

CORONATION



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# 2020 Reviewed *Interim* Results

FOR THE PERIOD ENDED 31 MARCH 2020

26 May 2020

Anton Pillay, CEO

Mary-Anne Musekiwa, CFO



# Agenda

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- + Economic environment
- + Highlights
- + AUM and financial results
- + Business update
- + Good corporate citizenship
- + Questions
- + Annexure A



# Economic environment

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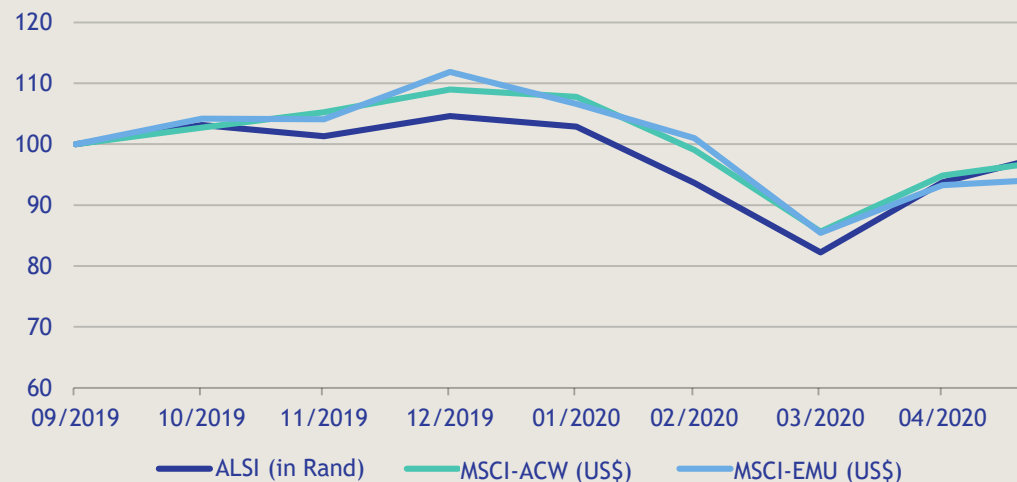
# Global & SA macro overview



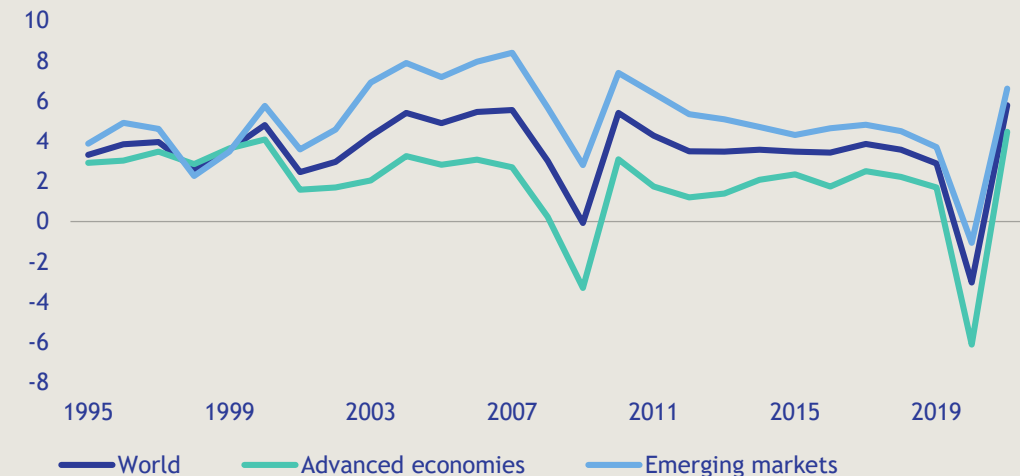
## NO ONE COULD HAVE FORESEEN THE POSSIBILITY OR PREPARED FOR THE IMPACT OF COVID-19

- + At the end of 2019, geopolitical tensions eased and world markets began to recover
- + Record-breaking market moves; first quarter of 2020 sharp declines, only to recover with equal speed
- + Policymakers implementing extraordinary measures to limit economic meltdown - deep rate cuts, quantitative easing & fiscal stimulus
- + We expect developed markets will recover reasonably quickly due to demand and stimulus
- + Concerned about low-income emerging countries: lack of ability to finance households & SMMEs; no social safety nets; uncoordinated responses

### MARKET MOVEMENT



### GLOBAL: REAL GDP, % (IMF, APRIL 2020)



Source: IMF

Source: IRESS & Bloomberg

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# Highlights

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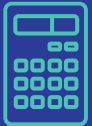

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# Singular focus on clients



## THROUGH ACTIVE ASSET MANAGEMENT

	<b>INVESTMENT PERFORMANCE</b> Very encouraging <b>outperformance</b> by our clients' portfolios in 2019, supporting continued long-term outperformance	<i>Total AUM</i> <b>R508bn</b>
	<b>REVENUE</b> <b>R1.8 bn</b> Increase due to improved performance	
	<b>COSTS</b> <b>5.2%</b> Increase in operating costs	<i>Total dividend per share</i> <b>178.0c</b>
	<b>HEADLINE EARNINGS PER SHARE</b> <b>178.3c</b> Increase of 10% Diluted HEPS increase of 12% (excl. IFRS 9 effect)	



# AUM & financial results

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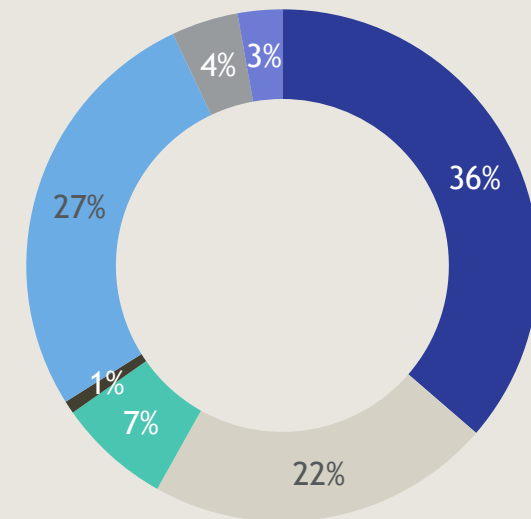
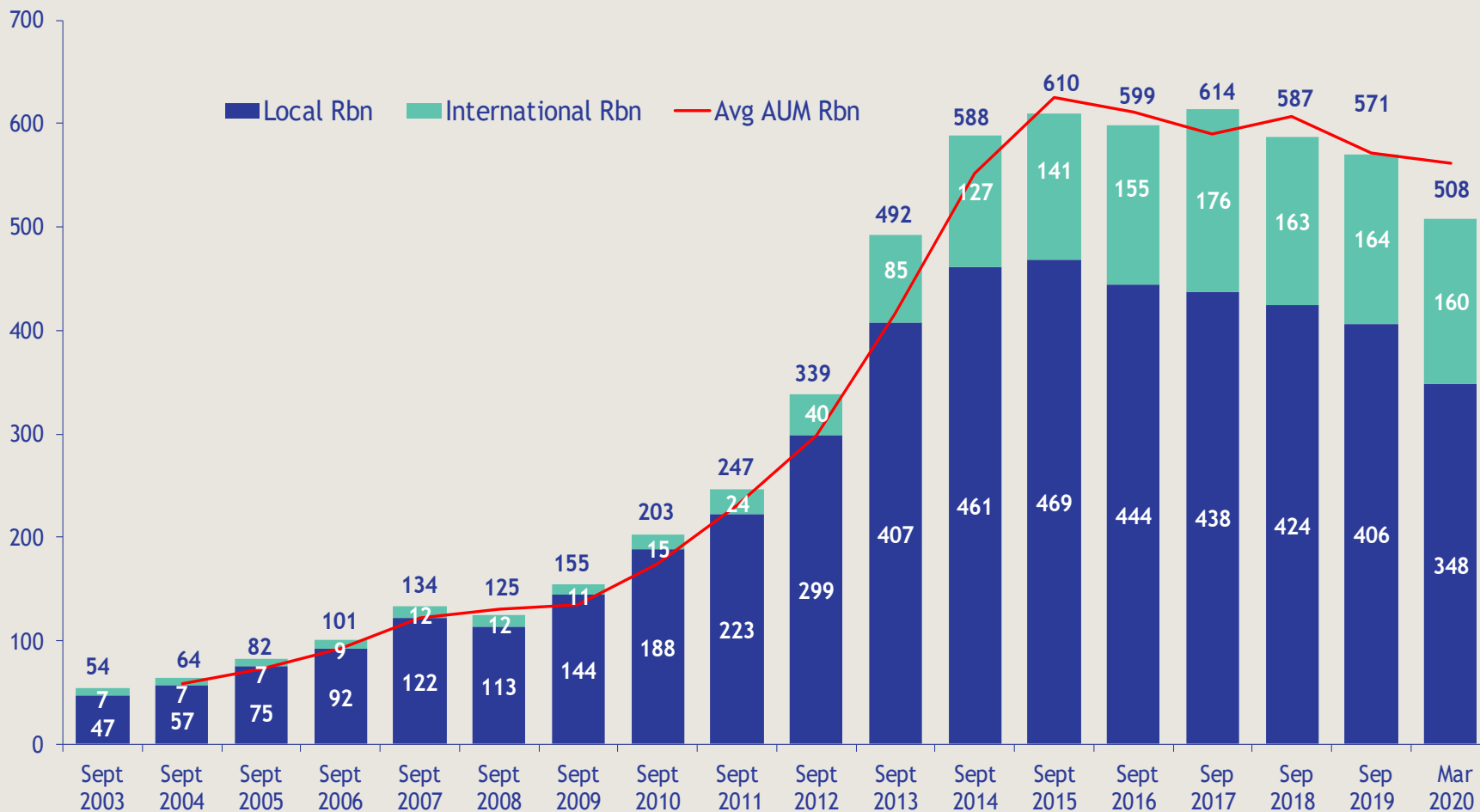
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# Assets under management



## AUM REFLECTIVE OF MARKET CONDITIONS

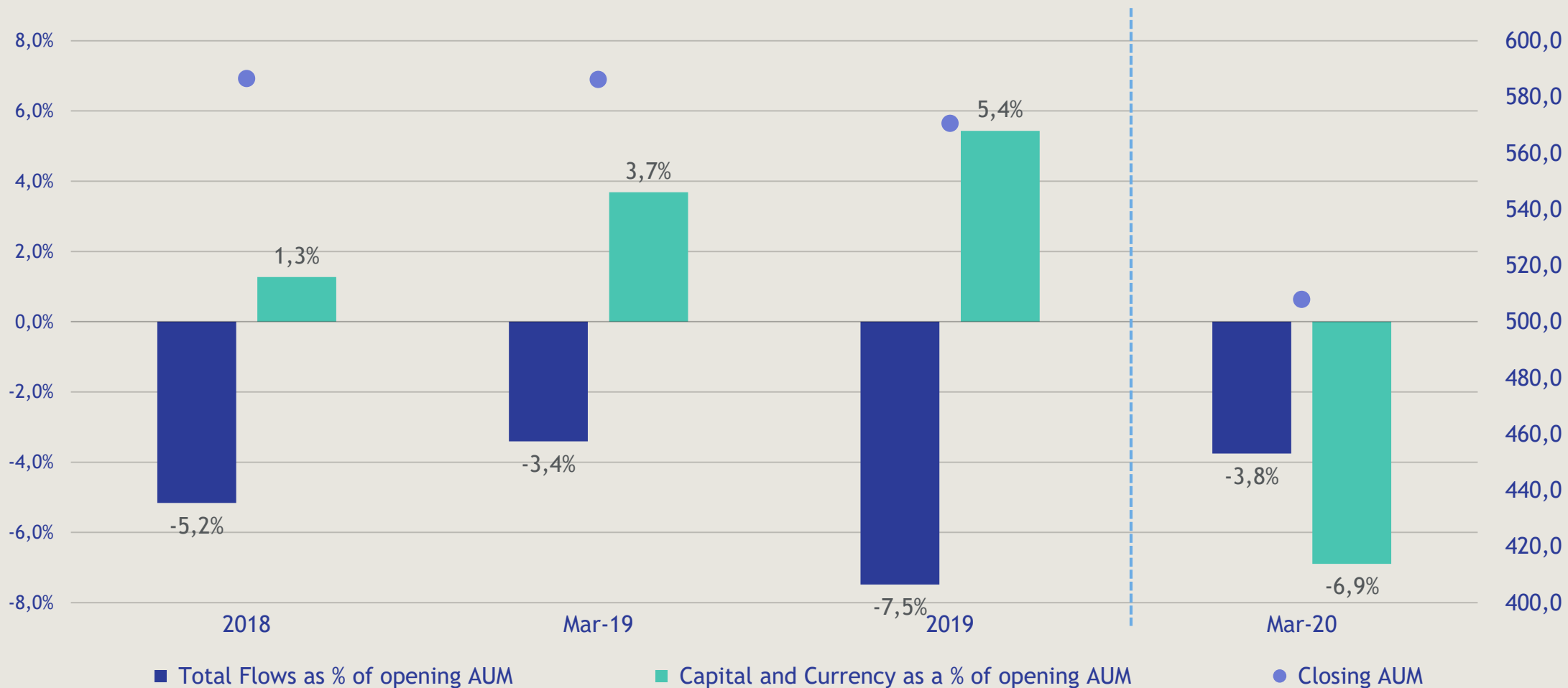


- Equity Local
- Fixed Interest Local
- Cash Local
- Other Local (UT's, Hedge, Pooled)
- Equity Foreign
- Fixed Interest Foreign
- Cash Local

# Market performance and net flows



## NET FLOWS IN LINE WITH EXPECTATIONS

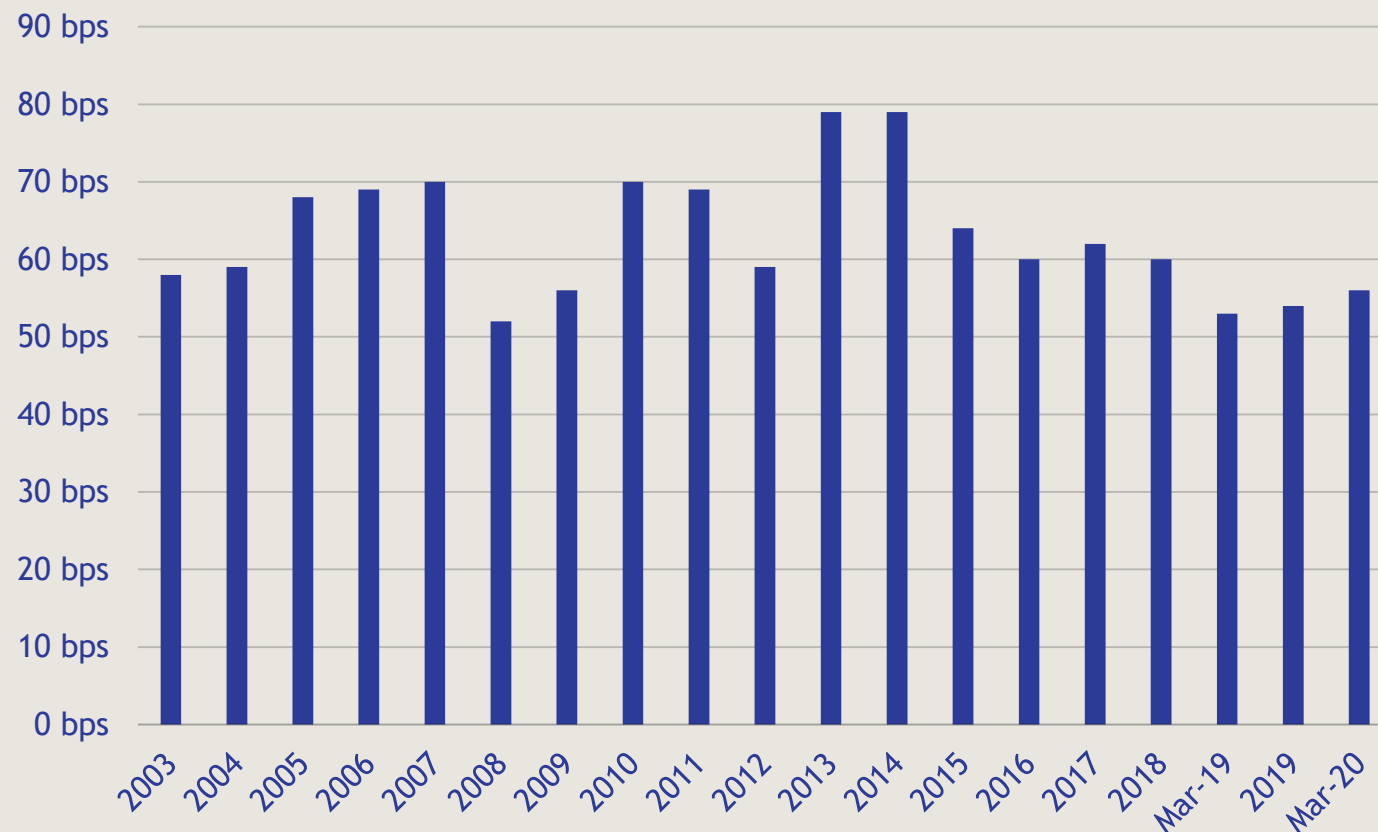




## STRONG PERFORMANCE OVER SIX MONTHS

	Change	March 2020	March 2019
Revenue (from fund management)	8%	R1 769m	R1 632m
Profit (from fund management)	10%	R834m	R758m
Profit after tax	8%	R624m	R578m
Cost-to-income ratio		53.5%	54.0%

### NET FEE MARGIN





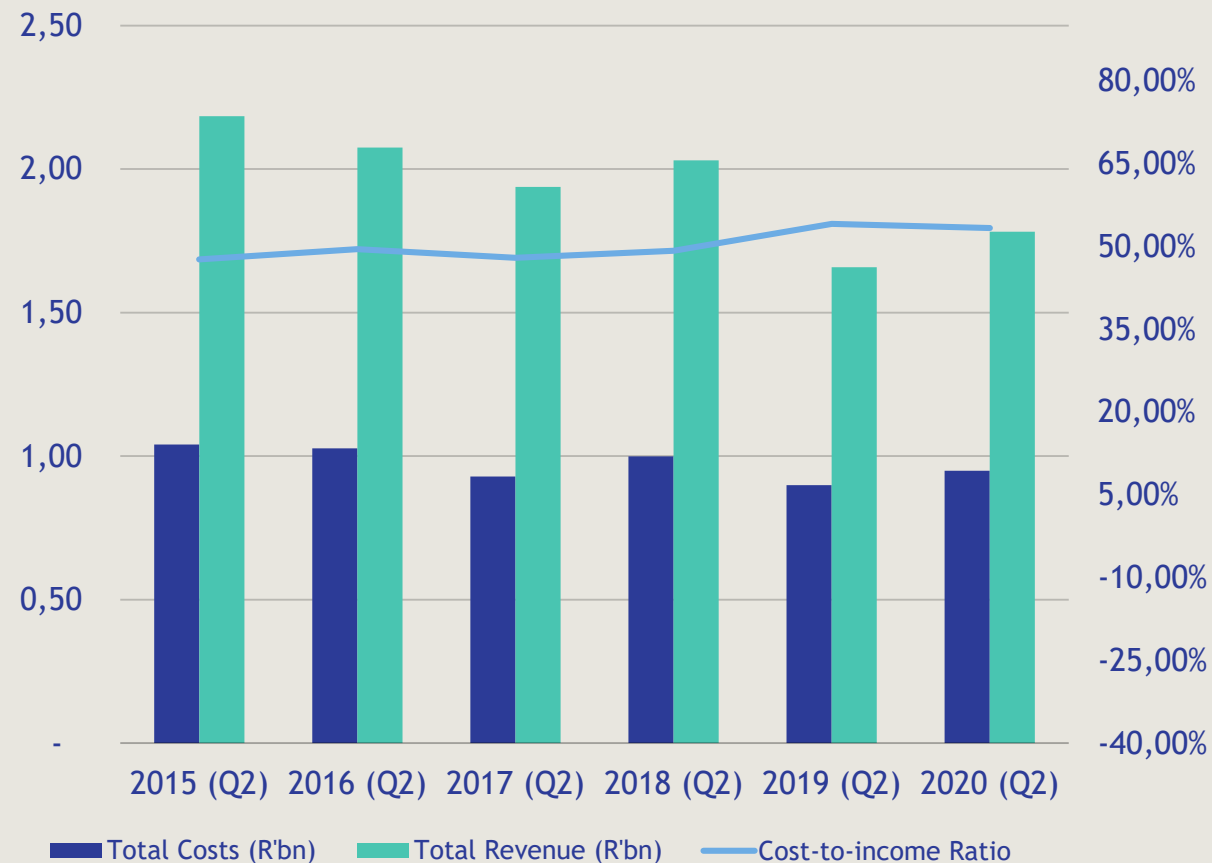
## VARIABLE COST MODEL CONTINUES TO PROVE ITS STRENGTH

	Change	March 2020	March 2019
Fixed costs	11%	R402m	R362m
Variable costs*	1%	R533m	R527m
Operating costs	5%	R935m	R889m
Other costs**		R15m	R2m

\*Includes distribution costs of R75m

\*\*Includes Share-based payment expense and foreign exchange losses

### REVENUE AND COSTS



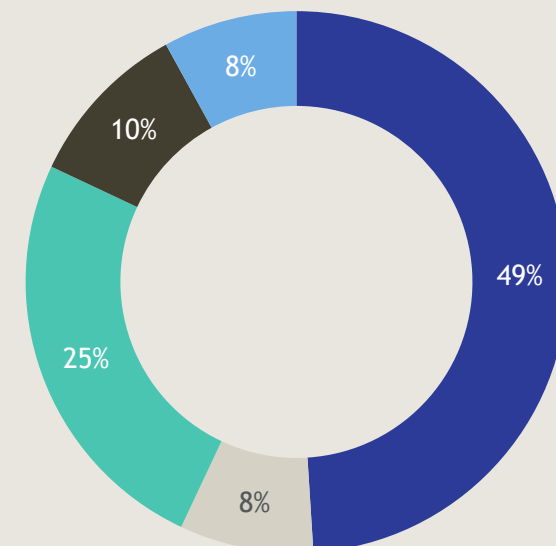
Cost-to-income (excl. IFRS 9)

# Fixed costs



## INFORMATION TECHNOLOGY & SYSTEMS SPEND TO DRIVE EFFICIENCY & MANAGE RISKS

	Change	March 2020	March 2019
Total fixed costs	11%	R402m	R362m
- Employee costs	6%	R195m	R183m
- Information systems & technology	43%	R100m	R70m
- Professional fees*	28%	R32m	R25m
- Marketing	(12%)	R34m	R39m
Employee complement		333	339



- Employee costs
- Professional fees
- Information services & technology
- Other business
- Marketing

\*Includes MiFD Research Costs

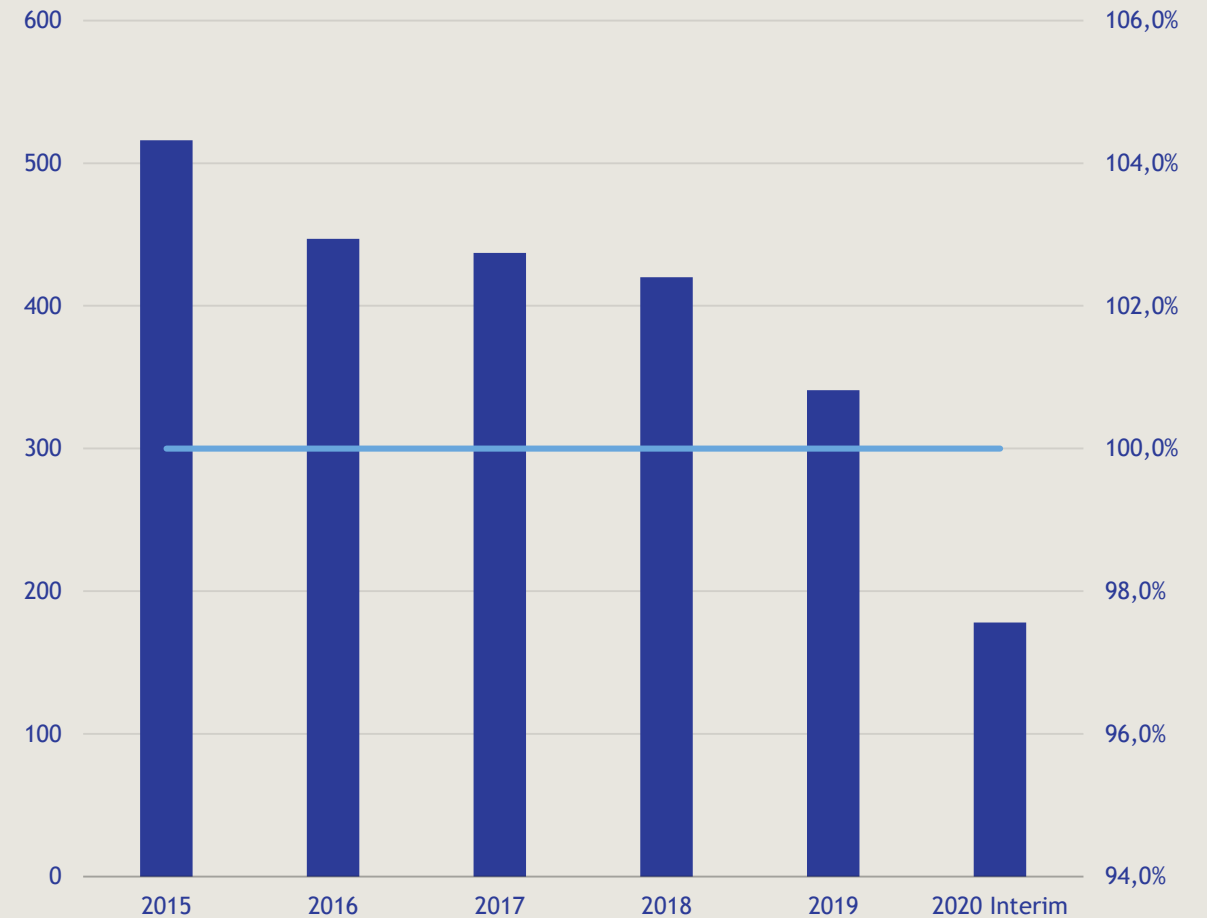
Source: Coronation



# Dividend declared reflects cash earnings

100% OF DILUTED HEADLINE EARNINGS PER SHARE DECLARED

	Change	March 2020	March 2019
Diluted HEPS (cents)	8%	178.3c	165.1c
Interim dividend per share (cents)	8%	178.0c	165.0c





# Business update

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## 26 YEARS OF INTEGRATED STEWARDSHIP OF CLIENT ASSETS

An active manager with a singular focus on long-term investing



### We put our clients first

- + We focus on growing the value of client assets over the long term rather than growing the pool of assets under our management
- + Closed institutional strategies for five years
- + Strong symmetry & value for money: fees aligned with client outcomes
- + Continue to ensure clients are kept abreast of market, company and investment strategy developments
- + Do not target AUM or share price, only alpha



### Long-term performance our true measure of success

- + Long-term investment performance remains compelling across our entire fund range
- + Investment approach unchanged - encouraged by excellent outperformance in 2019
- + 97% of institutional client assets<sup>1</sup> have outperformed their benchmarks since inception
- + 98% of our retail assets<sup>2</sup> have outperformed peers since inception



### Active Corporate Citizen

- + Response to COVID-19 by business to support affected communities
- + Active participants of CEO Initiative, BSA, BLSA & ASISA
- + Transformation of industry & company remains a key focus
- + Implement good corporate citizenship initiatives to ensure inclusive society and financial services sector
- + ESG analysis integrated into our investment process to allow for collaboration and engagement



### Creating a sustainable global business

- + Cyclical nature of business means we need to manage for the long term
- + Committed to investment in organic growth
- + Employee ownership level maintained at 25%
- + Cash-generative business with strong balance sheet
- + Seed new products with own cash
- + Employ and retain the best people
- + Diverse product range

<sup>1</sup>Asset-weighted, mandates with >10-year history

<sup>2</sup>Assets invested in our rand-denominated unit trust funds





## A SIGNIFICANT MANAGER OF INSTITUTIONAL ASSETS IN SA AND A GROWING NUMBER OF GLOBAL CLIENTS

### Local Clients

Client outflows totalling 5.8% of opening balance in line with prior year's flows; we expect to see continued outflows

#### Future focus:

- + Maintaining our world-class client service
- + Continued focus on enhancing ESG integration
- + Build out relationships with key allocators & look to maintain existing clients

### Global Clients

Client outflows totalling 0.2% of opening balance

#### Future focus:

- + Confident in the long-term outlook for our global strategies as well as our value proposition to clients through active management
- + Continued focus on enhancing ESG integration
- + Build out relationships with key allocators

Total client AUM

**R292bn**

Local client AUM

**R224bn**

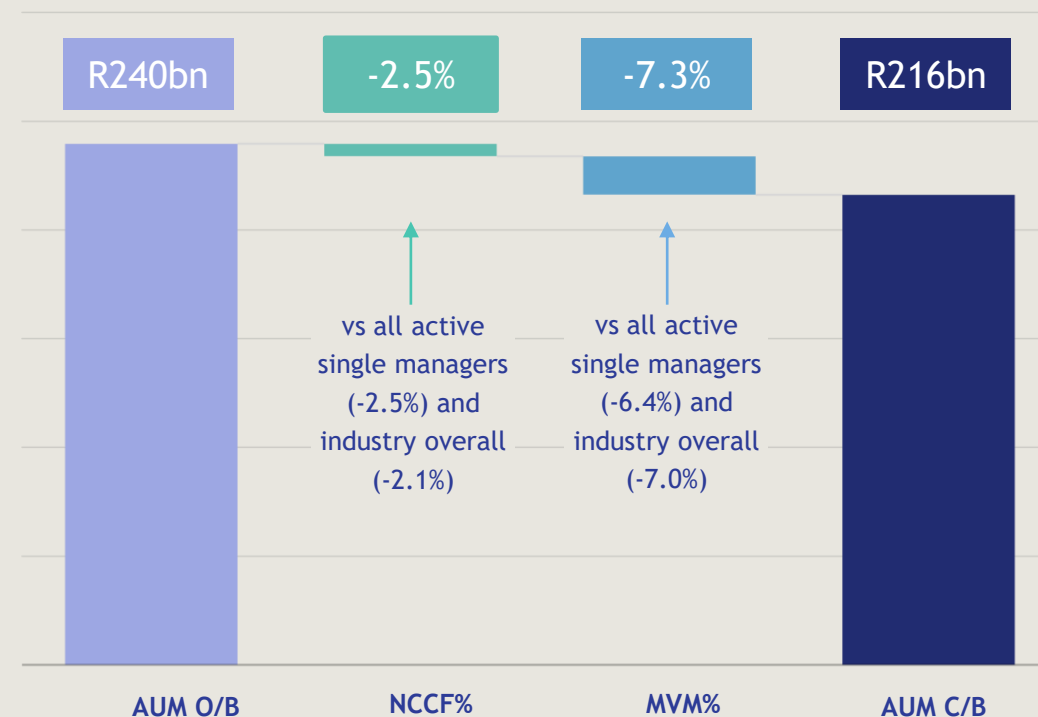
Global client AUM

**R68bn**



## CORONATION REMAINS ONE OF SA'S FOREMOST MANAGERS OF RETAIL SAVINGS AT R216BN AUM

- + Industry remains under pressure due to tough economic conditions and muted medium-term returns
  - We expect industry flows to remain under pressure for the foreseeable future
- + Coronation unit trust net outflows 2.5% of opening CIS AUM
  - Coronation net flow mix similar to industry experience
- + We remain focused on client outcomes
  - Long-term performance remains excellent
  - Service clients across the wealth spectrum
  - Continuing to invest in client service infrastructure



Source: Morningstar as at 31 March 2020. All fund categories included. Overall CFM CIS assets adjusted for institutional clients in line with SENS disclosure.

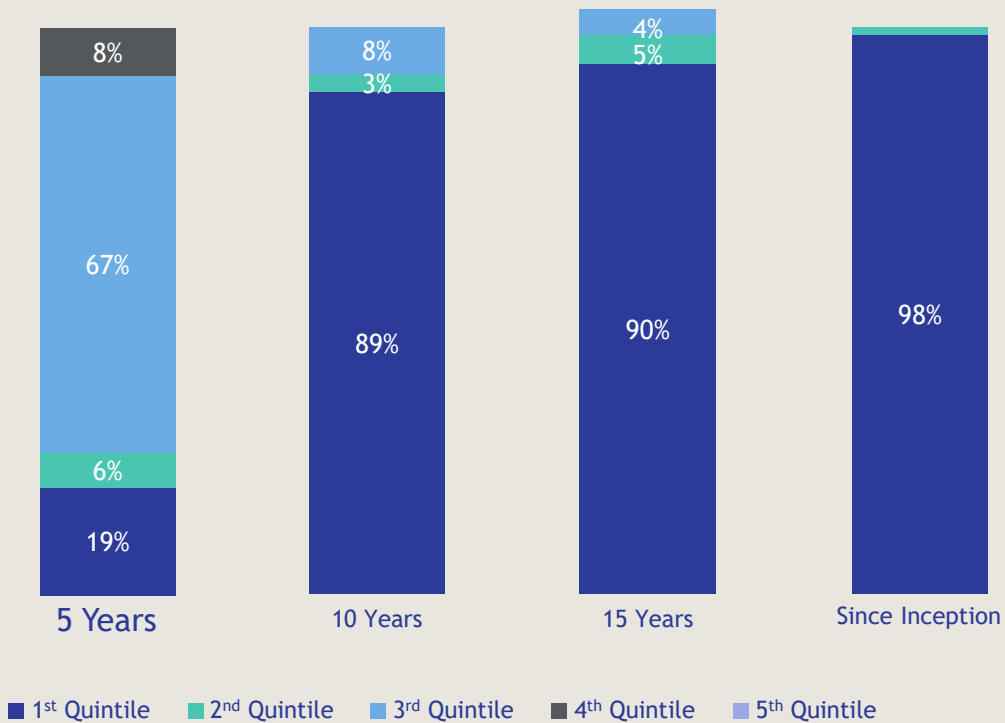
# Investment performance



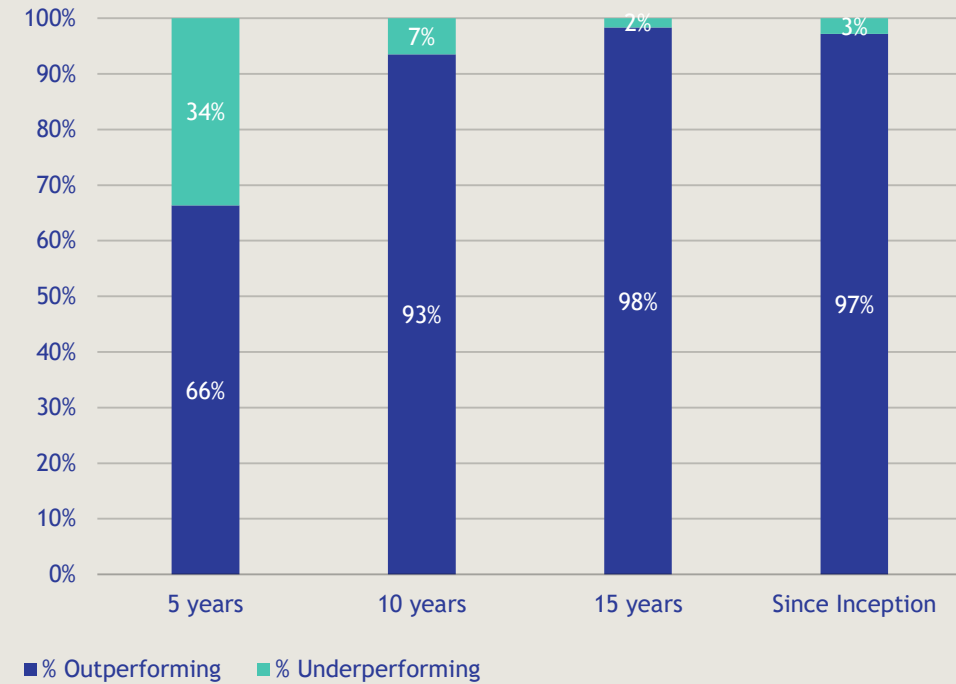
+ 98% of rand-denominated retail assets have outperformed peers since inception

+ 97% of institutional client assets outperformed benchmark since inception

## QUINTILE RANKINGS FOR UNIT TRUST RANGE



## % INSTITUTIONAL FUNDS OUTPERFORMING



As at 31 March 2020. Asset-weighted performance of 18 funds representing 97% of rand-denominated CIS funds included above. 5 specialist funds with less than five comparable funds in the industry excluded. Source: Morningstar using primary share classes and formal ASISA categories for all funds, except Global Managed, compared to Global - MA - Flexible & High Equity Categories combined and Market Plus, compared to SA - MA - Flexible. Numbers may not add up due to rounding.

Source: Coronation as at 31 March 2020; asset weighted basis  
Since inception figure refers to strategies with a 10-year+ track record

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# Good corporate citizenship

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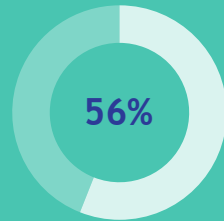
# Transforming our business and industry



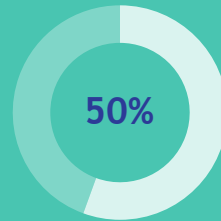
A HOMEGROWN SOUTH AFRICAN BUSINESS COMMITTED TO TRANSFORMING FROM WITHIN & THE BROADER INDUSTRY

## Transforming our business from within

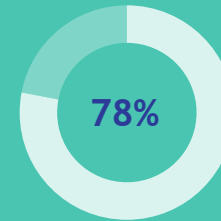
We are a proud South African business



of our employees are black



of our employees are female



of our Board members are black

>R225bn<sup>1</sup>

of total AUM managed by black investment professionals

<sup>1</sup>As at 30 September 2019

## Advancing transformation in our industry

Pre-dating BEE legislation in South Africa, we pioneered corporate initiatives that have contributed to meaningful transformation and the development of skills in the financial services industry

## Established 3 independent black businesses:

- + African Harvest Fund Managers
- + Kagiso Asset Management
- + Intembeko Investment Administrators

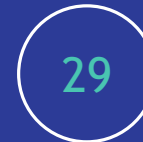
## Since 2006 we have allocated:

>R300m

in brokerage to black stockbrokers through the Coronation Business Support Programme



black IFA practices through the ASISA IFA Development Programme



analysts through the Vunani Securities Training Academy

\* As measured by the revised Financial Sector Code  
All figures are as at 31 March 2020, unless otherwise stated.

# Meaningful social impact



## CONTINUED FOCUS ON EDUCATION

### Education support

**>200**

Students awarded study opportunities

**>300**

Young girls reached by staff mentorship

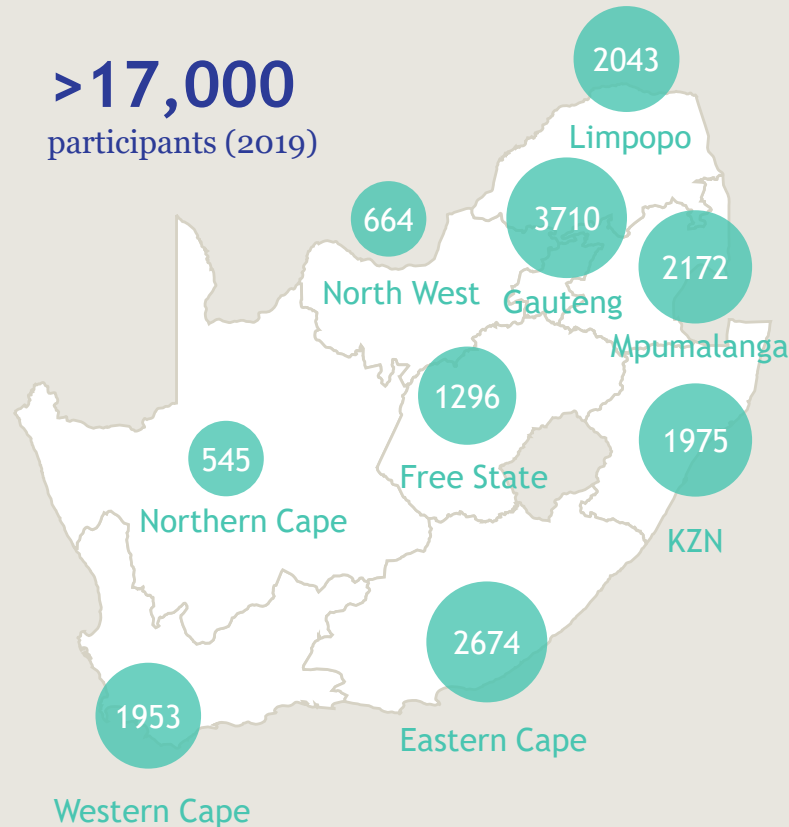
**67**

Internships placed since 2015

Sponsor and mentor Young Investor Programme students via South African universities

### Consumer financial education

**>17,000**  
participants (2019)



### Education programmes

**446**  
Schools

**>190 000**  
Learners

**5 961**  
Educators

**5 167**  
Small-scale farmers

# Our response to Covid-19



## FOCUS ON ENSURING DELIVERY & SUPPORT NOW... WHILE KEEPING AN EYE ON THE FUTURE

### Enabling employees

- + 85% seamlessly working from home
- + Well equipped to work from home, including access to support
- + Preventative measures in office environment
- + No retrenchments or furloughs

### Ensuring clients continue to be serviced

- + Increased communications
- + Focus on fulfilling our primary commitment
- + Uninterrupted service
- + Continue to focus on investment excellence

### Reducing the impact on society

- + Committed support to 3rd party service providers
- + Company, non-executive directors & 30% of employees contributed total of R10m to Solidarity Fund
- + Matched staff charitable contributions
- + SMME payments expedited
- + Community support programmes including feeding schemes
- + Gender & child abuse prevention programmes

### Contributing to the way forward

- + Engage with government and regulators
- + Participate in industry structures and initiatives including:
  - ASISA
  - BLSA
  - CEO Initiative



## ONGOING FOCUS AND COMMITMENT TO INVESTMENT EXCELLENCE FOR OUR CLIENTS GLOBALLY

- + Covid-19 epidemic an unforecastable event & unprecedented in modern times
  - with many unknowns and no immediate solutions, there remains large-scale uncertainty in global economies
- + Responsible continuity of business and engagement
  - we are fully operational
  - full compliance with lockdown regulations
  - continue to invest in the business
- + Active management has a significant role to play
  - encouraged by outperformance across our range of portfolios
  - in times of volatility, in-depth research and quick decision making is key
  - our focus is on making the right long-term decisions during this crisis; we believe that the quality of our decision-making can only be assessed three- to five years from now
  - our long-term performance remains the true measure of our ultimate success on behalf of our clients and stakeholders
- + We are optimistic about the opportunities that key markets present and believe that clients should see better returns in the next five years





# Questions

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# About Coronation Fund Managers



- + Founded in Cape Town, South Africa, in 1993 with zero assets under management
- + Listed in 2003
- + 25% employee-owned
- + An independent fund manager with no safety net of inhouse assets
- + Singular focus on asset management, outsourcing non-core components of business
- + An active manager with a long-term valuation-driven investment approach
- + A single global investment team and process
- + SA-based business with offices in Cape Town, Johannesburg, Durban, Pretoria, London and Dublin





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# Annexure A:

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## MARKET PERFORMANCE

# Capital *markets*



Economic group	3 months %	6 months %	12 months %
All Share (ZAR)	-21.38%	-17.74%	-18.42%
CAPI	-22.86%	-19.09%	-20.15%
Resources	-25.27%	-14.97%	-18.50%
All Property	-48.07%	-47.47%	-48.92%
Industrials	-8.44%	-8.44%	-7.18%
Financials	-39.48%	-37.77%	-38.82%
USD/ZAR	-21.58%	-15.22%	-18.82%
AF Money Market/CASH	1.68%	3.42%	7.13%
CPI	1.64%	1.99%	4.20%
Small Cap	-32.55%	-32.06%	-33.03%
MSCI Emerging Markets (USD)	-23.60%	-14.55%	-17.69%
MSCI All Country World Net USD	-21.37%	-14.33%	-11.26%
FTSE/JSE All Africa ex SA 30 Index (USD)	-28.12%	-22.64%	-21.30%
MSCI Frontier Markets NET USD	-26.59%	-21.73%	-18.96%
MSCI World (USD)	-21.05%	-14.30%	-10.39%

\*Alexander Forbes Money Market  
Returns as at end March 2020

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