CORONATION FINANCIAL FUND

Fund Information as at 31 March 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 1.00% (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

Fund Launch Date	1 July 1998
Fund Class	P
Class Launch Date	1 April 2016
Benchmark	FTSE/JSE Financials ex Real estate Index
ASISA Fund Category	South African – Equity – Financial
Income Distribution	Semi-annually (March & September)
Bloomberg Code	CORFINP
ISIN Code	ZAE000215380
JSE Code	CFFCP

CORONATION FINANCIAL FUND

CORONATION
TRUST IS EARNED™

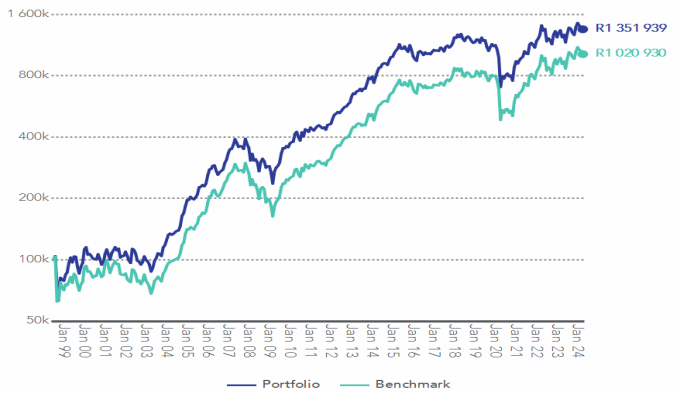
CLASS P as at 31 March 2024

ASISA Fund Category	South African - Equity - Financial
Launch date	01 April 2016
Fund size	R334.93 million
NAV	5655.83 cents
Benchmark	FTSE/JSE Financials (ex Real estate) Index
Portfolio manager/s	Neill Young and Godwill Chahwahwa

	1 Year	3 Year
Total Expense Ratio	1.18%	1.19%
Fund management fee	0.98%	0.99%
Fund expenses	0.05%	0.05%
VAT	0.15%	0.15%
Transaction costs (inc. VAT)	0.21%	0.21%
Total Investment Charge	1.39%	1.40%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2024
Domestic Assets	99.5%
Equities	98.9%
Financials	98.5%
Unlisted	0.4%
Cash	0.5%
International Assets	0.5%
Equities	0.5%
Cash	0.0%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1251.9%	920.9%	331.0%
Since Launch (annualised)	10.6%	9.4%	1.2%
Latest 20 years (annualised)	12.3%	12.4%	(0.1)%
Latest 15 years (annualised)	11.3%	12.1%	(0.8)%
Latest 10 years (annualised)	5.0%	6.4%	(1.4)%
Latest 5 years (annualised)	3.1%	5.2%	(2.1)%
Latest 3 years (annualised)	11.5%	15.3%	(3.8)%
Latest 1 year	9.5%	11.8%	(2.3)%
Year to date	(6.9)%	(7.5)%	0.7%

TOP 10 HOLDINGS

As at 31 Mar 2024	% of Fund
FirstRand Limited	22.9%
Standard Bank Group Ltd	17.3%
Sanlam Limited	8.9%
Capitec Bank Ltd	8.9%
Investec Limited	6.4%
Nedbank Group Ltd	5.4%
Discovery Holdings Ltd	5.4%
ABSA Group Limited	4.8%
OUTsurance Group Ltd	4.5%
PSG Group	2.5%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	19.8%	21.1%
Sharpe Ratio	0.11	0.05
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(45.1)%	(45.3)%
Positive Months	58.9%	59.2%

	Fund	Date Range
Highest annual return	63.0%	Aug 2004 - Jul 2005
Lowest annual return	(39.3%)	Apr 2019 - Mar 2020

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
28 Mar 2024	02 Apr 2024	91.78	91.01	0.77
29 Sep 2023	02 Oct 2023	188.16	186.90	1.26
31 Mar 2023	03 Apr 2023	90.17	89.19	0.98
30 Sep 2022	03 Oct 2022	150.62	149.87	0.75

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2024	(3.1)%	(1.0)%	(2.9)%										(6.9)%
Fund 2023	5.6%	2.5%	(7.6)%	2.9%	(8.4)%	10.8%	6.7%	(1.2)%	(4.4)%	(2.5)%	9.2%	5.0%	17.7%
Fund 2022	2.7%	4.1%	11.5%	(5.8)%	1.9%	(13.2)%	3.6%	(2.0)%	(4.6)%	11.9%	3.5%	(6.6)%	4.1%
Fund 2021	(2.6)%	3.8%	2.5%	1.5%	6.5%	(2.7)%	(0.4)%	11.5%	1.8%	(2.3)%	(3.0)%	7.9%	25.8%
Fund 2020	(5.0)%	(8.6)%	(28.4)%	13.2%	(2.8)%	3.6%	2.3%	(3.2)%	1.0%	(5.8)%	16.2%	7.2%	(16.7)%

Issue date: 2024/04/15

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 a challenging quarter for SA-facing stocks, the Fund returned -7.0%, slightly ahead of its benchmark. Over the past 12 months, the Fund returned 9.2% and, since inception, has generated an annualised return of 10.4%, 1% ahead of its benchmark.

Global equity markets posted a strong start to the year, with the MSCI ACWI returning 8% in Q1-24. The performance was broad-based across developed markets, with the S&P 500 Index up 11%, the Dow Jones Euro Stoxx 50 up 10% and Japan's Nikkei 225 rising 21%, finally surpassing its previous high (in 1989!).

Much of this performance has been driven by the growing conviction that the US economy will achieve a soft landing despite an extremely sharp 525 basis points rise in the fed funds rate over 18 months. Economic growth remains strong, unemployment is remarkably low, and inflation has moderated from a peak in the high single digits in 2022 to the low three percents, albeit above the US Federal Reserve's 2% target. While expectations for the extent and timing of rate cuts have moderated, absent any unforeseen shocks, it seems clear that the next move in rates is down.

Emerging markets fared less well, returning 2% for the quarter. Much of the attention is focused on weak economic growth in China, which has disappointed since its reopening after Covid lockdowns due to high debt levels and a distressed property market. Global bond markets returned -2% for the quarter, lagging equities as yields rose from their recent lows at the end of December 2023.

South Africa faces ongoing challenges as the key enablers of a functioning economy continue to falter – power, ports and logistics and, increasingly, water infrastructure. This backdrop was reflected in local market returns: the FTSE/JSE Capped SWIX Index was down -2% for the quarter (with domestic-facing sectors such as banks and retailers declining by more), and the FTSE/JSE All Bond Index -2%, despite high attractive real yields on offer. The rand lost 2% against the US dollar over the quarter.

The financial index declined 8% for the quarter, led by a -10.5% return from asset managers and investment holding companies. Life insurers declined -9.0% and banks 7.0%. Contributors to fund performance relative to the benchmark included an underweight position in Remgro and overweight positions in short-term insurers Santam and OUTsurance. Detractors included an underweight position in Capitec and overweight positions in UK wealth manager St James's Place and Discovery.

Portfolio actions and positioning

During the quarter, we added to holdings in Sanlam, FirstRand and OUTsurance, and funded this from reductions in holdings of Nedbank, Reinet and NinetyOne.

FirstRand and Standard Bank comprise the Fund's two largest holdings and together make up 40% of the Fund. Both companies' share prices have had a challenging start to the year, down 13% and 11% respectively, despite reporting what we consider to be strong financial results in March. In the case of FirstRand, it appears concerns over the impact of regulatory action in the UK relating to previously paid motor finance commissions are weighing on investors' minds. This is an industry-wide issue and is likely to result in some form of remediation being paid to customers by FirstRand's MotoNovo business. It is early in the process, so quantifying the impact of this is an exercise in educated guesswork. However, the scenarios that we have run suggest that the R45bn (or £1.9bn) reduction in FirstRand's market capitalisation in the first six weeks of the quarter discounted an excessively negative outcome. FirstRand remains a business with an exceptionally strong franchise, achieving industry-leading advances growth with comparatively low credit losses and generating high ROEs. We increased the Fund's exposure to FirstRand during the quarter.

Standard Bank produced a particularly strong result, growing earnings per share by 26% in 2023. The group benefited from high endowment sensitivity to rising interest rates, strong trading income in its markets business and a particularly robust performance in its Africa Regions business, which grew earnings by 49% and now makes up 42% of group earnings. The first two drivers of the result (endowment and trading income) are probably at cyclical highs, and we think the group will be challenged to grow real earnings off this base in the short term. However, the Africa Regions business is likely to be a long-term growth driver for the group, having built a strong franchise on the continent at a time when many global banks were withdrawing. It operates in 18 sub-Saharan countries (excluding SA), has grown earnings strongly over the long term (18% CAGR over the past 10 years), and generates attractive returns given the risk profile (28% ROE in 2023). This makes an attractive differentiator for a business otherwise exposed to a low-growth SA market.

Outlook

The upcoming national elections in May are likely to attract much attention. Polls suggest that the ANC will likely drop below a 50% majority and will need to enter a coalition to remain in power. The extent of the shortfall will determine their likely partner. A significant shortfall will require a coalition with a larger party, and the options here will probably produce very divergent market reactions. We are not in a position to predict the outcome any more accurately than the polls. But regardless of any favourable policy changes that may result, it will take many years to correct the structural problems that beset the SA economy.

For this reason, we remain extremely cautious about the economic outlook for South Africa and, similarly, the prospects for domestic-facing businesses. We continue to believe that high-quality businesses are likely to be the winners in this low-growth scenario, and hence, these companies feature strongly in the portfolio. FirstRand and Standard Bank are two such businesses.

Portfolio managers
Neill Young and Godwill Chahwahwa
as at 31 March 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 P 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.