CORONATION FINANCIAL FUND

Fund Information as at 30 September 2024

CORONATION
TRUST IS EARNED™

WHAT IS THE FUND'S OBJECTIVE?

The fund aims to maximise long-term growth from investing in the financial services industry. It seeks to outperform an index of financial companies listed on the Johannesburg Stock Exchange (the JSE Financial Index) over the longer term.

WHAT DOES THE FUND INVEST IN?

The Financial Fund primarily invests in the shares of companies listed on the Johannesburg Stock Exchange but can also invest in international equities.

The fund will remain fully invested in listed companies that earn a significant portion of their earnings from financial services. These include banks, insurance companies and related businesses.

The fund is mandated to use derivative instruments for efficient portfolio management purposes.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Risk Profile

10/10
Aggressive

Maximum growth/
minimum income exposures

Growth Assets: 100%
Income Assets: 0%

The fund's managers actively seek out attractively valued financial companies that could offer strong long-term investment growth.

Shares are selected following rigorous research into the long-term potential of a company, and whether it is currently attractively valued relative to its sector.

Shares can be volatile investments and there is a meaningful risk of capital loss over the short term. However, given its focus on investing only in attractively valued shares that could offer long-term growth, the fund may preserve capital better than its benchmark over the long run.

The fund is concentrated and only invests in one sector of the market, making it riskier than a general equity fund.

HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The fund is managed to deliver the best possible returns over the long term; an investment horizon of five years or more is therefore ideal.

WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are building wealth, and who

- want to diversify their investments to include specific exposure to banks, insurers and related businesses;
- believe that the financial sector offers compelling value;
- accept that the fund may underperform the broader market significantly in the short term as a result of its sector focus;
- seek to hold the Financial Fund as one of multiple funds in their investment portfolio.

WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 1.25% (excl. VAT) is payable.

Fund expenses that are incurred in the fund include trading, custody and audit charges. All performance information is disclosed after deducting all fees and other portfolio costs.

We do not charge fees to access or withdraw from the fund.

More detail is available on www.coronation.com.

WHO ARE THE FUND MANAGERS?

NEILL YOUNG
BBusSc (Hons Fin), CA (SA), CFA

GODWILL CHAHWAHWA
BCompt, CA (SA) CFA

GENERAL FUND INFORMATION

Launch Date	1 July 1998
Fund Class	A
Benchmark	FTSE/JSE Financials ex Real estate Index
ASISA Fund Category	South African – Equity – Financial
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORFING
ISIN Code	ZAE000019766
JSE Code	CNFG

CORONATION FINANCIAL FUND

CORONATION
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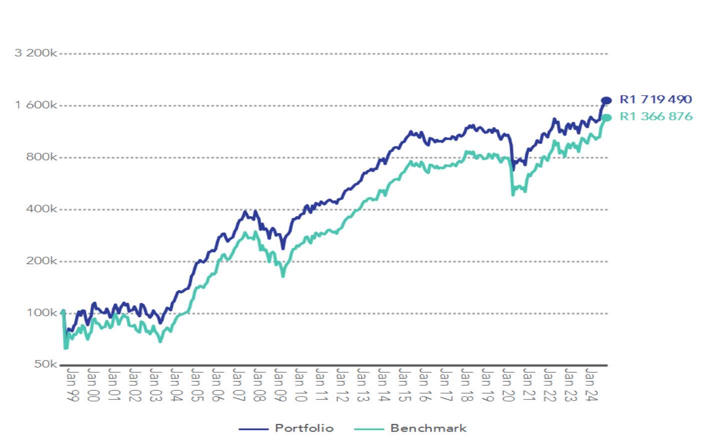
CLASS A as at 30 September 2024

ASISA Fund Category	South African - Equity - Financial
Launch date	01 July 1998
Fund size	R430.53 million
NAV	7441.90 cents
Benchmark	FTSE/JSE Financials (ex Real estate) Index
Portfolio manager/s	Neill Young and Godwill Chahwahwa

	1 Year	3 Year
Total Expense Ratio	1.46%	1.47%
Fund management fee	1.23%	1.24%
Fund expenses	0.05%	0.05%
VAT	0.18%	0.19%
Transaction costs (inc. VAT)	0.21%	0.21%
Total Investment Charge	1.68%	1.68%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Sep 2024
Domestic Assets	**98.7%**
Equities	**97.9%**
Consumer Goods	1.8%
Financials	96.1%
Cash	**0.8%**
International Assets	**1.3%**
Equities	**1.3%**
Cash	**0.0%**

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1619.5%	1266.9%	352.6%
Since Launch (annualised)	11.4%	10.5%	1.0%
Latest 20 years (annualised)	12.5%	13.0%	(0.6)%
Latest 15 years (annualised)	11.2%	12.4%	(1.3)%
Latest 10 years (annualised)	6.7%	8.7%	(2.0)%
Latest 5 years (annualised)	10.1%	11.9%	(1.8)%
Latest 3 years (annualised)	15.7%	18.7%	(3.1)%
Latest 1 year	39.0%	38.3%	0.6%
Year to date	24.4%	23.8%	0.7%

TOP 10 HOLDINGS

As at 30 Sep 2024	% of Fund
FirstRand Limited	22.4%
Standard Bank Of SA Ltd	18.2%
Capitec Bank Holdings Ltd	9.5%
Sanlam Life Assurance Limited	9.2%
Discovery Holdings Ltd	6.8%
Investec Limited	5.5%
Outsurance Group Ltd	4.9%
Nedbank Ltd	4.6%
Absa Group Limited	3.5%
Psg Group	2.8%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	19.9%	21.1%
Sharpe Ratio	0.15	0.10
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(45.4)%	(45.3)%
Positive Months	59.4%	59.7%

	Fund	Date Range
Highest annual return	63.0%	Aug 2004 - Jul 2005
Lowest annual return	(39.5%)	Apr 2019 - Mar 2020

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2024	01 Oct 2024	161.68	160.13	1.54
28 Mar 2024	02 Apr 2024	83.65	82.94	0.71
29 Sep 2023	02 Oct 2023	180.39	179.14	1.24
31 Mar 2023	03 Apr 2023	82.22	81.36	0.86

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2024	(3.2)%	(1.0)%	(2.9)%	2.5%	0.5%	14.9%	4.9%	5.5%	2.1%				**24.4%**
Fund 2023	5.6%	2.5%	(7.6)%	2.9%	(8.4)%	10.8%	6.7%	(1.2)%	(4.5)%	(2.5)%	9.2%	5.0%	**17.3%**
Fund 2022	2.7%	4.1%	11.4%	(5.8)%	1.9%	(13.2)%	3.6%	(2.0)%	(4.6)%	11.8%	3.5%	(6.6)%	**3.9%**
Fund 2021	(2.6)%	3.7%	2.5%	1.5%	6.5%	(2.7)%	(0.5)%	11.5%	1.8%	(2.4)%	(3.0)%	7.8%	**25.5%**
Fund 2020	(5.0)%	(8.6)%	(28.4)%	13.2%	(2.8)%	3.6%	2.3%	(3.2)%	1.0%	(5.8)%	16.1%	7.2%	**(16.9)%**

Issue date: 2024/10/14

Please refer to page 4 of the Comprehensive Fact Sheet for important additional infomation, including change in cost disclosures.

Please note that the commentary is for the retail class of the Fund.

Performance

In another strong quarter for SA financial stocks, the Fund returned 13%, bringing the 12-month return to 39%. Since inception the Fund has delivered a 11.5% annualised return, 1% ahead of the benchmark.

Global markets continued their strong march upwards in Q3 of 2024. The MSCI ACWI returned 7% for the quarter, lifting the year-to-date (ytd) return to 19%. The returns are broad based across markets and have been supported by generally resilient economic growth and employment data. Continued easing in inflation supported the start of cuts in policy rates across many markets, including the US where a larger-than-expected 50bps was announced. The positive outlook also reflected in global bond markets with in a 7% return in the Bloomberg Barclays Global Aggregate Bond Index for the quarter (4% ytd).

Emerging markets joined the party, rising 9% in Q3 and 17% ytd. China was a strong contributor to these returns as a raft of stimulus measures were finally announced in September, resulting in a 24% return for the MSCI China Index in that month alone.

Geopolitical tensions remain high and appear to be escalating in the Middle East, raising the potential of a broader regional conflict. The oil price has bounced off its September lows and the gold price ended the quarter close to an all-time high above $2 600/oz, perhaps reflecting these risks despite the relatively benign economic environment that appears to be unfolding.

Domestic markets performed strongly as positive sentiment attributed to the new coalition government continued into Q3, supported by a 25bps rate cut from the SARB in September. The JSE Capped SWIX returned 10% for the quarter taking the ytd return to 16%. The bond market rallied strongly as yields declined taking the ALBI return to 11% for the quarter and 17% ytd. This optimism is also reflected in the currency as the rand closed the quarter at 17.27 to the USD, a strengthening of 6% since the beginning of the year – almost all of which happened in Q3.

The financial index once again outperformed the broader market and returned 14% for the quarter, led by the short-term insurers which were up 22%. Life insurers rose 16% and banks 13%. Contributors to Fund performance relative to the benchmark include overweight positions in Discovery, OUTsurance and Standard Bank and underweight positions in Reinet and Old Mutual. Detractors from performance include underweight positions in Momentum Group and Nedbank as well as overweight positions in Investec, PSG Financial Services and Sanlam.

Portfolio actions and fund positioning

One can certainly sketch a positive scenario to support the price moves that we have seen in domestic-facing assets. Nearly 100 days in, the GNU is performing well and there appears to be genuine intent on all sides to ensure its longevity and to work together constructively despite some teething problems. The private sector has seconded skills into government to assist with delivery. The country has experienced no loadshedding for almost 200 days and real plans to deal with other infrastructure challenges are taking shape. The strong rand and lower oil price are helping to deliver lower inflation and we have begun a rate-cutting cycle. The two-pot system could provide a short-term sugar-rush to consumers, boosting confidence somewhat and potentially supporting higher credit extension.

There are some quick fixes to be had (speeding up the processing of skilled work visas for example), but many of the challenges that we have flagged in the past persist. Decades of underinvestment in infrastructure (rail, ports, and water) will take years to correct. Failing municipalities will impede attempts at improvements in service delivery. The longer-term fiscal outlook remains challenged as constrained government revenue and continued high expenditure demands for the public sector wage bill, social grants and debt servicing costs mean that a rising debt-to-GDP ratio remains likely, even factoring in potentially higher GDP growth.

As a result, our exposure remains concentrated in high quality businesses that we would expect to outperform in a challenged economic environment. We are however cognisant of the risk of a more positive outcome – a high road scenario in which tangible evidence of real execution by government translates into better operating conditions for domestic businesses, as well as the buying of equities and bonds by foreign investors who have largely sat on the sidelines until now. The fortunes of the financial sector are particularly tied to those of the domestic economy, and this could well result in a rising tide lifting all boats, where the share prices of poorer quality businesses on depressed ratings have the potential to outperform the higher-quality businesses. We have not gone down this route in stock selection in the Fund, however.

During the quarter we saw positive flows into the Fund. These were applied to increasing the Fund’s holdings in St James’s Place, the banks (excepting Absa), Reinet, and Discovery.

The Fund’s 6.8% holding in Discovery is the second-largest overweight position in the portfolio. This is a business that increasingly slots into the high-quality category. The share sold off heavily earlier in the year at the time of reporting interim results, made complex by the implementation of the new IFRS17 insurance accounting standard, but possibly also on fears of the imminent signing into law of the NHI Bill. Historically, a significant portion of group profits were invested into new initiatives, in particular the bank in South Africa and partnerships with global insurers to commercialise its shared-value model intellectual property. The market became increasingly impatient on delivery, was sceptical on execution in the bank and questioned the lagged emergence of cash flow from the group. When reporting its final results in September, the company was at pains to emphasise that it is at a turning point in its lifecycle. Breakeven in the bank is imminent and conviction is building on the model, the Chinese health insurance JV grew profits strongly as did the Vitality Network partner business, and a recovery in the short-term insurance business is underway. NHI is likely to be amended in some form, or at the very least its full implementation is probably decades away. A much smaller proportion of group profits will now be invested in new initiatives, cashflow emergence is guided to improve and the group is targeting 15-20% annualised growth in earnings over the next five years along with an improving ROE in the upper teens. While the company has at times in the past been guilty of over-promising and under-delivering (on some admittedly ambitious targets), our modelling suggests the targets being set out now are achievable. The market appears to share this view, and the share price is up more than 50% from its lows six months ago.

Outlook

The sentiment emanating from South Africa is positive and this has been reflected in strong moves in both domestic asset prices and the currency. We are in the early phase of the coalition government and still need to see this mood translate into meaningful on-the-ground action. If this comes about, there is scope for improved earnings growth from domestic-facing businesses and possibly a further rerating of equities. The financial sector, being liquid and largely domestic facing, should benefit were this to happen and, similarly, this should reflect in the performance of the Fund.

Portfolio managers
Neill Young and Godwill Chahwahwa
as at 30 September 2024

IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION FINANCIAL FUND

The Financial Fund should be considered a long-term investment. The value of units may go down as well as up, and therefore Coronation does not make any guarantees with respect to the protection of capital or returns. Past performance is not necessarily an indication of future performance. The fund is mandated to invest into foreign securities and may as a result be exposed to macroeconomic, settlement, political, tax, reporting or illiquidity risk factors that may be different to similar investments in the South African markets. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Asset allocation and top 10 holdings are reflected on a look-through basis. Coronation Management Company (RF) (Pty) Ltd is a Collective Investment Schemes Manager approved by the Financial Sector Conduct Authority in terms of the Collective Investment Schemes Control Act. Portfolio managed by Coronation Asset Management (Pty) Ltd (FSP 548) , an authorised financial services provider. The Management Company reserves the right to close the fund to new investors if we deem it necessary to limit further inflows in order for it to be managed in accordance with its mandate. Unit trusts are allowed to engage in scrip lending and borrowing. Standard Chartered has been appointed as trustees for the fund (www.sc.com/za; 011-2176600). Coronation is a full member of the Association for Savings & Investment SA (ASISA).

HOW ARE UNITS PRICED AND AT WHICH PRICE WILL MY TRANSACTION BE EXECUTED?

Unit trusts are traded at ruling prices set on every trading day. Fund valuations take place at approximately 15h00 each business day, except at month end when the valuation is performed at approximately 17h00 (JSE market close) and forward pricing is used. Instructions must reach the Management Company before 14h00 (12h00 for the Money Market Fund) to ensure same day value. The payment of withdrawals may be delayed in extraordinary circumstances, when the manager with the consent of the fund trustees deem this to be in the interest of all fund investors. These circumstances may include periods when significant underlying markets suspend trading which will prevent accurate valuation of the instruments held in the fund. When the suspension of trading relates to only certain assets held by the fund, these assets may be side-pocketed. This process allows normal liquidity on the assets that can be valued, but will delay liquidity on the affected portion of the fund. If the fund is faced with excessive withdrawals, the affected withdrawals may be ring-fenced, which is the separation and delayed sale of the assets reflecting the interest of the liquidity seeking investors. It ensures that the sale of a large number of units will not force Coronation to sell the underlying investments in a manner that may have a negative impact on remaining investors of the fund.

HOW WAS THE PERFORMANCE INFORMATION INCLUDED IN THIS FACT SHEET CALCULATED?

Performance is calculated by Coronation as at the last day of the month for a lump sum investment using Class A NAV prices with income distributions reinvested. All underlying price and distribution data is sourced from Morningstar. Performance figures are quoted after the deduction of all costs (including manager fees and trading costs) incurred within the fund. Note that individual investor performance may differ as a result of the actual investment date, the date of reinvestment of distributions and dividend withholding tax, where applicable. Annualised performance figures represent the geometric average return earned by the fund over the given time period. Unannualised performance represents the total return earned by the fund over the given time period, expressed as a percentage.

WHAT IS THE TOTAL EXPENSE RATIO (TER) AND TRANSACTION COSTS (TC)?

TER is calculated as a percentage of the average net asset value of the portfolio incurred as charges, levies and fees in the management of the portfolio over the period referenced. The TER charged by any underlying fund held as part of a fund's portfolio is included in the fund expenses portion of the TER, but trading and implementation costs incurred in managing the underlying fund are excluded. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's. The 1 year TER is for the 12 months to end of the previous financial year (updated annually). The 3 year TER is for a rolling 36-month period to the last available quarter end (December, March, June and September).

Transaction costs are a necessary cost in managing a fund and impacts the fund's return. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER.

The Total Investment Charge is the sum of the Total Expense Ratio (TER) and transaction costs.

ADVICE AND PLATFORM COSTS

Coronation does not provide financial advice. If you appoint an adviser, advice fees are contracted directly between you and the adviser. For more information please contact the relevant platform (Linked Investment Service Provider or Life Assurance Provider).

WHERE CAN I FIND ADDITIONAL INFORMATION?

Additional information such as daily fund prices, brochures, application forms and a schedule of fund fees and charges is available on our website, www.coronation.com

IMPORTANT INFORMATION REGARDING TERMS OF USE

This document is for information purposes only and does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase any particular investment. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance upon the information.