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.

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.

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.

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.

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.

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.
CORONATION INDUSTRIAL FUND

CLASS P as at 31 October 2019

Fund category: South African - Equity - Industrial
Launch date: 01 July 1998
Fund size: R838.60 million
NAV: 17453.39 cents
Benchmark/Performance: FTSE/JSE Industrial Index
Fee Hurdle
Portfolio manager/s: Adrian Zetler and Tumisho Motlanthe

Total Expense Ratio: 1.16%
Fund management fee: 0.02%
Fund expenses: 0.14%
VAT: 0.14%
Transaction costs (inc. VAT): 0.18%
Total Investment Charge: 1.34%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

31 Oct 2019
Sector
Domestic Assets 100.0%
Equities 97.6%
Industrials 3.2%
Consumer Goods 23.2%
Health Care 6.0%
Consumer Services 42.8%
Telecommunications 5.6%
Financials 3.6%
Technology 13.3%
Preference Shares & Other Securities 0.9%
Real Estate 1.3%
Cash 0.2%

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)

PORTFOLIO DETAIL

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

Since Launch (unannualised)
2398.6% 1455.2% 943.4%
Since Launch (annualised)
16.3% 13.7% 2.6%
Latest 20 years (annualised)
15.8% 15.0% 0.8%
Latest 15 years (annualised)
16.3% 16.9% (0.6)%
Latest 10 years (annualised)
13.9% 14.2% (0.4)%
Latest 5 years (annualised)
3.7% 4.2% (0.5)%
Latest 3 years (annualised)
(0.4)% 2.7% (3.1)%
Latest 1 year
9.6% 11.0% (1.4)%
Year to date
9.0% 9.3% (0.3)%

RISK STATISTICS SINCE LAUNCH

Fund Benchmark
Annualised Deviation 15.3% 17.7%
Sharpe Ratio 0.48 0.27
Maximum Gain 55.8% 61.7%
Maximum Drawdown (31.6)% (38.5)%
Positive Months 64.5% 64.1%

Fund Date Range
Highest annual return 68.0% Jan 1999 - Dec 1999
Lowest annual return (25.2)% Dec 2017 - Nov 2018

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec YTD
Fund 2019 1.3% 2.9% 3.5% 5.7% (6.3)% 2.6% 2.6% (3.1)% 0.2% (0.2)% 9.0%
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)%
Fund 2017 3.2% (1.2)% 3.6% 5.0% 1.6% (3.9)% 4.8% 0.6% (0.8)% 7.6% 0.9% 6.5% 15.0%

As at 30 Sep 2019

% of Fund
Naspers Ltd 24.3%
Prosus Nv 9.9%
British American Tobacco Plc 8.6%
Compagnie Financiere Richemont Sa 7.7%
Mtn Group Ltd 5.6%
Bid Corp Ltd 4.1%
Spar Group Ltd 3.2%
Aspen Pharmacare Holdings Ltd 3.1%
Distell Group Ltd 2.7%
Pick n Pay Stores 2.4%

INCOME DISTRIBUTIONS

Declaration Payment Amount Dividend Interest
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
29 Mar 2018 03 Apr 2018 86.67 81.55 5.12

Issue date: 2019/11/11
Please refer to page 5 of the Comprehensive Fact Sheet for important additional information, including change in cost disclosures.
Please note that the commentary is for the retail class of the fund.

The fund declined -0.4% for the third quarter of 2019 (Q3-19). Since inception, it has averaged an annualised return of 16.4% relative to its benchmark’s return of 13.8%, while it has moderately underperformed its benchmark over the past five- and 10-year periods.

Despite the surprisingly positive GDP growth reported during the second quarter of 2019 (Q2-19) (+3.4% quarter-on-quarter), the domestic economic environment remained extremely challenging. The Purchasing Managers Index (PMI) declined to 41.6 in September – the second consecutive month of sharp declines and reaching the lowest levels seen since the global financial crisis in 2009. This data served to reinforce how dire the underlying economic situation really is. Investor and consumer sentiment continue to remain very weak and government urgently needs to deliver on much-needed structural reform in order to restore consumer and corporate confidence and kickstart the economy. During September, the South African Reserve Bank (SARB) held the policy rate unchanged at 6.5%, but the SARB’s statement was more dovish than in July when it did actually cut rates. We believe that, given the weak domestic economy, contained inflation and favourable global rate expectations, the SARB has room to further cut rates in coming months. Against this challenging economic backdrop, the rand weakened against most developed market currencies and depreciated almost 7% against the US dollar during the quarter.

Performance attributions over the past three years have been boosted by our holdings in Cartrack, Netcare and Spar. Richemont – while consistently being one of the largest positions in the fund – contributed meaningfully to absolute fund performance over the past three years. However, its underweight position contributed to relative underperformance. Our holding in Mediclinic has also detracted from performance as the ill-fated Al Noor acquisition coupled with changes in the Swiss regulatory environment have weighed negatively on earnings and, consequently, the share price.

During the previous quarter, we highlighted the exceptional value we were seeing in many domestic stocks. It was therefore pleasing that in July, global food and beverage conglomerate PepsiCo announced a takeover bid for Pioneer Foods, at a more than 50% premium to the Pioneer share price at the time. Our combined holding in Pioneer and Zeder (whose largest asset is its stake in Pioneer) was one of the largest overweight positions in the fund, and the subsequent repricing of both stocks contributed meaningfully to performance during the quarter. We used the rerating in Pioneer to sell out of our position and redeploy the proceeds into other more attractive entry points for this portfolio of investments.

In line with this theme of cheap domestic stocks becoming takeover targets by foreign multinationals, the Competition Tribunal finally approved the proposed buyout of Clover by Milco SA (a consortium led by Israel-based Central Bottling Company), thereby clearing the path for Clover to be delisted. As the Clover share price converged on the proposed Milco offer price, the fund sold out of its Clover position.

Trence recently announced that it will be unbundling its Textainer stake to its shareholders in the coming months. Coronation has been actively pushing for this unbundling over the last few years and are extremely pleased that it is finally proceeding. The share price reacted positively - up 37% for the quarter – and this contributed meaningfully to quarterly performance.

Another material corporate action that took place during the quarter was the much-anticipated listing and part unbundling of Prosus from Naspers. Prosus is the corporate entity that will house Naspers’ global internet portfolio, including its stake in Tencent and its interests in online classifieds, food delivery and online payments. Post the unbundling, Naspers has retained a stake of 74% in Prosus. We are encouraged by the recent steps Naspers management have taken in an attempt to narrow the discount at which the stock trades relative to its underlying intrinsic value and believe the listing of Prosus is another positive development in this regard and a way to further unlock value for shareholders. A foreign listing of Prosus will assist Naspers in pursuing its ambitions to become a leading global consumer internet business by giving it access to a wider pool of investors and capital. Furthermore, going forward, the two-tier corporate structure provides Naspers with more financial flexibility and the ability to more efficiently manage the discount to its intrinsic value by using capital allocation tools like share buybacks. In this corporate action, the fund elected to take the full allotment of Prosus shares, given the value unlock opportunity we expected.

The largest addition to the fund during the quarter was the purchase of Remgro. Remgro is the Rupert family-controlled investment vehicle that owns stakes in a number of good listed businesses, including FirstRand, Rand Merchant Investment Holdings, Mediclinic, Distell and RCL Foods, together with a number of other high-quality industrial, media and telecoms businesses. Remgro management are very shareholder friendly and we like the fact that the balance sheet is conservatively positioned, with Remgro currently sitting in a net cash position; well poised to capitalise on attractive investment opportunities in this tough economic environment. Furthermore, the discount at which it trades relative to underlying investment portfolio has recently widened to circa 25% - a 10-year high. We believe this to be an attractive entry point for this portfolio of investments.

Other trading activity during the quarter was primarily limited to opportunistically adding to existing positions at attractive prices. Examples include Aspen, Spar and Pick ‘n Pay. We also established a position in Altron.

Notwithstanding the challenging economic environment, given current valuation levels and portfolio positioning, we remain very excited about future return opportunities.

Portofolio managers
Adrian Zetler and Tumisho Motlanthe
as at 30 September 2019
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; 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 (TCI)?

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 2018 (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

IMPORTANT INFORMATION REGARDING TERMS OF USE

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