



Steinhoff impact | 12 December 2017

Last week Steinhoff International announced an investigation into accounting irregularities which prevented the company from releasing their 2017 results on the scheduled date. The irregularities include doubts about the recoverability of non-South African assets to the amount of €6bn. It was also announced that the CEO, Markus Jooste, had resigned with immediate effect. The Chairman, Dr. Christo Wiese and Pieter Erasmus, the previous CEO of Pepkor, have taken interim responsibility for managing the group. At this stage there is limited publicly available information from which to ascertain the full impact of the announcements. In response to the uncertainty, the Steinhoff share price declined materially.

While a number of the funds we manage on your behalf have exposure to Steinhoff, the investor impact of the disappointing events at the company have been muted by disciplined and robust portfolio construction. Position sizes in Steinhoff were set at appropriate levels considering the respective funds' risk budgets. This allowed the funds to absorb the Steinhoff impact while still delivering good outcomes year to date, both in absolute terms and compared to the average competitor fund, as set out in the table below.

	Performance YTD (to market close 11 December)		Exposure to Steinhoff
	Coronation fund	Average competitor	Friday 1st Dec (before SENS)
Flagship funds			
Top 20	15.0%	8.7%	5.5%
Equity	17.0%	8.7%	3.4%
Market Plus	11.3%	7.4%	2.1%
Balanced Plus	12.6%	9.1%	2.1%
Capital Plus	7.5%	9.4%	1.2%
Balanced Defensive	8.7%	7.9%	0.6%
Strategic Income	8.2%	7.0%	0.0%
Specialist funds			
Industrial	15.6%	12.0%	6.6%
SA Equity	10.7%	8.7%	4.5%
GEM Flexible	35.8%	26.0%	1.8%
Optimum Growth	22.6%	11.4%	1.5%

Funds not included in the table above have no exposure, or negligible exposure in the case of the Global Opportunities Equity Fund, to Steinhoff. Note that none of the Coronation unit trust funds have exposure to Steinhoff preference shares or debt.

The Steinhoff group comprises many iconic brands and include businesses such as Pep, Conforama and Poundland, all of which have good prospects and underpin real value in the group. As more information is released in the coming weeks, it will become more apparent how much of this value is still attributable to ordinary shareholders. We are monitoring the situation very closely and will continue to act in the best interests of our clients as we receive further information.