

## WHAT IS THE FUND'S OBJECTIVE?

The fund aims to maximise long-term investment growth from investing in a select group of South African listed industrial and consumer companies.

It seeks to outperform an index of industrial companies listed on the Johannesburg Stock Exchange (the JSE Industrial Index) over the longer term.

## WHAT DOES THE FUND INVEST IN?

The fund will remain fully invested in companies listed on the JSE, most excluding those involved in mining and financial services. It can invest in a wide range of industries, including technology, telecommunication, healthcare and consumer goods.

While the fund may not invest in foreign markets, it can have exposure to international companies that are listed in South Africa. The fund is mandated to use derivative instruments for efficient portfolio management purposes.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

## Risk Profile

Maximum growth/  
minimum income exposures

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

Shares are selected following rigorous and independent 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

- ▶ want to diversify their investments to include exposure to a wide range of industrial companies;
- ▶ accept that the fund may underperform the market significantly in the short term in pursuit of superior long-term gains;
- ▶ want to hold the Industrial 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](http://www.coronation.com).

## WHO ARE THE FUND MANAGERS?



**ADRIAN  
ZETLER**  
BCom (Hons), CA (SA),  
CFA



**TUMISHO  
MOTLANTHE**  
BBusSc, CFA

## GENERAL FUND INFORMATION

Launch Date	1 July 1998
Fund Class	P (previously class A)
Benchmark	FTSE/JSE Industrial Index
Fund Category	South African – Equity – Industrial
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORCGRO
ISIN Code	ZAE000019741
JSE Code	CNCG

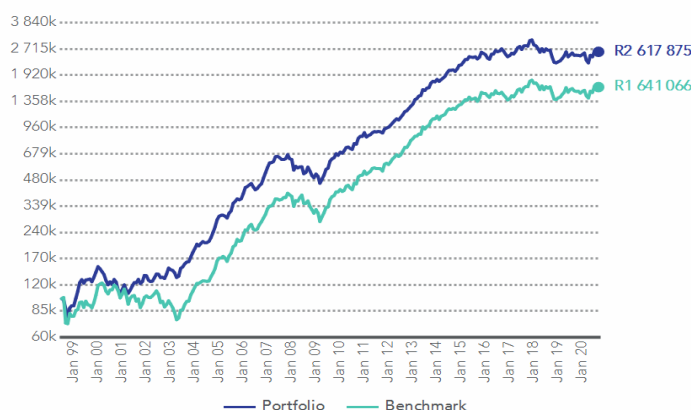
CLASS P as at 31 August 2020

<b>Fund category</b>	South African - Equity - Industrial
<b>Launch date</b>	01 July 1998
<b>Fund size</b>	R674.66 million
<b>NAV</b>	18050.09 cents
<b>Benchmark/Performance</b>	FTSE/JSE Industrial Index
<b>Fee Hurdle</b>	
<b>Portfolio manager/s</b>	Adrian Zetler and Tumisho Motlanthe

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.17%	1.16%
Fund expenses	1.00%	1.00%
VAT	0.02%	0.02%
Transaction costs (inc. VAT)	0.15%	0.15%
Total Investment Charge	0.13%	0.15%
	1.30%	1.31%

## PERFORMANCE AND RISK STATISTICS

## GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



## PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	2517.9%	1541.1%	976.8%
Since Launch (annualised)	15.9%	13.5%	2.4%
Latest 20 years (annualised)	16.2%	14.0%	2.3%
Latest 15 years (annualised)	14.1%	15.0%	(0.9)%
Latest 10 years (annualised)	13.0%	13.7%	(0.7)%
Latest 5 years (annualised)	1.9%	3.8%	(1.9)%
Latest 3 years (annualised)	(2.7)%	(0.3)%	(2.5)%
Latest 1 year	4.8%	5.1%	(0.3)%
Year to date	3.6%	5.9%	(2.3)%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	15.4%	17.6%
Sharpe Ratio	0.46	0.26
Maximum Gain	55.8%	61.7%
Maximum Drawdown	(31.6)%	(38.5)%
Positive Months	63.9%	63.5%

	Fund	Date Range
Highest annual return	68.0%	Jan 1999 - Dec 1999
Lowest annual return	(26.2)%	Dec 2017 - Nov 2018

## MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2020	2.0%	(9.1)%	(3.6)%	10.6%	(2.0)%	7.6%	(1.4)%	0.7%					3.6%
Fund 2019	1.3%	2.9%	3.5%	5.7%	(6.3)%	2.6%	2.6%	(3.1)%	0.2%	(0.2)%	(0.8)%	1.9%	10.2%
Fund 2018	(1.2)%	(3.2)%	(5.0)%	5.0%	(4.3)%	4.1%	(1.9)%	0.3%	(8.7)%	(6.8)%	(0.8)%	1.4%	(20.0)%

## PORTFOLIO DETAIL

## EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Aug 2020
<b>Domestic Assets</b>	<b>100.0%</b>
■ <b>Equities</b>	<b>98.3%</b>
Industrials	2.0%
Consumer Goods	15.6%
Health Care	4.2%
Consumer Services	60.3%
Telecommunications	4.7%
Financials	1.6%
Technology	9.8%
■ <b>Preference Shares &amp; Other Securities</b>	<b>0.6%</b>
■ <b>Real Estate</b>	<b>0.5%</b>
■ <b>Cash</b>	<b>0.6%</b>

## TOP 10 HOLDINGS

As at 30 Jun 2020	% of Fund
Naspers Ltd	43.5%
British American Tobacco Plc	9.3%
Prosus Nv	6.3%
Mtn Group Ltd	4.2%
Aspen Phamacare Holdings Ltd	4.2%
Spar Group Ltd	3.4%
Bid Corp Ltd	3.3%
Anheuser-busch Inbev Sa/nv	2.6%
Allied Elelctronics Corp	2.4%
Pick 'n Pay Stores	2.2%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2020	01 Apr 2020	198.89	193.52	5.37
30 Sep 2019	01 Oct 2019	63.50	62.86	0.64
29 Mar 2019	01 Apr 2019	108.28	106.32	1.96
28 Sep 2018	01 Oct 2018	110.24	109.34	0.91

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

The Fund had a strong quarter, returning 16.6% while also slightly outperforming the benchmark. The Fund has outperformed the benchmark by 2.4% per annum (p.a.) since inception. However, over the last five- and ten-year periods, the Fund is still behind the benchmark, as we continue to battle against the massive outperformance of the large benchmark constituents.

Following on from the record decline in equity markets during the first quarter of 2020 (Q1-20), the second quarter of the year (Q2-20) saw a rapid recovery. Unprecedented levels of fiscal and monetary stimulus by governments and central banks around the world have given credibility to the Covid-19 response and hope to markets of a quick economic recovery, causing a rotation back into risk assets. South Africa (SA) is no different, with the South African Reserve Bank cutting the repo rate by 275 basis points the year to date. However, we remain concerned about how well the country comes out of this, having come into this crisis on a weak footing, and the limited ability to provide financial support to businesses and households. The Q1-20 GDP numbers came out with a 2% decline and marked the country's third quarter of negative growth. While the rand blew out in Q1-20, the level has seen little improvement in this quarter and saw only a small strengthening of 3%.

Q2-20 was also the first full quarter of lockdown in SA. As trading updates came from our companies, earnings expectations were adjusted, and shares were repriced based on their prospects through the challenging 12 to 18 months that lies ahead.

As a result of this, many of our top contributing positions came from SA domestic businesses in which the Fund is underweight. Clicks, Bidvest, Life Healthcare and Tiger Brands were all positive contributors in the period. After a long period of benchmark outperformance, Richemont, by far our biggest underweight, finally came through, as the impact of the current climate started to weigh on luxury goods demand and the company's earnings. Our largest contributor to performance was Aspen, which we have written about in previous commentaries. It remains our second biggest overweight.

The Fund's defensive exposure to food businesses, which helped performance in Q1-20, hurt in this quarter. Pick n Pay and Spar were the two biggest negatives in the period. While Distell and Zeder are other companies worth mentioning in this space.

The biggest buy for the Fund this quarter was Woolworths. After not owning the stock for some time, its material underperformance became too difficult for us to ignore. In Woolworths Food, you have one of SA's best businesses, making up around 40% of our assessment of normal earnings and fair value. It is defensive and continues to gain market share, with its high levels of product innovation. The remaining businesses consist of Clothing & Home SA, Country Road and David Jones. All three divisions are operating well below normal and offer upside in revenue and profitability. The opportunity to take out costs in David Jones is a material underpin to this, and, up to this point, the market has taken a very dim view of management's ability to execute on this aspect. We are more constructive on this and, for investors willing to take a longer-term view, we see an attractive risk-versus-reward opportunity from a business that trades on 7 times earnings three years out, offering a 7.5% dividend yield three years out.

The other material buy for the quarter – and a new Fund position too – is The Foschini Group (TFG). We have written previously about the perils of apparel retail, and how much more volatile it is than food retail. This remains the case, but valuation remains our primary focus when allocating capital to any investment. Over the last three to five years, TFG has been the market-leading sales-grower in SA, alongside discount retailer Pepkor. This is an impressive achievement and talks to how well the group has executed on strategy. This includes a portfolio of the right brands to sell, carrying the right product, and investments in a quick-response supply chain and technology in-store that all make buying from them more appealing. This is a good business, trading ahead of the peer group, and well-priced on a single-digit PE multiple three years out, also offering dividend yield in excess of 5%.

Other noteworthy buys include Anheuser-Busch InBev, which we have been buying throughout the year, and Bidcorp, which has looked expensive to us for a while, but started to offer good value in the quarter. Both are well-positioned, rand-hedge businesses, that we feel enhance the quality of the portfolio.

To fund these purchases, we reduced some of the strong outperformers (Aspen and Prosus), big positions that have held up (British American Tobacco) or whose investment case had largely been realised (like Zeder, which sold its stake in Pioneer Foods to PepsiCo).

As the third quarter kicks off, we are excited about what new challenges and opportunities the market will present. The portfolio is well-diversified and is not tied to a single view of the world, especially one as uncertain as this. We feel it holds strong businesses, and that positions are underpinned by attractive valuations.

**Portfolio managers**  
**Adrian Zetler and Tumisho Motlanthe**  
as at 30 June 2020

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

The Industrial 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. 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) (FSP 548) Ltd, 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](http://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. Growth charts are shown in logarithmic scale (base 2).

**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. 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 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 September 2019 (updated annually). The 3 year TER is for a rolling 36-month period to the last 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](http://www.coronation.com)

**IMPORTANT INFORMATION REGARDING TERMS OF USE**

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