

- 👑 Assets under management of R492 billion, up 45%
- 👑 Diluted headline earnings per share of 416 cents, up 110%
- 👑 Total dividend per share of 416 cents

REVIEWED PRELIMINARY FINANCIAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2013

Coronation Fund Managers celebrates its 20th year in business with an outstanding set of results for the 12 months to 30 September 2013. The environment remained very supportive in the period under review, with equity markets around the world delivering high returns (MSCI World Index up 21% and FTSE/JSE All Share Index up 27%). However, volatility was high, with emerging markets selling off during the third quarter of the financial year on the US Federal Reserve's announcement of possible quantitative easing tapering. These markets then rallied strongly in September when no change was made, producing 1.3% (as measured by the MSCI Emerging Markets Index) for the financial year. The rand fell 17.2% against the US dollar to close the period under review at R10.03, and 21.2% against the euro to close at R13.55.

Results

The continuation of excellent investment performance and the substantially increased asset base, as reported in the first half of the year, led to an 84% increase in revenue to R3.6 billion for the financial year. This resulted in an increase in profit from fund management of 102% to R2 billion and diluted headline earnings per share of 110% to 416 cents (September 2012: 197.8 cents). If the effect of Secondary Tax on Companies (STC) in the 2012 financial year is removed, as a result of the introduction of Dividends Tax (DT), the increase in diluted headline earnings per share is 102%.

Business update

Anchored by its unwavering commitment to investing for the long term, the business produced market-beating returns in a strong (yet highly volatile) market environment, attracting significant net inflows of R54 billion, including direct flows into international products of R17 billion. For the year ended 30 September 2013, our total assets under management grew by 45% to R492 billion (September 2012: R339 billion), including an increase in our international assets under management to R80 billion.

The business is built around two primary client market segments. The institutional business offers local and international mandates to South African and international investors, while our retail offering focuses on a range of domestic and international unit trust funds for local investors.

Institutional

The institutional business enjoyed strong support during the financial year, attracting total net inflows of R20.7 billion. R13.2 billion of this figure constituted direct flows from South African and global clients into our international pooled and segregated mandates.

As a long-term manager, we believe that the true measure of investment performance is over meaningful periods of five years and longer. We are proud of our domestic and global balanced portfolios having recorded 1st quartile performances over longer-term reporting periods of 5 and 10 years in the respective Alexander Forbes SA Large Manager Watch™ and Global Large Manager Watch™ surveys as at end September 2013. The power of compounding is critical to long-term wealth creation, and we are pleased to report that over its 20-year track record the Coronation Houseview Equity Portfolio has returned an annualised alpha of 3.6% (gross of fees) since inception in October 1993. Likewise, our first-to-market absolute portfolio, Global Absolute (launched August 1999), has generated alpha of 5.6% p.a. (gross of fees).

The uptake from global capital allocators into our Global Emerging Markets and Africa mandates reflects the solid performance track records established by these portfolios over the past five years. Since inception in July 2008, the Coronation Global Emerging Markets Fund has outperformed its benchmark by 9.3% p.a. (gross of fees), placing it 2nd in a global peer group of 63 funds as at end September 2013 (Source: Bloomberg data net of fees). Likewise, the Coronation Africa Frontiers Portfolio has generated an exceptional annualised outperformance of 11.5% (gross of fees) of its benchmark since inception in October 2008.

Retail

The retail business attracted a significant portion of the flows into the South African collective investment schemes industry. Total net inflows for the financial year registered R33.3 billion. Coronation remains the 2nd largest manager of long-term retail assets in the country, with a market share of 13.6% (September 2012: 11.2%).

During the period, Coronation was named Raging Bull Best Domestic Management Company of the Year and Morningstar Best Large Fund House (for the third consecutive year). These industry accolades are supported by the 1st quartile rankings achieved across all domestic and international flagship funds in their respective Morningstar categories since launch to 30 September 2013. Highlights include:

- Coronation Top 20, the no. 1 equity fund since inception in October 2000, which has outperformed its benchmark by a strong 6.5% p.a. (after fees) since launch
- Coronation Balanced Plus, the no. 1 balanced fund in South Africa since launch in April 1996, which has outperformed its average competitor by 2.8% p.a. (after fees)
- Coronation Capital Plus, which has delivered a return ahead of inflation of 8.6% p.a. (after fees) since inception in July 2001
- Coronation Balanced Defensive, the no. 1 conservative fund in South Africa since inception in February 2007, which has outperformed inflation by 4.9% (after fees)

– Coronation Strategic Income, which has outperformed cash by on average 3.0% p.a. (after fees) since inception in July 2001

– Coronation Global Opportunities [ZAR] Feeder Fund (formerly named Coronation World Equity [ZAR]), which has outperformed the global equity market by 1.9% p.a. (after fees) since launch in August 1997

Transformation

On 28 February 2013, Coronation's broad-based black economic empowerment partner, the Imvula Trust (Imvula), acquired a direct ownership of 10% in Coronation in exchange for Imvula's shareholding in the unlisted Coronation Investment Management (Pty) Ltd. Imvula, the beneficiaries of which comprise all black staff, was created in April 2005. Coronation is a Level III contributor as measured by the Department of Trade and Industry's Broad-Based Black Economic Empowerment Codes of Good Practice (issued by Empowerdex).

Final 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 considering projected cash requirements, a final gross dividend of 253 cents per share has been declared for the year ended 30 September 2013, resulting in a net dividend of 215.05 cents per share for shareholders subject to DT. Together with the interim gross dividend of 163 cents per share, this amounts to a total gross dividend of 416 cents per share for the year. No STC credits are available to be utilised.

In compliance with the Listings Requirements of the JSE Limited, the following dates are applicable:

Last day to trade	Friday, 29 November 2013
Shares trade ex dividend	Monday, 2 December 2013
Record date	Friday, 6 December 2013
Payment date	Monday, 9 December 2013

Share certificates may not be dematerialised or rematerialised between Monday, 2 December 2013 and Friday, 6 December 2013, both dates inclusive.

Dividends declared after 31 March 2012 are subject to DT, where applicable. 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 9675 107 719.

Prospects

We continue to caution investors that the absolute levels of returns delivered by capital markets are unsustainable and that we expect lower returns in the future.

Over our 20-year history we have established a robust business. However, as a cyclical business our revenues are highly geared to market returns and the alpha we deliver in the funds we manage. We remain mindful of the fact that the alpha we generate is lumpy and that alpha is currently at a cyclical high across many of the funds we manage. There will be years where the performance fees earned do not significantly contribute to revenue.

The years ahead will undoubtedly present a more difficult investment environment and we will remain focused on creating long-term value through the cycle for all stakeholders.

External audit review

The external auditors, Ernst & Young Inc., reviewed the preliminary condensed statement of financial position of Coronation Fund Managers Limited Group as at 30 September 2013 and the related condensed statement of comprehensive income, changes in equity and cash flows for the year 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 Ernst & Young Inc. are available for inspection at the registered office of the company.

Shams Pather
Chairman

Anton Pillay
Chief Executive Officer

John Snalam
Chief Financial Officer

Cape Town
12 November 2013

Directors: S Pather (Chairman)*, A C Pillay (CEO), J G February*, J D McKenzie*, J A Snalam (CFO), A Watson* (* Independent Non-Executive)

Registered office: 7th Floor, MontClare Place, Cnr Campground and Main Roads, Claremont 7708, Cape Town

Postal address: PO Box 44684, Claremont 7735, Cape Town

Registration number: 1973/009318/06

Transfer secretaries: Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg 2001

JSE share code: CML **ISIN:** ZAE000047353 **Website:** www.coronation.com

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Reviewed		Audited
	30 Sept 2013	% Change	30 Sept 2012
	R million		R million
Fund management activities			
Revenue	3 635	84	1 975
Other income	3		3
Operating expenses	(1 695)	67	(1 016)
Share-based payment expense	(6)		(3)
Other expenses	(1 689)		(1 013)
Results from operating activities	1 943	102	962
Finance and dividend income	27		18
Finance expense	-		(5)
Share of income of equity-accounted investee	5		4
Profit from fund management	1 975	102	979
Income attributable to policyholder linked assets and investment partnerships	88	106	43
Net fair value gains on policyholder and investment partnership financial instruments	133		58
Administration expenses borne by policyholders and investors in investment partnerships	(45)		(15)
Profit before income tax	2 063		1 022
Income tax expense	(606)		(338)
Taxation on shareholder profits	(518)		(295)
Taxation on policyholder investment contracts	(88)		(43)
Profit for the year	1 457	113	684
Other comprehensive income (to be reclassified to profit or loss in future periods)	24		3
Foreign currency translation differences for foreign operations	21		-
Net change in fair value of available-for-sale financial assets	4		3
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	(1)		-
Total comprehensive income for the year	1 481		687
Profit attributable to:			
- equity holders of the company	1 455	113	684
- non-controlling interest	2		-
Profit for the year	1 457		684
Total comprehensive income attributable to:			
- equity holders of the company	1 479	115	687
- non-controlling interest	2		-
Total comprehensive income for the year	1 481	116	687
Earnings per share (cents)			
- basic	434.0	100	217.3
- diluted	416.1	110	197.8
Note to the statement of comprehensive income			
Headline earnings per share (cents)			
- basic	433.9	100	217.3
- diluted	416.0	110	197.8
Dividend per share (cents)			
- interim	163.0	72	95.0
- final	253.0	128	111.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed		Audited
	30 Sept 2013	% Change	30 Sept 2012
	R million		R million
Assets			
Goodwill and intangible assets	1 088		1 088
Equipment	16		13
Investment in equity-accounted investees	34		33
Deferred tax asset	111		6
Investments backing policyholder funds and investments held through investment partnerships	70 269		53 669
Investment securities	175		112
Trade and other receivables	946		321
Cash and cash equivalents	294		426
Total assets	72 933		55 668
Liabilities			
Deferred tax liabilities	78		31
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	70 191		53 639
Taxation payable	11		13
Trade and other payables	646		510
Total liabilities	70 926		54 193
Net assets	2 007		1 475
Equity			
Share capital and premium	256		256
Retained earnings	1 570		1 070
Reserves	177		147
Total equity attributable to equity holders of the company	2 003		1 473
Non-controlling interest	4		2
Total equity	2 007		1 475

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*

	Reviewed		Restated
	30 Sept 2013	% Change	30 Sept 2012
	R million		R million
Cash flows from operating activities			
Profit for the year	1 975		979
Non-cash and other adjustments	(17)		(7)
Operating profit before changes in working capital	1 958		972
Working capital changes	(489)		70
Cash flows from policyholder and investment partnership activities	5 399		4 931
Cash generated from operations	6 868		5 973
Interest paid	-		(6)
Income taxes paid	(626)		(288)
Net cash from operating activities	6 242		5 679
Cash flows from investing activities			
Finance and dividend income	27		18
Acquisition of equipment	(12)		(5)
Purchases of investment securities	(56)		(78)
Net cash from investing activities	(41)		(65)
Cash flows from financing activities			
Repayment of interest-bearing borrowing	-		(43)
Other	-		(1)
Dividends to shareholders	(955)		(606)
Net cash from financing activities	(955)		(650)
Increase in cash and cash equivalents	5 246		4 964
Net (decrease)/increase in cash and cash equivalents - shareholders	(153)		33
Net increase in cash and cash equivalents - policyholders and investment partnerships	5 399		4 931
Cash and cash equivalents at beginning of year	9 809		4 845
Cash and cash equivalents at beginning of year - shareholders	426		393
Cash and cash equivalents at beginning of year - policyholders and investment partnerships	9 383		4 452
Exchange rate adjustments	21		-
Cash and cash equivalents at end of year	15 076		9 809
Cash and cash equivalents at end of year - shareholders	294		426
Cash and cash equivalents at end of year - policyholders and investment partnerships	14 782		9 383

* The above cash flows and comparatives include the policyholder and investment partnership activities which were previously excluded. These cash flows represent net contributions and withdrawals by policyholders and investment partnerships and the related investing activities. Comparative amounts have been restated accordingly. Cash and cash equivalents of policyholders and investment partnerships are not available for use by the group.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R million	Share capital and premium	Foreign currency translation reserve	Retained earnings	Share-based payment reserve	Revaluation reserve	Issued capital and reserves attributable to equity holders of the company		Non-controlling interest	Total equity
						2013	2012		
Balance at 30 September 2011	256	21	993	118	2	1 390	2	1 392	
Total comprehensive income for the year			684			684		684	
Profit for the year			684					684	
Other comprehensive income									
Currency translation differences									
Revaluation of available-for-sale financial assets - net change on fair value					3	3		3	
Total other comprehensive income					3	3		3	
Total comprehensive income for the year			684		3	687		687	
Transactions with owners recorded directly in equity									
Share-based payments				3		3		3	
Dividends paid			(606)			(606)		(606)	
Imvula units acquired by the Imvula Trust			(1)			(1)		(1)	
Total transactions with owners			(607)	3		(604)		(604)	
Balance at 30 September 2012	256	21	1 070	121	5	1 473	2	1 475	
Total comprehensive income for the year			1 455			1 455	2	1 457	
Profit for the year			1 455				2	1 457	
Other comprehensive income									
Currency translation differences		21				21		21	
Revaluation of available-for-sale financial assets - net change in fair value					3	3		3	
- reclassified to profit or loss on disposal					(1)	(1)		(1)	
Total other comprehensive income		21			3	24		24	
Total comprehensive income for the year		21	1 455		3	1 479	2	1 481	
Transactions with owners recorded directly to equity									
Share-based payments				6		6		6	
Dividends paid			(920)			(920)		(920)	
Distributions to Imvula Trust beneficiaries			(35)			(35)		(35)	
Total transactions with owners			(955)	6		(949)		(949)	
Balance at 30 September 2013	256	42	1 570	127	8	2 003	4	2 007	

RECONCILIATION OF HEADLINE EARNINGS

	Reviewed 30 Sept 2013	Audited 30 Sept 2012
	R million	R million
Earnings attributable to ordinary shareholders	1 455	684
Effect of adjustments	-	-
Profit on disposal of available-for-sale financial assets	(1)	-
Loss on loss of control of the Imvula Trust	1	-
Headline earnings attributable to ordinary shareholders	1 455	684

DILUTED NUMBER OF SHARES

	Reviewed 30 Sept 2013	Audited 30 Sept 2012
	'000	'000
Weighted average number of shares in issue	335 328	314 819
Shares to be issued		
- BEE transaction	14 434	34 798
Diluted weighted average number of shares in issue	349 762	349 617

CONDENSED CONSOLIDATED SEGMENT REPORT

R million	Africa		International		Group	
	Reviewed 30 Sept 2013	Restated Audited 30 Sept 2012	Reviewed 30 Sept 2013	Restated Audited 30 Sept 2012	Reviewed 30 Sept 2013	Audited 30 Sept 2012
Segment external revenue	2 871	1 598	764	377	3 635	1 975
Segment operating expenses	(1 310)	(844)	(385)	(172)	(1 695)	(1 016)
Segment profit	1 561	754	379	205	1 940	959
Share of income of equity accounted investee	5	4	-	-	5	4
Net financial income/(expense)	30	18	-	(2)	30	16
Profit from fund management	1 596	776	379	203	1 975	979
Income attributable to policyholder linked assets and investment partnerships					88	43
Profit before income tax					2 063	1 022
Segment assets	1 172	671	259	201	1 431	872
Investments backing policyholder funds and investments held through investment partnerships and other assets					71 502	54 796
Total assets					72 933	55 668

Comparatives have been restated for international business previously reported as Africa.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The financial information has been prepared in accordance with the framework concepts and the measurements and recognition requirements of the International Financial Reporting Standards; 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 Reporting 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 full 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, except as stated, are consistent with those presented in the previous annual financial statements.

These preliminary reviewed results have been prepared under the supervision of financial manager, A Rhoda CA(SA).

2. Related party transactions

The group, in the ordinary course of business, entered into various sale and purchase transactions at an arm's length basis at market rates with related parties.

Sponsor

Deutsche Bank
Deutsche Securities (SA) (Proprietary) Limited
(A non-bank member of the Deutsche Bank Group)



CORONATION
FUND MANAGERS