

## HOW CORONATION CREATES VALUE FOR CLIENTS

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*Our key focus is on long-term investment outperformance.*

### Our client charter

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- › We strive to always put clients first
- › We have an unwavering commitment to the long term
- › We focus on producing top performance over all meaningful periods
- › We are uncompromising about ethics

All our employees commit to the Coronation client charter. Without clients, we have no business. As an independent asset manager with no tied assets, we are conscious of the fact that assets under our management can leave us on 24 hours' notice. Putting clients' needs first is key to our survival as a business.

Coronation has two primary client markets: institutional clients (South Africa and international); and personal investors (South Africa only). We aim to meet all client needs by delivering strong long-term investment returns and excellent client service, with a commitment to:

### No window-dressing of returns

- › Institutional and retail clients are treated equally
- › We were the first asset manager in South Africa to comply with the Global Investment Performance Standards; a set of ethical standards for investment managers

### Appropriate products

- › We offer a complete institutional offering across asset classes and geographies
- › Our focused range of domestic and international unit trust funds is grouped by investor need

### A highly skilled and stable investment team

- › We have one of the biggest and most stable investment teams in South Africa
- › On average, team members have 13.3 years' investment experience
- › Three former chief investment officers still actively manage money

## How we deliver investment outperformance

For almost a quarter of a century, Coronation has invested its clients' savings according to the same disciplined philosophy.

- ▶ We take a long-term view when we value an investment opportunity. We ignore short-term movements and sentiment and we look at the true prospects for a business over the next five to 10 years.
- ▶ Our own, unique research determines what a share is worth (its fair value). We will only invest if we think the current price is sufficiently below this level, thereby offering a significant margin of safety. Our investment analysis is based on our own detailed financial modelling. We take environmental, social and governance (ESG) considerations into account as we build an investment case (→ *refer to pages 27 to 28 for more information*).
- ▶ We carefully consider risk in our valuations, and diversify our investment portfolios across sectors, industries, regions and currencies. We will not allow a portfolio to hinge on a single view, no matter how much we believe in it. Our focus remains on building diversified portfolios of undervalued assets that can withstand shocks.
- ▶ We believe in a team-based approach. Our investment team of 67 professionals covering the South African and global

markets sit together in a single, open-plan office. Decisions are therefore not made in a vacuum – our team interacts and exchanges investment information constantly. Our analysts and fund managers are allocated a wide range of investments across different industries and countries. They can therefore 'price profit and risk' across asset classes, sectors and geographies. We believe this broader perspective builds better investors, drives more robust debate and results in stronger investment decisions.

We know that all clients are different, each with differing risk budgets and return targets. This is why we offer a complete fund range that includes building blocks (single asset class) and multi-asset funds. In this way, clients are empowered to select the fund that best meets their needs at a specific point in time. All clients receive the same investment outcomes – no matter their size, or whether they invested directly with Coronation, or through their retirement fund or intermediaries.

In our pursuit of generating long-term outperformance, we are fortunate that the majority of our clients understand this may, from time to time, come at the cost of underperformance in the short term. While these periods may be uncomfortable and testing, we have endured them many times throughout our 25-year history. We therefore know that they are an important part of our compelling and proven long-term investment track record.

## Institutional clients

We are one of the largest managers of institutional assets in South Africa. Our clients include pension and provident funds, medical schemes, major banking and insurance groups, as well as other asset managers, through their multi-manager offerings. Distribution is conducted primarily through investment consultants, multi-managers and umbrella funds. We also manage assets for a growing number of international retirement funds, endowments and family offices.

*Our institutional products cover all asset classes across a number of geographies in both segregated and pooled mandates.*

## Investment strategies

### SOUTH AFRICA

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- › Specialist Equity
- › Specialist Fixed Income
- › Global Multi-Asset
- › Domestic Multi-Asset

#### Hedge funds

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- › Equity
  - › Fixed Interest
  - › Multi-Strategy
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### GLOBAL EMERGING MARKETS

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- › Equity Long Only
  - › Equity Hedge
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### GLOBAL

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- › Specialist Equity
  - › Global Diversified Growth
  - › Global Capital Preserver
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### FRONTIER MARKETS

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- › Africa Frontiers (excluding South Africa)
  - › All Africa
  - › Global Frontiers
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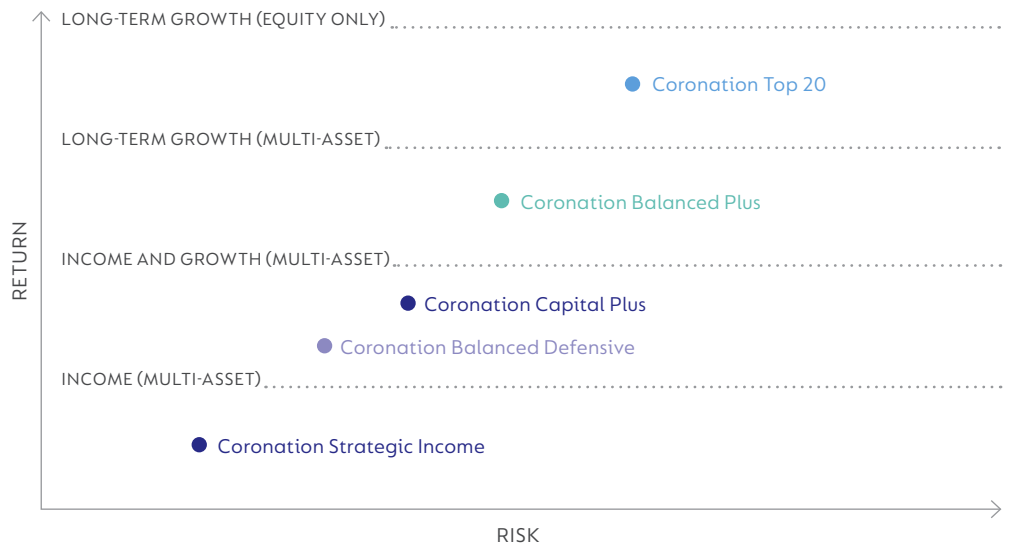
## Personal investment clients

*Our unit trust management company is one of the foremost managers of long-term assets in the South African collective investment schemes industry.*

We offer a comprehensive product range, including specialist funds, individual retirement and life products, and tax-free investments. All funds are directly available from Coronation. We also distribute through the non-affiliated channels of discretionary managers, independent financial advisers and third-party linked investment service providers. We focus solely on investment management; we are not involved in other areas of the value chain, such as investment platform administration and the provision of financial advice.

For South African investors, we offer a focused range of domestic and international funds grouped by investor need:

### *Domestic flagship funds*



### *International flagship funds*



## Engaging with our clients

### Institutional

Coronation's dedicated client relationship managers and fund managers attend to client requests. These managers have frequent investment report backs and meetings with clients. We release monthly and quarterly reports on our investment portfolios. During 2018, we visited clients in 16 countries, held 621 face-to-face engagements, gave 400 presentations and made around 3 200 client calls. To align our communication with the changing consumption patterns of our clients, we broadened our channels to include podcasts and increased the frequency of releasing thought pieces or topical market commentary.

### Personal investments

A team of client service professionals responds to all client queries in accordance with strictly monitored turnaround times. All client-facing employees undergo intensive product and compliance training, and we offer programmes

to improve communication skills. Financial advisers are supported by Coronation investment specialists. Clients and advisers receive regular communication covering a range of investment-related topics. This includes market insights and regulatory updates. In addition, our Company website provides extensive product information. We host comprehensive roadshows, meetings and presentations throughout the course of the year, and conduct focused research via multiple customer touchpoints.

## 2018 outcomes for clients

### Long-term investment performance

Our institutional and individual clients who have invested with us for meaningful periods of time have enjoyed exceptional returns. While our short-term performance in certain strategies has disappointed, our long-term performance continues to place us among the top-tier fund managers.

## INSTITUTIONAL PERFORMANCE – SOUTH AFRICAN PORTFOLIOS

<b>South African Specialist Equity</b>	<b>Annualised return</b>	<b>Active return</b>
<b>Coronation Houseview Equity</b> Since inception in October 1993	16.6%	2.3% p.a.
<b>Coronation Aggressive Equity</b> Since inception in February 2002	16.5%	1.9% p.a.
<b>Domestic Multi-Asset</b>	<b>Annualised return</b>	<b>Active/real return</b>
<b>Coronation Global Houseview</b> Since inception in October 1993	15.9%	9.8% p.a. Real (after-inflation) return
<b>Coronation Managed</b> Since inception in May 1996	16.1%	10.2% p.a. Real (after-inflation) return
<b>South African Specialist Fixed Income</b>	<b>Annualised return</b>	<b>Active return</b>
<b>Coronation Strategic Bond</b> Since inception in January 2008	9.8%	1.4% p.a.
<b>Coronation Active Bond</b> Since inception in July 2000	11.4%	1.0% p.a.

## INSTITUTIONAL PERFORMANCE – GLOBAL PORTFOLIOS

Global portfolios	Annualised return (USD)	Active/real return
<b>Coronation Global Emerging Markets Equity Strategy</b> Since inception in July 2008 (USD)	6.1%	3.4%
<b>Coronation Africa Frontiers</b> Since inception in October 2008 (USD)	9.5%	8.8% Number one in its global peer group
<b>Coronation Global Equity Fund of Funds</b> Since inception in July 2000 (USD)	6.9%	1.9%
<b>Coronation Global Managed Strategy</b> Since inception in November 2009 (USD)	8.2%	6.5% Real (after inflation) return

All institutional performance returns are stated gross of fees as at 30 September 2018.

## UNIT TRUST PERFORMANCE – DOMESTIC AND INTERNATIONAL FUNDS

Fund name	Annualised return	Fund highlight
<b>Coronation Top 20<sup>1</sup></b> Since inception in October 2000	<b>17.8%</b> 3.7% p.a. alpha	A top-performing general equity fund since inception
<b>Coronation Balanced Plus<sup>1</sup></b> Since inception in April 1996	<b>14.6%</b> 8.2% p.a. real return	The no. 1 balanced fund in South Africa since inception
<b>Coronation Capital Plus<sup>1</sup></b> Since inception in July 2001	<b>12.1%</b> 6.2% p.a. real return	The no. 1 multi-asset medium equity fund in South Africa since inception
<b>Coronation Balanced Defensive<sup>1</sup></b> Since inception in February 2007	<b>9.7%</b> 3.6% p.a. real return	A top-performing conservative fund since inception
<b>Coronation Strategic Income<sup>1</sup></b> Since inception in July 2001	<b>10.3%</b> 2.6% p.a. ahead of cash	The no. 1 multi-asset income fund in South Africa since inception
<b>Coronation Global Opportunities Equity [ZAR] Feeder<sup>2</sup></b> Since inception in August 1997	<b>7.0%</b> 0.9% p.a. alpha	Outperformed the global equity market by 0.9% per annum over more than two decades
<b>Coronation Global Managed [ZAR] Feeder<sup>2</sup></b> Since inception in October 2009	<b>6.6%</b>	The no. 1 global multi-asset high-equity fund in South Africa since inception

<sup>1</sup> Rand returns

<sup>2</sup> US dollar returns

All performance returns are stated net of fees for the respective retail classes as at 30 September 2018.

For the highest and lowest actual and annual figures as well as fund benchmarks, refer to the respective funds' comprehensive fact sheet available on [www.coronation.com](http://www.coronation.com).

## Client service

We aim to provide excellent service to all our clients.

In our Annual Investor Survey, we received 5 004 completed surveys. We discovered:

- 84% of clients are happy (or very happy) with long-term investment performance;
- More than 90% of clients rate their online services as good (or excellent);
- 97% of clients found it easy (or very easy) to transact;
- 98% of clients found it easy (or very easy) to open an investment; and
- 98% of clients said Coronation consultants' responses to their queries were professional and well informed.

We maintain a complaints policy, and have established systems and procedures to identify, investigate and resolve any client complaints.

## Client communication

We provide our clients with regular investment information, including through our quarterly *Corospondent* newsletter, which is distributed to both clients and advisers. We have added to our communications this year by releasing topical, relevant articles on a more regular basis as well as increasing the number of podcasts we produce. Our Conversations with Coronation presentation series continues to enjoy strong support from the professional adviser market, once again attracting a large number of attendees in 2018. The presentations also form part of advisers' continued professional development training. Additional channels of communication include our coroconnect adviser information portal.

## Fair fees

We have shown over the years, time and time again, that we value our investment track record far more than our profitability or our market share. Every decision we make is driven by the sincere desire to deliver the best possible investment outcome for our clients.

As part of this commitment, we continually review the fees on our products to make sure they reflect market conditions and offer compelling value to clients.

In recent years, we lowered fees on a number of our funds.

We conducted a major unit trust fee review in 2015 that affected most of our funds. The key aim was to simplify and standardise our fee approach. We introduced pioneering performance-related fee structures for our equity-biased funds, as well as fixed fees for all lower and moderate risk multi-asset funds; 2017 was the first full year during which this lower fee structure was in place, resulting in meaningful fee reductions for clients.

Following the fee reductions announced in 2015, we implemented further fee cuts to our income- and growth, and international funds. All our flagship multi-asset funds now charge the same fixed fee of 1.25% for direct retail investors and 0.85% for clean-class investors via third-party platforms. This is the fee currently charged by our largest fund, Coronation Balanced Plus. As our international business continues to grow, we were also able to share some of the scale benefits with all clients through lower fund management and administration charges in our global funds.

In terms of the current fee structure, fees relating to our equity-biased funds with performance-related fee structures (Top 20, Equity, Market Plus and Global Emerging Markets) were discounted given the underperformance experienced in the past year.

## Fees aligned with clients' interests

### BASE FEE

SET SIGNIFICANTLY BELOW  
TYPICAL FIXED-FEE RATES

### PERFORMANCE FEE

ONLY CHARGED WHEN WE  
DELIVER OUTPERFORMANCE OF  
AN INVESTABLE INDEX

CREDITED WITH A **DISCOUNT**  
IF WE UNDERPERFORM  
APPROPRIATE BENCHMARKS  
OVER A FIVE-YEAR PERIOD  
UNTIL OUTPERFORMANCE  
RESUMES

## Appropriate products

We believe that we currently offer a comprehensive institutional offering across asset classes and geographies, and our focused range of domestic and international unit trusts is suitable for most investor needs. However, we are constantly reviewing and updating our products and have some new products in the pipeline, one of which will be announced at the beginning of 2019. We will also adapt our products to changes in the regulatory environment, if and when the need arises. We only develop new products when we believe that a new mandate can sustainably meet a clearly defined investor need, and in areas where we have adequate capacity, resources and expertise to deliver competitive results over meaningful periods.

This year we added more funds to our Tax-free Investment (TFI) product. Investors can now also choose to invest in our flagship Balanced Plus Fund, our Balanced Defensive Fund, or our Capital Plus Fund. We also added our Global Opportunities Equity Fund of Funds as a TFI option.

To encourage new investors to start saving, and in conjunction with our 25th birthday celebration, for the months of July to September, we dropped our minimum investment requirements and offered a 10% top-up to any starting contribution up to maximum of R250 in our [becauseitsyourmoney](#) investment channel.

Prospective investors could access our funds through our [becauseitsyourmoney.com](#) mobile site. The investment process could be completed on your phone in five minutes. Over the three months, we received over 800 applications.

To help advisers meet their Financial Intermediary and Advisory Services Act (FAIS) training requirements, we recently introduced

our product-specific training module, available on FAIS Exchange. We have also been working hard to ensure that our Coronation events qualify for FAIS CPD points.

## Client security

We continue to invest in making sure our clients' information is secure and their investments are protected. Over the year, we introduced a number of new controls and checks, including a SIM swap check that will temporarily block users to our secure website should their phone number have recently undergone a SIM swap.

## Performance summary report

This year, we also introduced a performance summary report for our investors. Via our secure website, investors can now download a report detailing their personal return across their various Coronation investments (using the internal rate of return calculation methodology).

## Focus for the year ahead

Our main focus remains on delivering investment excellence for our clients. We will seek exceptional performance across all our strategies and build on our current long-term outperformance by adhering to our strict investment philosophy and maintaining a stable investment team.

We will ensure we maintain and improve relationships and service levels with our clients and will actively engage and communicate with them. We will investigate new products in line with the changing investment landscape, and an institutional and retail world which is moving closer together.