# REVIEWED PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

Despite a challenging market environment, Coronation Fund Managers Limited (Coronation) delivered a credible set of results in line with management expectations for the 12 months to 30 September 2015. Market volatility intensified throughout the year, reflecting the deterioration in the outlook for global growth and the withdrawal of funds from emerging market equities and currencies. The MSCI All Country World Index returned -6.2%, while the MSCI Emerging Markets Index declined by 19.0% (in US dollar terms) for the year. The FTSE/JSE All Share delivered a US dollar return of -14.5%, which translated into a positive return of 4.8% in rand terms for the year. Albeit not the worst among the emerging market currency grouping, the rand fell 18.4% against the US dollar (to close at R13.82) and 7.9% against the euro (to close at R15.46) over the period.

### Results

Coronation is a cyclical business and hence its annual 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 both market returns and the abnormally high level of performance fees generated in the prior financial year, revenue for the current period declined by 7.0% to R4.4 billion. This, in turn, led to a 9.7% decline in diluted headline earnings per share to 516.0 cents compared with the record high earnings base achieved in the prior financial year (2014: 571.6 cents).

### **Business update**

Coronation has a proven philosophy of long-term investing, which has added significant value to investors over our 22-year history. The long-term success of our investment approach is best illustrated by the annualised alpha of 2.9% delivered by our flagship domestic equity fund, Houseview Equity, since inception in 1993.

Assets under management increased by 3.7% to R610 billion for the 12 months to end September (2014: R588 billion) against a backdrop of meaningful declines in global markets and total net outflows of R15.3 billion. We attracted strong inflows to our international products and retail business, and in line with management expectations, recorded net outflows in our established South African institutional business. These outflows are a result of our decision to close to new institutional investors in our SA Equity and Multi-Asset portfolios three years ago. This active decision in a shrinking formal occupational retirement fund market means that stakeholders should expect continued institutional outflows in the years ahead. Coronation has a sizeable share of the South African institutional savings market, and given the above, overall market share will decline to a normal level in coming years.

### Institutional business

We remain one of the leading managers of institutional assets in the South African savings market. Following many years of significant market share gains, the recorded net outflows in our South African institutional business of R34.2 billion were in line with our expectations. These outflows, however, continue to be offset by strong flows into our niche global product offering. For the year, our global products attracted net inflows of R12.4 billion, bringing total net outflows for the institutional business to R21.8 billion.

We continue to identify product opportunities suited to our long-term investment approach. In this regard, we seeded two new international products early in the year: Coronation Active Global Equity and Coronation Global Frontiers.

Key highlights from our institutional fund range include:

- Our global balanced portfolios ranked in the 1st quartile over 5 and 10 years in the Alexander Forbes Global Large Manager Watch™ survey to end September 2015, and our domestic balanced portfolios were in the 1st quartile over 5 years and 2nd quartile over 10 years in the SA Large Manager Watch™
- Global Absolute, our first-to-market absolute portfolio, has produced alpha of 4.6% p.a. (gross of fees) since inception in August 1999.
- · Our specialist bond portfolio, Strategic Bond, has outperformed the local bond market by 1.6% p.a. (gross of fees) since inception in January 2008.
- The Coronation Global Emerging Markets Fund has generated an annualised alpha of 4.1% (gross of fees) since inception in July 2008.
- Our specialist African equity portfolio, Africa Frontiers, has outperformed its benchmark by 6.0% p.a. (gross of fees) since inception in October 2008.

### Retail business

Our retail business maintained its position as one of the country's foremost managers of long-term assets within the collective investment schemes industry, with a market share of 14.6% (2014: 15.1%). Net inflows for the year were R6.5 billion. This normalisation of flows follows a number of exceptional years in which Coronation attracted disproportionately high levels of industry assets.

Coronation was named Raging Bull South African Management Company of the Year for the third consecutive year, and Morningstar Best Large Fund House for the fifth consecutive year. As at 30 September 2015, the majority of our domestic and international flagship funds ranked in the 1st quartile of their respective Morningstar categories since their respective launch dates and after the deduction of all fees. Highlights include:

- · Coronation Top 20, a top-performing general equity fund since launch in October 2000, has outperformed its benchmark by 4.5% p.a. (net of fees) over the same period.
- Coronation Balanced Plus, the no. 1 balanced fund in South Africa since launch in April 1996, has outperformed its average competitor by 1.9% p.a. (net of fees), over the same period.
- · Coronation Capital Plus, the no. 1 multi-asset medium equity fund since launch in July 2001, has outperformed inflation by 7.6% p.a. (net of fees) over the 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 the 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 the 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 1.4% p.a. (net of fees) over the same
- · 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 1.6% p.a. (net of fees) over the same period.

During the period, three new retail products were added to the range: Coronation Global Equity Select [USD], Coronation Global Equity Select [ZAR] Feeder, and the Coronation Tax-Free Investment offering. In addition, in July 2015 we announced a comprehensive fee and benchmark adjustment across a large number of funds, with an implementation date of 1 October 2015.

### **Transformation**

Coronation remains committed to achieving meaningful, sustainable and substantive transformation within the financial services industry in South Africa. As at 30 September 2015, Coronation is measured as 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. At executive committee level black representation is 75%, while at board level this figure is 57%.
- · Coronation is 21.5% black owned as measured by the Financial Sector Charter, which includes our staffowned empowerment vehicle, the Imvula Trust.
- The Coronation Business Support Programme, now in its tenth year, continues to play a meaningful role in advancing the black stockbroking community. To date, a total of 9 South African stockbroking companies have directly benefited from this initiative.

### 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 assessing any projected future cash requirements, a final gross dividend of 270.0 cents per share has been declared for the year ended 30 September 2015, resulting in a final net dividend of 229.5 cents per share for shareholders subject to Dividends Tax (DT). Together with the interim gross dividend of 246.0 cents per share, this amounts to a total gross dividend of 516.0 cents per share for the year.

Last day to trade Shares trade ex dividend Record date Payment date

Friday, 27 November 2015 Monday, 30 November 2015 Friday, 4 December 2015 Monday, 7 December 2015

Share certificates may not be dematerialised or rematerialised between Monday, 30 November 2015 and Friday, 4 December 2015, both dates inclusive. In terms of DT, the following additional information is

- 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.

Coronation is an active manager solely focused on delivering strong market outperformance over the long term. We have a proven long-term investment track record of alpha generation that has endured many periods of short-term underperformance over the past 22 years. Despite recent levels of extreme market volatility, the long-term investment track records of all key funds remain highly compelling.

While the likelihood of continued near-term volatility persists, as disciplined and rational allocators of capital, we are committed to identifying those opportunities that will generate long-term performance across all our client portfolios. Our success in achieving this objective will generate long-term value for all stakeholders.

### **External audit review**

The external auditors, EY, reviewed the preliminary condensed consolidated statements of financial position of Coronation as at 30 September 2015 and the related condensed consolidated 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 EY are available for inspection at the registered office of the company.

The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

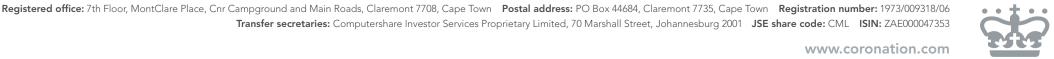
**Shams Pather** Chairman

**Anton Pillay** Chief Executive Officer

John Snalam Chief Financial Officer

Cape Town 10 November 2015

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)



	Reviewed 30 Sept 2015 R million	% Change	Audited 30 Sept 2014 R million
Fund management activities			
Revenue	4 442	(7)	4 774
Other income	28		14
Operating expenses	(2 090)	(4)	(2 171)
Share-based payment expense	(11)		(1)
Other expenses	(2 079)	101	(2 170)
Results from operating activities	2 380	(9)	2 617
Finance and dividend income	32		42
Finance expense	(15)		(4)
Share of profit of equity-accounted investee	2 405	(10)	7 2 662
Profit from fund management	2 405 25	(10)	
Income attributable to policyholder linked assets and investment partnerships  Net fair value gains on policyholder and investment partnership financial instruments	54		41 59
Administration expenses borne by policyholders and investors in	54		39
investment partnerships	(29)		(18)
Profit before income tax	2 430	(10)	2 703
Income tax expense	(620)	(10)	(699)
Taxation on shareholder profits	(595)		(658)
Taxation on policyholder investment contracts	(25)		(41)
Profit for the year	1 810	(10)	2 004
Other comprehensive income (to be reclassified to profit or loss in future periods)	53	· ·	31
Foreign currency translation differences for foreign operations	99		22
Net change in fair value of available-for-sale financial assets	(46)		9
Total comprehensive income for the year	1 863		2 035
Profit attributable to:			
– equity holders of the company	1 812	(9)	2 001
– non-controlling interest	(2)		3
Profit for the year	1 810		2 004
Total comprehensive income attributable to:			
– equity holders of the company	1 865	(8)	2 032
<ul> <li>non-controlling interest</li> </ul>	(2)		3
Total comprehensive income for the year	1 863		2 035
Earnings per share (cents)			
- basic	517.9	(9)	572.1
- diluted	517.9	(9)	572.1
Note to the statement of comprehensive income			
Headline earnings per share (cents)	F4 ( 0	(4.0)	F74 /
- basic	516.0	(10)	571.6
- diluted	516.0	(10)	571.6
Dividend per share (cents)  – interim	246.0	(1.1)	275.0
– interim – final	270.0	(11) (9)	275.0
- IIIdi	270.0	(7)	290.0

	Reviewed 30 Sept 2015 R million	Audited 30 Sep 2014 R million
Assets		
ntangible assets	1 088	1 088
Equipment	37	2:
nvestment in equity-accounted investees	41	3
Deferred tax asset	145	16
nvestments backing policyholder funds and investments held through investment partnerships	66 256	73 72
nvestment securities	751	23
Faxation receivable	2	
Frade and other receivables	509	76
Cash and cash equivalents	728	83
Total assets	69 557	76 86
iabilities		
ong-term borrowings (note 3)	300	15
Deferred tax liabilities	78	7
Policyholder investment contract liabilities and liabilities to holders of interests in		
investment partnerships	66 181	73 64
External investors in consolidated funds	124	
Faxation payable	_	5'
Frade and other payables	705	73
Total liabilities	67 388	74 66
Net assets	2 169	2 19
Equity Share capital and premium	256	25
Retained earnings	1 757	1 84
Reserves	156	9
otal equity attributable to equity holders of the company	2 169	2 18
Non-controlling interest	2 107	2 10
Non-controlling interest		2 19

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Headline earnings attributable to ordinary shareholders

	Reviewed	Audited
	30 Sept	30 Sept
	2015	2014
	R million	R million
Cash flows from operating activities		
Profit from fund management	2 405	2 662
Non-cash and other adjustments	(21)	(38)
Operating profit before changes in working capital	2 384	2 624
Norking capital changes	238	271
Cash flows from policyholder and investment partnership activities	(6 171)	(772)
Cash (utilised)/generated from operations	(3 549)	2 123
nterest paid	(15)	(2)
ncome taxes paid	(634)	(664)
Net cash from operating activities	(4 198)	1 457
Cash flows from investing activities		
Finance and dividend income	32	42
Acquisition of equipment	(27)	(18)
Net acquisition of investment securities	(435)	(40)
Net cash from investing activities	(430)	(16)
Cash flows from financing activities		
ssue of preference shares	150	150
Dividends paid	(1 896)	(1 847)
Net cash from financing activities	(1 746)	(1 697)
Decrease in cash and cash equivalents	(6 374)	(256)
Net (decrease)/increase in cash and cash equivalents – shareholders	(203)	516
Net decrease in cash and cash equivalents – policyholders and investment partnerships	(6 171)	(772)
Cash and cash equivalents at beginning of year	14 842	15 076
Cash and cash equivalents at beginning of year – shareholders	832	294
Cash and cash equivalents at beginning of year – policyholders and investment partnerships	14 010	14 782
Effect of exchange rate fluctuations on cash held	99	22
Cash and cash equivalents at end of year	8 567	14 842
Cash and cash equivalents at end of year – shareholders	728	832
Cash and cash equivalents at end of year – policyholders and investment partnerships	7 839	14 010

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.

### RECONCILIATION OF HEADLINE EARNINGS Reviewed Audited 30 Sept 30 Sept 2014 2015 R million R million Earnings attributable to shareholders 1 810 2 004 Non-controlling interest (3) Earnings attributable to ordinary shareholders 1 812 2 001 Profit on disposal of available-for-sale financial assets (6) Gain on disposal of group operations (1) (2)

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Balance at 30 September 2013 (audited)   256   42   1570   127   8   2003   4   2007     Total comprehensive income for the year Profit for the year Other comprehensive income (available to be recycled to profit and loss in future periods)   2	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- con- trolling interest	Total equity
Profit for the year	Balance at 30 September 2013 (audited)	256	42	1 570	127	8	2 003	4	2 007
Content comprehensive income (available to be recycled to profit and loss in future periods)   Currency translation differences   22   2   2   2   2   2   2   2   2	Total comprehensive income for the year								
Currency translation differences   22   22   28   28   28   28   29   31   38   38   38   38   38   38   38	Profit for the year			2 001			2 001	3	2 004
Revaluation of available-for-sale financial assets   7									
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	Currency translation differences		22				22		22
Total comprehensive income for the year   -	Revaluation of available-for-sale financial assets					9	9		9
Transactions with owners recorded directly in equity   Share-based payments   1   1   1   1   1   1   1   1   1	Total other comprehensive income	_	22	-	-	9	31	-	31
In equity   Share-based payments   1	Total comprehensive income for the year	_	22	2 001	_	9	2 032	3	2 035
Transfer to retained earnings	*								
Dividends paid	Share-based payments				1		1		1
Total transactions with owners	Transfer to retained earnings			117	(117)				
Balance at 30 September 2014 (audited) 256 64 1 841 11 17 2 189 7 2 196  Total comprehensive income for the year  Profit for the year  Other comprehensive income (available to be recycled to profit and loss in future periods)  Currency translation differences 99 999999999999999999999999999999999	Dividends paid			(1 847)			(1 847)		(1 847)
Total comprehensive income for the year           Profit for the year         1 812         1 812         (2)         1 810           Other comprehensive income (available to be recycled to profit and loss in future periods)         8         8         8         99 </td <td>Total transactions with owners</td> <td>_</td> <td>-</td> <td>(1 730)</td> <td>(116)</td> <td>_</td> <td>(1 846)</td> <td>_</td> <td>(1 846)</td>	Total transactions with owners	_	-	(1 730)	(116)	_	(1 846)	_	(1 846)
Profit for the year	Balance at 30 September 2014 (audited)	256	64	1 841	11	17	2 189	7	2 196
Other comprehensive income (available to be recycled to profit and loss in future periods)         99         99         99           Currency translation differences         99         99         99           Revaluation of available-for-sale financial assets         (46)         (46)         (40)           - net change in fair value         (40)         (40)         (40)           - reclassified to profit or loss on disposal         (6)         (6)         (6)         (6)           Total other comprehensive income         -         99         1 812         -         (46)         1 865         (2)         1 863           Transactions with owners recorded directly in equity         -         99         1 812         -         (46)         1 865         (2)         1 863	1								
recycled to profit and loss in future periods)  Currency translation differences  Revaluation of available-for-sale financial assets  - net change in fair value  - reclassified to profit or loss on disposal  Total other comprehensive income  - 99 (46) 53 - 53  Total comprehensive income for the year  Transactions with owners recorded directly in equity	,			1 812			1 812	(2)	1 810
Revaluation of available-for-sale financial assets									
- net change in fair value (40) (40) (40) (40) (40) (40) (40) (40)			99						99
reclassified to profit or loss on disposal         (6)         (6)         (6)         (6)           Total other comprehensive income         -         99         -         -         (46)         53         -         53           Total comprehensive income for the year         -         99         1 812         -         (46)         1 865         (2)         1 863           Transactions with owners recorded directly in equity         -									
Total other comprehensive income	•					, ,	, ,		. ,
Total comprehensive income for the year - 99 1 812 - (46) 1 865 (2) 1 863  Transactions with owners recorded directly in equity	– reclassified to profit or loss on disposal					(6)	(6)		(6)
Transactions with owners recorded directly in equity	Total other comprehensive income	_	- 99	_		- (46)	53	_	53
in equity	Total comprehensive income for the year	_	. 99	1 812	_	(46)	1 865	(2)	1 863
Share-based payments         11         11         11	Transactions with owners recorded directly								
	Share-based payments				11		11		11
Dividends paid (1 896) (1 896) (1 896)	Dividends paid			(1 896)			(1 896)		(1 896)
Closure of subsidiary (5) (5)	Closure of subsidiary							(5)	(5)
Total transactions with owners — — — (1 896) 11 — (1 885) (5) (1 890)	Total transactions with owners	_	_			_		(5)	(1 890)
Balance at 30 September 2015 (reviewed) 256 163 1 757 22 (29) 2 169 - 2 169	Balance at 30 September 2015 (reviewed)	256	163	1 757	22	(29)	2 169	_	2 169

### DILUTED NUMBER OF SHARES

	Reviewed 30 Sept 2015 ′000	Audited 30 Sept 2014 ′000
Weighted average number of shares in issue during the year	349 799	349 799
Weighted average number of shares potentially in issue	349 799	349 799
Actual number of shares in issue at the end of the year	349 799	349 799

### CONDENSED CONSOLIDATED SEGMENT REPORT

	Africa		Internati	onal	Group		
R million	Reviewed 30 Sept 2015	Audited 30 Sept 2014	Reviewed 30 Sept 2015	Audited 30 Sept 2014	Reviewed 30 Sept 2015	Audited 30 Sept 2014	
Segment external revenue	3 008	3 260	1 434	1 514	4 442	4 774	
Segment operating expenses	(1 356)	(1 427)	(734)	(744)	(2 090)	(2 171)	
Segment profit	1 652	1 833	700	770	2 352	2 603	
Share of income of equity- accounted investee Net finance and other	8	7	-	_	8	7	
income/(expense)	27	56	18	(4)	45	52	
Profit from fund management	1 687	1 896	718	766	2 405	2 662	
Income*				_	25	41	
Profit before income tax				_	2 430	2 703	
Segment assets	1 373	1 329	652	519	2 025	1 848	
Investments*				_	67 532	75 013	
Total assets				_	69 557	76 861	

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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 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 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 year are similar to those disclosed in the group's annual financial statements for the year ended 30 September 2014. No new significant related party transactions arose during the current year.

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 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
30 Sept 2015				
Investments backing policyholder funds and investments				
held through investment partnerships	56 909	6 075	-	62 984
Investment securities	717	-	34	751
	57 626	6 075	34	63 735
Policyholder and investment partnership liabilities	56 909	6 003	-	62 912
30 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

During the current reporting period, it was determined that transfers between levels of the assets and liabilities held at fair value occurred. R810 million in debentures were transferred from Level 1 to Level 2 as these are now considered to be held in an inactive market.

1 999

1 805



