

- 👑 **Assets under management of R588 billion, up 20%**
- 👑 **Diluted headline earnings per share of 571.6 cents, up 37%**
- 👑 **Total dividend per share of 571 cents**

REVIEWED PRELIMINARY CONDENSED FINANCIAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

Long-term investment house Coronation Fund Managers delivered a good set of results for the 12 months to 30 September 2014. Strong investment performance was supported by a positive market environment for a large part of the year. However, in the month of September, equity markets sold off as commodity prices plummeted and emerging markets fell sharply. For the financial year, the MSCI World Index returned 12.8%, while the MSCI Emerging Markets Index delivered 4.7% (both in US dollar terms). The South African equity market produced a US dollar return of 2.6% over the same period, amounting to 15.4% in rand terms. Continuing its decline, the rand lost 11% against the US dollar (to close at R11.28) and 4.8% against the euro (to close at R14.24). The domestic currency remained among the worst performing emerging market currencies over the period.

Results

The substantially increased asset base, combined with good investment performance, assisted in generating a 31% rise in revenue to R4.8 billion for the financial year. This resulted in an increase in profit from fund management of 35% to R2.7 billion and diluted headline earnings per share of 37% to 571.6 cents (September 2013: 416.0 cents).

Business update

Coronation is a cyclical business with a proven investment philosophy and impressive long-term track record. For the year, assets under management increased by 20% to R588 billion (September 2013: R492 billion), supported by total net inflows of R32 billion. In line with our strategy to further grow the global franchise, international products represented 66% (R21 billion) of this inflow. Total international assets under management grew by 49% to R127 billion (September 2013: R85 billion). Key highlights from our primary client market segments, institutional and retail, are included below.

Institutional

Net flows into our institutional business were close to zero, with inflows to our emerging market product countering outflows from our mature South African business. Investors should expect our domestic institutional business to continue to experience outflows, given our strategic decision to close the SA Equity product range and the Balanced and Absolute Return range to new clients in 2012.

Our long-term track record is evident in the 1st quartile rankings achieved over all meaningful periods by virtually all our products. We consider meaningful periods of performance to be in excess of five years. Our balanced funds have consistently delivered top-quartile performance over meaningful periods in the Alexander Forbes SA Large and Global Large Manager Watch™ surveys and our longest-running domestic equity fund, Houseview Equity, has delivered an annualised alpha of 3.2% (gross of fees) since its inception in October 1993. Our first-to-market absolute portfolio, Global Absolute, has produced alpha of 5.3% p.a. (gross of fees) since inception in August 1999. Finally our specialist bond portfolio, Strategic Bond, has outperformed the local bond market by 1.7% p.a. (gross of fees) since inception in January 2008.

Managed from Cape Town, our Emerging Market and Africa products have continued to produce both market- and peer-beating returns since their respective launch dates in 2008. The Coronation Global Emerging Markets Fund has generated an annualised alpha of 7.0% (gross of fees) since July 2008, while the Coronation Africa Frontiers portfolio has outperformed its benchmark by 12.9% p.a. (gross of fees) since October 2008.

Retail

The retail business continued to attract a disproportionate level of industry flows, with total net inflows amounting to R32 billion across our domestic retail product range. We do not expect flows at these levels to persist in the years ahead.

Coronation is now the largest manager of long-term retail assets in the local collective investment schemes industry, with a market share of 15.1% (September 2013: 13.6%). For the second consecutive year, Coronation was named Raging Bull South African Management Company of the Year, and for the fourth consecutive year, Morningstar Best Large Fund House.

As at 30 September 2014, all domestic and international flagship funds ranked in the 1st quartile of their respective Morningstar categories since launch, the highlights of which include:

- Coronation Top 20 has outperformed its benchmark by 5.6% p.a. (after fees) since launch in October 2000.
- Coronation Balanced Plus, the no. 1 multi-asset high equity fund in South Africa since launch in April 1996, has outperformed its average competitor by 2.7% p.a. (after fees) over the same period.
- Coronation Balanced Defensive, the no. 1 multi-asset low equity fund in South Africa since launch in February 2007, has outperformed inflation by 4.8% p.a. (after fees) over the same period.
- Coronation Strategic Income, the no. 1 multi-asset income fund since inception in July 2001, has outperformed cash on average by 2.9% p.a. (after fees) over the same period.
- Coronation Global Opportunities Equity [ZAR] Feeder, the no. 1 global equity general fund in South Africa since inception in August 1997, has outperformed the global equity market by 1.5% p.a. (after fees in rands) over the same period.
- Coronation Global Managed [ZAR] Feeder, the no. 1 global multi-asset high equity fund in South Africa since inception in October 2009, has outperformed its composite benchmark by 1.6% p.a. (after fees in rands) over the same period.

Transformation

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).

Board appointment

On 7 October 2014, Lulama Boyce was appointed independent non-executive director. Ms Boyce, a qualified chartered accountant, is also an independent non-executive director of Coronation Management Company (RF) Proprietary Limited and Coronation Life Assurance Company Limited.

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.

Accounting for projected cash requirements, a final gross dividend of 296 cents per share has been declared for the year ended 30 September 2014, resulting in a final net dividend of 251.6 cents per share for shareholders subject to Dividends Tax (DT). Together with the interim gross dividend of 275 cents per share, this amounts to a total gross dividend of 571 cents per share for the year. No STC credits are available.

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

Last day to trade	Friday, 28 November 2014
Shares trade ex dividend	Monday, 1 December 2014
Record date	Friday, 5 December 2014
Payment date	Monday, 8 December 2014

Share certificates may not be dematerialised or rematerialised between Monday, 1 December 2014 and Friday, 5 December 2014, 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 have been cautioning investors for some time to expect lower returns from markets. The declines in both the local and global equity markets in September and October of this year have reminded investors that markets do not always follow an upward trajectory.

Coronation is a cyclical business that has benefited from strong markets and excellent performance across our fund range. Earnings are highly geared to market returns and shareholders should not expect earnings to grow every year off the current high base.

Volatility typically presents an opportunity to long-term investors. We therefore welcome recent market movements as an opportunity to add value in our client portfolios. We will diligently adhere to our single-minded pursuit of identifying long-term value.

External audit review

These preliminary condensed consolidated financial statements for the year ended 30 September 2014 have been reviewed by Ernst & Young Inc., who expressed an unmodified review conclusion. The review has been conducted in accordance with the International Standard on Review Engagements 2410. A copy of the auditor's review report is available for inspection at the company's registered office together with the financial statements identified in the auditor's report.

Shams Pather
Chairman

Anton Pillay
Chief Executive Officer

John Snalam
Chief Financial Officer

Cape Town
11 November 2014

Directors: S Pather (Chairman)*, A C Pillay (CEO), J A Snalam (CFO), L Boyce*, J G February*, J D McKenzie*, 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 Proprietary Limited, 70 Marshall Street, Johannesburg 2001

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

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

PRELIMINARY CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
	Reviewed 30 Sept 2014 R million	% Change	Audited 30 Sept 2013 R million
Fund management activities			
Revenue	4 774	31	3 635
Other income	14		3
Operating expenses	(2 171)	28	(1 695)
Share-based payment expense	(1)		(6)
Other expenses	(2 170)		(1 689)
Results from operating activities	2 617	35	1 943
Finance and dividend income	42		27
Finance expense	(4)		–
Share of profit of equity-accounted investee	7		5
Profit from fund management	2 662	35	1 975
Income attributable to policyholder linked assets and investment partnerships	41	(53)	88
Net fair value gains on policyholder and investment partnership financial instruments	59		133
Administration expenses borne by policyholders and investors in investment partnerships	(18)		(45)
Profit before income tax	2 703		2 063
Income tax expense	(699)		(606)
Taxation on shareholder profits	(658)		(518)
Taxation on policyholder investment contracts	(41)		(88)
Profit for the year	2 004	38	1 457
Other comprehensive income (to be reclassified to profit or loss in future periods)	31		24
Foreign currency translation differences for foreign operations	22		21
Net change in fair value of available-for-sale financial assets	9		4
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	–		(1)
Total comprehensive income for the year	2 035	37	1 481
Profit attributable to:			
– equity holders of the company	2 001	38	1 455
– non-controlling interest	3		2
Profit for the year	2 004		1 457
Total comprehensive income attributable to:			
– equity holders of the company	2 032	37	1 479
– non-controlling interest	3		2
Total comprehensive income for the year	2 035		1 481
Earnings per share (cents)			
– basic	572.1	32	434.0
– diluted	572.1	37	416.1

Note to the statement of comprehensive income

Headline earnings per share (cents)			
– basic	571.6	32	433.9
– diluted	571.6	37	416.0
Dividend per share (cents)			
– interim	275.0	69	163.0
– final	296.0	17	253.0

PRELIMINARY CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed 30 Sept 2014 R million	Audited 30 Sept 2013 R million
Assets		
Intangible assets	1 088	1 088
Equipment	22	16
Investment in equity-accounted investees	38	34
Deferred tax asset	166	111
Investments backing policyholder funds and investments held through investment partnerships	73 721	70 269
Investment securities	234	175
Trade and other receivables	760	946
Cash and cash equivalents	832	294
Total assets	76 861	72 933
Liabilities		
Long-term borrowings (note 3)	152	–
Deferred tax liabilities	76	78
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	73 647	70 191
Taxation payable	59	11
Trade and other payables	731	646
Total liabilities	74 665	70 926
Net assets	2 196	2 007
Equity		
Share capital and premium	256	256
Retained earnings	1 841	1 570
Reserves	92	177
Total equity attributable to equity holders of the company	2 189	2 003
Non-controlling interest	7	4
Total equity	2 196	2 007

PRELIMINARY CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*

	Reviewed 30 Sept 2014 R million	Audited 30 Sept 2013 R million
Cash flows from operating activities		
Profit from fund management	2 662	1 975
Non-cash and other adjustments	(38)	(17)
Operating profit before changes in working capital	2 624	1 958
Working capital changes	271	(489)
Cash flows from policyholder and investment partnership activities	(772)	5 399
Cash generated from operations	2 123	6 868
Interest paid	(2)	–
Income taxes paid	(664)	(626)
Net cash from operating activities	1 457	6 242
Cash flows from investing activities		
Finance and dividend income	42	27
Acquisition of equipment	(18)	(12)
Acquisition of investment securities	(40)	(56)
Net cash from investing activities	(16)	(41)
Cash flows from financing activities		
Issue of preference shares	150	–
Dividends paid	(1 847)	(955)
Net cash from financing activities	(1 697)	(955)
(Decrease)/increase in cash and cash equivalents	(256)	5 246
Net increase/(decrease) in cash and cash equivalents – shareholders	516	(153)
Net (decrease)/increase in cash and cash equivalents – policyholders and investment partnerships	(772)	5 399
Cash and cash equivalents at beginning of year	15 076	9 809
Cash and cash equivalents at beginning of year – shareholders	294	426
Cash and cash equivalents at beginning of year – policyholders and investment partnerships	14 782	9 383
Effect of exchange rate fluctuations on cash held	22	21
Cash and cash equivalents at end of year	14 842	15 076
Cash and cash equivalents at end of year – shareholders	832	294
Cash and cash equivalents at end of year – policyholders and investment partnerships	14 010	14 782

* Cash and cash equivalents of policyholders and investment partnerships are not available for use by the group. These amounts represent the net cash flows from contributions and withdrawals and related investing activities

RECONCILIATION OF HEADLINE EARNINGS

	Reviewed 30 Sept 2014 R million	Audited 30 Sept 2013 R million
Earnings attributable to ordinary shareholders	2 001	1 455
Effect of adjustments	(2)	–
Profit on disposal of available-for-sale financial assets	–	(1)
(Gain)/loss on disposal of group operations	(2)	1
Headline earnings attributable to ordinary shareholders	1 999	1 455

PRELIMINARY CONDENSED 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
						to equity holders of the company	Non-controlling interest		
Balance at 30 September 2012 (audited)	256	21	1 070	121	5	1 473	2	1 475	
Total comprehensive income for the year									
Profit for the year			1 455			1 455	2	1 457	
Other comprehensive income (available to be recycled to profit and loss in future periods)									
Currency translation differences		21				21		21	
Revaluation of available-for-sale financial assets					3	3		3	
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 in 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 (audited)	256	42	1 570	127	8	2 003	4	2 007	
Total comprehensive income for the year									
Profit for the year			2 001			2 001	3	2 004	
Other comprehensive income (available to be recycled to profit and loss in future periods)									
Currency translation differences		22				22		22	
Revaluation of available-for-sale financial assets					9	9		9	
Total other comprehensive income		22			9	31		31	
Total comprehensive income for the year		22	2 001		9	2 032	3	2 035	
Transactions with owners recorded directly in equity									
Share-based payments				1		1		1	
Transfer to retained earnings			117	(117)					
Dividends paid			(1 847)			(1 847)		(1 847)	
Total transactions with owners			(1 730)	(116)		(1 846)		(1 846)	
Balance at 30 September 2014 (reviewed)	256	64	1 841	11	17	2 189	7	2 196	

DILUTED NUMBER OF SHARES

	Reviewed 30 Sept 2014 '000	Audited 30 Sept 2013 '000
Weighted average number of shares in issue during the year	349 799	335 328
Shares to be issued		
– BEE transaction	–	14 434
Diluted weighted average number of shares in issue	349 799	349 762

PRELIMINARY CONDENSED CONSOLIDATED SEGMENT REPORT

R million	Africa		International		Group	
	Reviewed 30 Sept 2014	Audited 30 Sept 2013	Reviewed 30 Sept 2014	Audited 30 Sept 2013	Reviewed 30 Sept 2014	Audited 30 Sept 2013
Segment external revenue	3 260	2 871	1 514	764	4 774	3 635
Segment operating expenses	(1 427)	(1 310)	(744)	(385)	(2 171)	(1 695)
Segment profit	1 833	1 561	770	379	2 603	1 940
Share of income of equity accounted investee	7	5	–	–	7	5
Net finance and other income/(expense)	56	30	(4)	–	52	30
Profit from fund management	1 896	1 596	766	379	2 662	1 975
Income attributable to policyholder linked assets and investment partnerships					41	88
Profit before income tax					2 703	2 063
Segment assets	1 329	1 172	519	259	1 848	1 431
Investments backing policyholder funds and investments held through investment partnerships and other assets					75 013	71 502
Total assets					76 861	72 933

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 measurement and recognition requirements of 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 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 consolidated financial statements, that was the basis for the consolidated condensed financial statements, have taken into account the requirements of IFRS 13 Fair Value Measurement, IFRS 12 Disclosure of Interests in Other Entities and the amended IAS 34 Interim Financial Reporting, which became effective during the current period. The impact of these requirements resulted in additional disclosures relating to fair value measures and interest in other entities being included in the annual financial statements. Other standards that have become effective have been considered and have no material impact. The accounting policies applied in the presentation of the condensed financial statements are in terms of IFRS and, except as noted above, are consistent with those presented in the previous annual financial statements.

These 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 on an arm's length basis at market rates with related parties.

3. Long-term borrowings

Cumulative redeemable preference shares 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.

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 prices) or indirectly (i.e. derived from 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 counter party 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).

R million	Level 1	Level 2	Level 3	Total
Sept 2014				
Investments backing policyholder funds and investments held through investment partnerships	59 482	8 563	–	68 045
Investment securities	206	–	28	234
	59 688	8 563	28	68 279
Policyholder and investment partnership liabilities	57 171	8 449	–	65 620
Sept 2013				
Investments backing policyholder funds and investments held through investment partnerships	52 355	12 660	–	65 015
Investment securities	154	–	21	175
	52 509	12 660	21	65 190
Policyholder and investment partnership liabilities	50 752	12 548	–	63 300

During the financial period ended 30 September 2014, there were no transfers of financial assets between the levels.

Cash balances of R5 325 million (2013: R5 084 million) have been excluded in the current and prior years respectively.

Sponsor

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



CORONATION
FUND MANAGERS
TRUST IS EARNED