heart of all our business decisions.

Markets are cyclical and typically turn when investors least expect it. Despite the recent rally, we expect asset price fluctuations to remain heightened as investors react to the news of the day. It is in these periods of market turmoil that we are sowing the seeds for future long-term returns. In a world of change, our commitment to identifying those opportunities that will generate long-term performance remains unchanged. Our success in achieving this objective will continue to generate long-term value for all stakeholders.

☺ EXTERNAL AUDIT REVIEW.....

The external auditors, EY, reviewed the condensed consolidated statement of financial position of Coronation Fund Managers Limited Group as at 31 March 2016 and the related condensed consolidated statement of comprehensive income, changes in equity and cash flows for the period then ended, and other explanatory notes. The review has been conducted in accordance with the International Standard on Review Engagements 2410. Copies of the unqualified report of EY are available for inspection at the registered office of the company.

Any forward-looking information contained in this announcement has not been reviewed or reported on by the company's external auditors.

Shams Pather
Chairman

Anton Pillay
Chief Executive Officer

John Snam
Chief Financial Officer

Cape Town
17 May 2016

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R million	Six months reviewed 31 March 2016	Six months reviewed 31 March 2015	% Change	Full year audited 30 Sept 2015
Fund management activities				
Revenue	2 067	2 167	(5)	4 442
Other income	6	9		28
Operating expenses	(1 023)	(1 035)	(1)	(2 090)
Share-based payment expense	(4)	(3)		(11)
Other expenses	(1 019)	(1 032)		(2 079)
Results from operating activities	1 050	1 141	(8)	2 380
Finance and dividend income	15	13		32
Finance expense	(11)	(6)		(15)
Share of profit of equity-accounted investee	4	4		8
Profit from fund management	1 058	1 152	(8)	2 405
Income attributable to policyholder linked assets and investment partnerships	7	15		25
Net fair value gains on policyholder and investment partnership financial instruments	15	30		54
Administration expenses borne by policyholders and investors in investment partnerships	(8)	(15)		(29)
Profit before income tax	1 065	1 167	(9)	2 430
Income tax expense	(261)	(306)		(620)
Taxation on shareholder profits	(254)	(291)		(595)
Taxation on policyholder investment contracts	(7)	(15)		(25)
Profit for the period	804	861	(7)	1 810
Other comprehensive income (to be reclassified to profit and loss in future periods)				
Foreign currency translation differences for foreign operations	33	26		99
Net change in fair value of available-for-sale financial assets	26	10		(46)
Other comprehensive income for the period	59	36		53
Total comprehensive income for the period	863	897		1 863
Profit attributable to:				
- equity holders of the company	804	863	(7)	1 812
- non-controlling interest	-	(2)		(2)
Profit for the period	804	861		1 810
Total comprehensive income attributable to:				
- equity holders of the company	863	899	(4)	1 865
- non-controlling interest	-	(2)		(2)
Total comprehensive income for the period	863	897		1 863
Earnings per share (cents)				
- basic	229.7	246.8	(7)	517.9
- diluted	229.7	246.8	(7)	517.9
Note to the statement of comprehensive income				
Headline earnings per share (cents)				
- basic	229.7	246.7	(7)	516.0
- diluted	229.7	246.7	(7)	516.0
Dividend per share (cents)				
- interim	229.0	246.0	(7)	246.0
- final				270.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R million	Reviewed 31 March 2016	Reviewed 31 March 2015	Audited 30 Sept 2015
Assets			
Intangible assets	1 088	1 088	1 088
Equipment	38	37	37
Investment in equity-accounted investees	38	37	41
Deferred tax asset	98	129	145
Investments backing policyholder funds and investments held through investment partnerships	68 704	74 698	66 256
Investment securities	1 079	619	751
Taxation receivable	-	-	2
Trade and other receivables	485	525	509
Cash and cash equivalents	498	581	728
Total assets	72 028	77 714	69 557
Liabilities			
Long-term borrowings (note 3)	300	303	300
Deferred tax liabilities	68	80	78
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	68 640	74 621	66 181
External investors in consolidated funds	241	-	124
Taxation payable	23	77	-
Trade and other payables	515	572	705
Total liabilities	69 787	75 653	67 388
Net assets	2 241	2 061	2 169
Equity			
Share capital and premium	256	256	256
Retained earnings	1 617	1 669	1 757
Reserves	219	131	156
Total equity attributable to equity holders of the company	2 092	2 056	2 169
Non-controlling interest	-	5	-
Non-controlling interest in consolidated funds (note 5)	149	-	-
Total equity	2 241	2 061	2 169

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R million	Six months reviewed 31 March 2016	Six months reviewed 31 March 2015	Full year audited 30 Sept 2015
Cash flows from operating activities			
Profit from fund management	1 058	1 152	2 405
Non-cash and other adjustments	15	(3)	(21)
Operating profit before changes in working capital	1 073	1 149	2 384
Working capital changes	(175)	77	238
Cash flows from policyholders and investment partnership activities	3 997	(5 287)	(6 171)
Cash generated/(utilised) from operations	4 895	(4 061)	(3 549)
Interest paid	(11)	(6)	(15)
Income taxes paid	(181)	(234)	(634)
Net cash from operating activities	4 703	(4 301)	(4 198)
Cash flows from investing activities			
Finance and dividend income	15	13	32
Acquisition of equipment	(9)	(21)	(27)
Net acquisition of investment securities	(31)	(370)	(435)
Net cash from investing activities	(25)	(378)	(430)
Cash flows from financing activities			
Issue of preference shares	-	150	150
Dividends paid	(944)	(1 035)	(1 896)
Net cash from financing activities	(944)	(885)	(1 746)
Increase/(decrease) in cash and cash equivalents	3 734	(5 564)	(6 374)
Net decrease in cash and cash equivalents - shareholders	(263)	(277)	(203)
Net increase/(decrease) in cash and cash equivalents - policyholders and investment partnerships	3 997	(5 287)	(6 171)
Cash and cash equivalents at beginning of period	8 567	14 842	14 842
Cash and cash equivalents at beginning of period - shareholders	728	832	832
Cash and cash equivalents at beginning of period - policyholders and investment partnerships	7 839	14 010	14 010
Effect of exchange rate fluctuations on cash held	33	26	99
Cash and cash equivalents at end of period	12 334	9 304	8 567
Cash and cash equivalents at end of period - shareholders	498	581	728
Cash and cash equivalents at end of period - policyholders and investment partnerships	11 836	8 723	7 839

The above cash flows include the policyholder and investment partnership activities. These cash flows represent net contributions and withdrawals by policyholders and investment partnerships and the related investing activities. Cash and cash equivalents of policyholders and investment partnerships are not available for use by the shareholders of the group.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R million	Share capital and premium	Foreign currency translation reserve	Retained earnings	Share-based payment reserve	Re-valuation reserve	Issued capital and reserves attributable to equity holders of the company	Non-controlling interest	Total equity
Balance at 30 September 2014 (audited)	256	64	1 841	11	17	2 189	7	2 196
Total comprehensive income for the period								
Profit for the period			863			863	(2)	861
Other comprehensive income (to be reclassified to profit and loss in future periods)								
Currency translation differences		26				26		26
Revaluation of available-for-sale financial assets					10	10		10
- net change in fair value					11	11		11
- reclassified to profit or loss on disposal					(1)	(1)		(1)
Total other comprehensive income		26			10	36		36
Total comprehensive income for the period		26	863		10	899	(2)	897
Transactions with owners recorded directly to equity								
Share-based payments				3		3		3
Dividends paid			(1 035)			(1 035)		(1 035)
Total transactions with owners			(1 035)	3		(1 032)		(1 032)
Balance at 31 March 2015 (reviewed)	256	90	1 669	14	27	2 056	5	2 061
Total comprehensive income for the period								
Profit for the period			949			949	(2)	947
Other comprehensive income (to be reclassified to profit and loss in future periods)								
Currency translation differences		73				73		73
Revaluation of available-for-sale financial assets					(56)	(56)		(56)
- net change in fair value					(51)	(51)		(51)
- reclassified to profit or loss on disposal					(5)	(5)		(5)
Total other comprehensive income		73			(56)	17		17

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

R million	Share capital and premium	Foreign currency translation reserve	Retained earnings	Share-based payment reserve	Re-valuation reserve	Issued capital and reserves attributable to equity holders of the company	Non-controlling interest	Total equity
Total comprehensive income for the period		73	949		(56)	966	(2)	964
Transactions with owners recorded directly to equity								
Share-based payments				8		8		8
Dividends paid			(861)			(861)		(861)
Closure of subsidiary							(3)	(3)
Total transactions with owners			(861)	8		(853)	(3)	(856)
Balance at 30 September 2015 (audited)	256	163	1 757	22	(29)	2 169		2 169
Total comprehensive income for the period								
Profit for the period			804			804		804
Other comprehensive income (to be reclassified to profit and loss in future periods)								
Currency translation differences		33				33		33
Revaluation of available-for-sale financial assets					26	26		26
- net change in fair value					26	26		26
Total other comprehensive income		33			26	59		59
Total comprehensive income for the period		33	804		26	863		863
Transactions with owners recorded directly to equity								
Share-based payments				4		4		4
Dividends paid			(944)			(944)		(944)
Non-controlling interest in consolidated funds (note 5)							149	149
Total transactions with owners			(944)	4		(940)	149	(791)
Balance at 31 March 2016 (reviewed)	256	196	1 617	26	(3)	2 092	149	2 241

EARNINGS PER SHARE

	Six months reviewed 31 March 2016	Six months reviewed 31 March 2015	Full year audited 30 Sept 2015
Weighted average number of ordinary shares in issue during the period	349 799 102	349 799 102	349 799 102
Weighted average number of ordinary shares potentially in issue	349 799 102	349 799 102	349 799 102
R million			
Earnings attributable to shareholders	804	861	1 810
Non-controlling interest	-	2	2
Earnings attributable to ordinary shareholders	804	863	1 812
Profit on disposal of financial assets available for sale	-	(1)	(6)
Gain on disposal of group operations	-	-	(1)
Headline earnings attributable to ordinary shareholders	804	862	1 805
Actual number of shares in issue at the end of the period	349 799 102	349 799 102	349 799 102

CONDENSED CONSOLIDATED SEGMENT REPORT

	AFRICA			INTERNATIONAL			GROUP		
	Six months reviewed 31 March 2016	Six months reviewed 31 March 2015	Audited 30 Sept 2015	Six months reviewed 31 March 2016	Six months reviewed 31 March 2015	Audited 30 Sept 2015	Six months reviewed 31 March 2016	Six months reviewed 31 March 2015	Audited 30 Sept 2015
R million									
Segment external revenue	1 404	1 403	3 008	663	764	1 434	2 067	2 167	4 442
Segment operating expenses	(769)	(637)	(1 356)	(254)	(398)	(734)	(1 023)	(1 035)	(2 090)
Segment profit	635	766	1 652	409	366	700	1 044	1 132	2 352
Share of income of equity-accounted investee	4	4	8	-	-	-	4	4	8
Net finance and other income/ (expenses)	19	7	27	(9)	9	18	10	16	45
Profit from fund management	658	777	1 687	400	375	718	1 058	1 152	2 405
Income*							7	15	25
Profit before income tax							1 065	1 167	2 430
Segment assets	1 362	1 209	1 373	738	553	652	2 100	1 762	2 025
Investments*							69 928	75 952	67 532
Total assets							72 028	77 714	69 557

* Income and investments are attributable to and backing policyholder funds and investments held through investment partnerships, consolidated funds and other assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information has been prepared in accordance with and containing the information required by the International Financial Reporting Standards ("IFRS"); the International Accounting Standard 34 Interim Financial Reporting; the Listings Requirements of the JSE Limited; the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, as well as the South African Companies Act, Act 71 of 2008. The condensed consolidated financial statements do not include all of the information required for a complete set of IFRS annual financial statements.

These condensed consolidated financial statements have been prepared in accordance with the historical cost basis except for certain financial instruments which are stated at fair value. The condensed consolidated financial statements are presented in rand, rounded to the nearest million. The accounting policies applied in the presentation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those presented in the previous annual financial statements.

These reviewed results have been prepared under the supervision of H Rawoot CA(SA).

2. RELATED PARTY TRANSACTIONS

Related party transactions for the current period are similar to those disclosed in the group's annual financial statements for the year ended 30 September 2015. No new significant related party transactions arose during the current period.

3. LONG-TERM BORROWINGS

Cumulative redeemable preference shares of R150 million were issued by Coronation Investment Management (Pty) Ltd on 31 March 2014 in order to recapitalise licensed subsidiary companies for regulatory capital adequacy requirements. Dividends, linked to prime, are payable on a quarterly basis with capital repayment being due on 31 March 2017. A further R150 million was issued during March 2015 to recapitalise international subsidiaries that had previously held back profits to seed new investment funds. This amount is due on 31 March 2018 and is subject to the same terms.

4. FAIR VALUE DISCLOSURE

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- | | |
|---------|--|
| Level 1 | Quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of policyholder and investment partnership liabilities that are included in Level 1 of the hierarchy are measured with reference to the quoted prices in an active market of the investments underlying the liabilities. |
| Level 2 | Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as closing prices) or indirectly (i.e. derived from closing prices). The majority of Level 2 investments are deposits held with financial institutions. The fair values of these deposits are determined using a discounted cash flow valuation methodology based on market rates, reflecting the time value of money and counterparty credit risk.

The fair values of the policyholder and investment partnership liabilities included in Level 2 are measured with reference to the fair values of the mentioned assets underlying these liabilities. |
| Level 3 | Inputs for the asset or liability that are not based on observable market data (unobservable inputs). |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

R million	Level 1	Level 2	Level 3	Total
March 2016 (Reviewed)				
Investments backing policyholder funds and investments held through investment partnerships	55 884	9 221	-	65 105
Investment securities	1 045	-	34	1 079
	<u>56 929</u>	<u>9 221</u>	<u>34</u>	<u>66 184</u>
Policyholder, external investor and investment partnership liabilities	56 125	9 156	-	65 281
March 2015 (Reviewed)				
Investments backing policyholder funds and investments held through investment partnerships	63 737	5 017	-	68 754
Investment securities	591	-	28	619
	<u>64 328</u>	<u>5 017</u>	<u>28</u>	<u>69 373</u>
Policyholder, external investor and investment partnership liabilities	61 341	4 904	-	66 245
September 2015 (Audited)				
Investments backing policyholder funds and investments held through investment partnerships	56 909	6 075	-	62 984
Investment securities	717	-	34	751
	<u>57 626</u>	<u>6 075</u>	<u>34</u>	<u>63 735</u>
Policyholder, external investor and investment partnership liabilities	56 909	6 003	-	62 912

During the current reporting period there were no transfers of financial assets between the levels.

5. NON-CONTROLLING INTEREST IN CONSOLIDATED FUNDS

The consolidation of the Coronation Global Frontiers Fund has given rise to a non-controlling interest in the current period.

Directors: S Pather (Chairman)*, A C Pillay (CEO), L Boyce*, J G February*, J D McKenzie*, J A Snalam (CFO), A Watson* (* Independent non-executive)

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Registration number: 1973/009318/06

Transfer secretaries: Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg 2001

JSE share code: CML

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Sponsor: Deutsche Securities (SA) Proprietary Limited

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