

Reviewed preliminary condensed consolidated financial results

FOR THE YEAR ENDED 30 SEPTEMBER 2018



ASSETS UNDER MANAGEMENT (AUM)

R587 billion

DILUTED HEADLINE EARNINGS PER SHARE

420.7 cents

TOTAL DIVIDEND PER SHARE

420.0 cents

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

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Registration number:
1973/009318/06

Transfer secretaries:
Computershare Investor Services
(Pty) Ltd, Rosebank Towers
15 Biermann Avenue
Rosebank
2196

Sponsor:
PSG Capital (Pty) Ltd
1st Floor, Ou Kollege Building
35 Church Street
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7600

JSE share code: CML
ISIN: ZAE000047353

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

RESULTS

Coronation's 25th year of managing the long-term investments of local and global clients was marked by extremely challenging conditions.

Due to the cyclical nature of the business, our revenue stream is highly geared to the returns of the markets and the level of performance that we generate on behalf of our clients. Over the past 12 months, these cyclical pressures have been particularly acute. A very weak domestic economy, combined with meaningful pressure on emerging markets, resulted in the FTSE/JSE All Share Index producing a mediocre return of 3.3% for the year. Emerging markets (as measured by the MSCI Emerging Markets Index) lost 0.8%, while developed markets (as measured by the MSCI All Country World Index) gained 9.8% (both in US dollars). Over the period, the local currency weakened by 4.3% against the US dollar to close at R14.20.

Against this backdrop, our total AUM declined by 4.4% to R587 billion (September 2017: R614 billion), but remained flat compared to that of end March 2018. While our average AUM increased by 3.1% for the 12 months in relation to that of the prior comparable period, revenue declined by 1.8% to R3.8 billion (September 2017: R3.9 billion) for the year.

Fixed expenses continued to be impacted by the implementation costs associated with changing our outsourced fund administration and unit trust client administration service providers, as well as related systems changes. These were mitigated by a commensurate decrease in variable expenses, resulting in total operating expenses remaining flat year on year – a credible performance in an economy with inflationary cost pressures. Headline earnings per share declined by 3.8% to 420.7 cents (September 2017: 437.5 cents).

BUSINESS UPDATE

We are an independent active manager with a long-term, valuation-driven investment philosophy. Although certain strategies, such as our Fixed Interest and Frontier Markets portfolios, have had an excellent 12 months, our South African equity and Global Emerging Markets equity portfolios underperformed over this period. The long-term performance across our entire fund range remains excellent. This includes the full suite of local equity, fixed income, multi-asset class, frontier and emerging market equity products. Of the institutional and retail assets that have been invested with us for a period of at least 10 years, 99.1%* have outperformed their respective benchmarks since inception.

The past financial year saw continued substantial investments into our business through various initiatives aimed at enhancing our capacity to deliver world-class service to our significant local and growing offshore business. We have completed the implementation of our new fund administration model, which consolidates our asset administration service across local and offshore portfolios. In addition, we have insourced our retail client reporting and correspondence and will migrate our unit trust client administration to a black-owned business in the final quarter of calendar 2018.

* Asset-weighted portfolios

INSTITUTIONAL BUSINESS

Our institutional business manages R346 billion (September 2017: R376 billion) on behalf of South African institutions and a growing number of global clients.

South African clients

We continue to manage a meaningful share of assets in the local pension fund industry, representing a total AUM of R285 billion (September 2017: R305 billion), making us one of the largest independent managers of pension assets in the country.

Our local institutional portfolios recorded net outflows of R22.6 billion over the 12 months to end September 2018 (2017: R43.7 billion), representing 7.4% of our opening balance for local institutional assets and a material improvement on the outflows experienced in the three years prior. This outcome was significantly better than expected, given that the local institutional savings market continues to see structural net outflows and our SA Equity and Multi-Asset strategies only reopened to new institutional clients in March 2017. The reopening followed a five-year closed period, representing one of the longest institutional product closes by an asset manager in South Africa.

Within our South African specialist equity strategies:

- + Coronation Houseview Equity has produced a return of 16.6% p.a. since its inception in October 1993, delivering an active return (alpha) of 2.3% p.a.

Within our market-leading multi-asset strategies:

- + Coronation Global Houseview has delivered 15.9% p.a. since its launch in October 1993, thereby achieving a real return of 9.8% p.a., while Coronation Managed has produced 16.1% p.a. since its launch in May 1996, representing a real return of 10.2% p.a.

Within our South African specialist fixed income strategies:

- + Coronation Strategic Bond has produced a return of 9.8% p.a. since its inception in January 2008, thereby outperforming the All Bond Index by 1.4% p.a., while Coronation Active Bond has produced a return of 11.4% p.a. since its launch in July 2000, representing alpha of 1.0% p.a.

Global clients

We manage a combined total of R61 billion (September 2017: R71 billion) in our global strategies on behalf of several leading international retirement funds, endowments and family offices. Net outflows of R4.2 billion represented 5.9% of our opening AUM; a reasonable outcome, given the material shift towards passive strategies away from active managers. Our Global Emerging Markets strategy achieved its 10-year milestone in July and we are exceedingly proud of the performance and credibility achieved relative to the global peer group.

We remain confident in the long-term outlook for our global strategies as well as their value proposition to clients through active management:

- + Our Africa Frontiers Strategy has delivered a strong absolute return of 9.5% p.a. (in US dollars) since its launch more than 10 years ago in October 2008, placing it in the top quartile of its peer group globally.
- + Despite experiencing some pressure in the short term, the long-term alpha generated by our Global Emerging Markets Equity Strategy remains strong at 3.4% p.a. since its inception more than a decade ago in July 2008. This performance places it in the top quartile of its peer group globally.
- + Coronation Global Managed has delivered a return of 8.2% p.a. (in US dollars) since its inception in November 2009, representing a real return of 6.5% p.a.

All institutional performance returns are stated gross of fees.

RETAIL BUSINESS

We remain one of the country's leading managers of long-term assets in the collective investment schemes industry, with retail assets totalling R241 billion (September 2017: R238 billion). Once again, net inflows at an industry level were subdued, driven by weak economic conditions impacting savings levels. Against this backdrop, we experienced net outflows of R4.2 billion for the 12 months under review, compared to R6.9 billion for the previous reporting period to end September 2017.

Performance highlights across our domestic and international fund range are detailed below, reflecting consistent first-quartile rankings in their corresponding Morningstar categories since their respective inception dates:

- + Coronation Top 20, a top-performing general equity fund, has outperformed its benchmark (FTSE/JSE Capped All Share Index) by 3.7% p.a. since its inception in October 2000, and by 1.2% p.a. over the past 10 years.
- + Coronation Balanced Plus, the no. 1 balanced fund in South Africa since its launch in April 1996, has outperformed its average competitor by 2.0% p.a. and inflation by 8.7% p.a. over this same period.
- + Coronation Capital Plus, the no. 1 multi-asset medium equity fund since its inception in July 2001, has delivered a real return of 6.2% p.a. over this same period.
- + Coronation Balanced Defensive, a top-performing conservative fund, has produced a real return of 3.6% p.a. since its launch in February 2007.
- + Coronation Strategic Income, the no. 1 multi-asset income fund since its launch in July 2001, has outperformed cash by, on average, 2.6% p.a. over this same period.
- + Coronation Global Opportunities Equity [ZAR] Feeder, a top-performing global equity general fund since its launch in August 1997, has outperformed the global equity market by 0.9% p.a. over its more than 20-year history.
- + Coronation Global Managed [ZAR] Feeder, the no. 1 global multi-asset high equity fund in South Africa since its launch in October 2009, has outperformed its average competitor by 1.5% p.a. over this same period.

All performance returns are stated net of fees for the respective retail classes.

TRANSFORMATION

As a proudly South African company, we are determined to ensure that our actions deliver sustainable long-term value to our stakeholders. More specifically, for the past quarter of a century, we have been active participants in advancing meaningful transformation not only within our own business, but also in the broader industry as well as the communities in which we operate. Key highlights include:

- + For the past 11 years, we have committed 10% of our annual South African brokerage to emerging black stockbrokers through our Business Support Programme. We also support the Association for Savings and Investment South Africa's (ASISA) Stockbroker Development Programme, an industry initiative aimed at accelerating and further unlocking the growth potential of South African black stockbroking houses.
- + We are a sponsor and co-founder of ASISA's Independent Financial Advisor (IFA) Development Programme, that provides business development support and skills training to black IFAs.
- + Since our inception, we have created numerous new financial services businesses. More recently, we supported the establishment of an independent, black-owned unit trust client administration business.
- + We are 23% black owned as measured by the Financial Sector Charter.
- + 58% of our employees are black, of which 58% are black females.
- + 67% of our non-executive directors are black, of which 50% are female.
- + 78% of our new hires in the 2018 financial year are black.
- + Based on our initial assessment of the revised Financial Sector Charter, we should move to a Level 2 rating*. Currently, we are rated Level 3.

* This rating is yet to be confirmed by a verification agency.

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 197.0 cents per share has been declared for the year ended 30 September 2018 from income reserves, which has resulted in a final net dividend of 157.6 cents per share for shareholders subject to Dividends Tax (DT). Together with the interim gross dividend of 223.0 cents per share, this amounts to a total gross dividend of 420.0 cents per share for the year.

Last day to trade	Tuesday, 4 December 2018
Shares trade ex dividend	Wednesday, 5 December 2018
Record date	Friday, 7 December 2018
Payment date	Monday, 10 December 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 5 December 2018 and Friday, 7 December 2018, both days inclusive. In terms of DT, the following additional information is disclosed:

- + The local DT rate is 20%.
- + 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

While the South African economy remains beset with difficulties, we are encouraged by the actions taken by the current leadership. We believe they will translate into higher levels of confidence initially, and potentially higher levels of investment into the economy which will promote growth over the medium to long term.

We are also more optimistic about the outlook for the major South African asset classes which, following a period of very disappointing returns, are presenting above-average opportunities to long-term, valuation-driven investors such as ourselves. The outlook for global asset classes is more mixed, which too has enabled us to construct differentiated portfolios. We remain optimistic that the current positioning of our strategies will generate higher future returns for our clients. Together with our increased investment in our infrastructure, technology and people over the past year to support the provision of world-class service to our clients, we believe this will ensure the delivery of sustainable long-term value for all stakeholders.

EXTERNAL AUDIT REVIEW

External auditor, EY, reviewed the preliminary condensed consolidated statement of financial position of Coronation as at 30 September 2018 and the related condensed consolidated statements 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 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
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Cape Town
20 November 2018

www.coronation.com

