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.

**WHO ARE THE FUND MANAGERS?**

TUMISHO MOTLANTHE
BBusSc,CFA

NICHOLAS HOPS
BBusSc,CFA

**GENERAL FUND INFORMATION**

Launch Date 1 July 1998
Fund Class P (previously class A)
Benchmark FTSE/JSE Industrial Index
ASISA 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
CORONATION INDUSTRIAL FUND

ASISA Fund Category South African - Equity - Industrial
Launch date 01 July 1998
Fund size R626.39 million
NAV 19211.13 cents
Benchmark FTSE/JSE Industrial Index
Portfolio manager/s Tumisho Motlanthe and Nicholas Hops

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

RISK STATISTICS SINCE LAUNCH

INCOME DISTRIBUTIONS

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

As at 30 October 2022

Performance and risk statistics

Portfolio detail

Growth of a R100,000 investment (after fees)

Effective asset allocation exposure

Performance for various periods (after fees)

Risk statistics since launch

Income distributions

Monthly performance returns (after fees)

Please refer to page 4 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.

Performance

In a difficult quarter for risk assets, the Fund delivered a negative return of 1.8% in the third quarter (Q3-22), coming in slightly behind the benchmark by 0.5%. The year-to-date outperformance remains strongly positive, which is pleasing.

The twin challenges of a global growth slowdown (possibly leading to recession) as well as persistently high inflation (possibly leading to stagflation) dominated sentiment during the period. The latter problem resulting in the US Federal Reserve adopting an even more hawkish stance than earlier in the year, and it putting through large interest rate increases during Q3-22. As investor sentiment turned bearish, equities and other risk assets sold off in September, with the safe-haven US dollar being strongly bid.

During the quarter, the biggest positive stock contributions came from a collection of midcap stocks the Fund has meaningful position sizes in. Taken together, these five stocks make up more than 10% of the Fund, while they represent a small part of the benchmark.

Local information and communications technology company Altron, and its recently unbundled software reselling business Bytes (which operates in the UK) together returned 7%. Given their large, combined overweight, the position managed to add 0.34% to outperformance.

The Fund’s next two largest contributors came from the automotive space. Dealerships and distributorships business Motus and battery and auto component parts business Metair, each contributed c. 0.25%. Both businesses delivered better than expected results – with Motus continuing to take share in South Africa, while Metair’s earnings proved resilient despite a meaningful depreciation in the Turkish lira (impacting earnings translated from those operations back into rand, the reporting currency). All of these stocks – including number five contributor Textainer – remain sizeable positions in the Fund today.

While midcaps contributed nicely to performance, it was some of the Fund’s large cap positioning that detracted from performance. After contributing nicely in the second quarter (Q2-22), the meaningful overweight position in Naspers/Prosus was a top four detractor in Q3-22. General risk-off trading impacted technology stocks, while China’s zero-Covid policy (which would affect Tencent’s prospects) added a specific headwind to the share price.

Luxury goods company Richemont which, despite being a very large position (and the second largest absolute position), detracted a similar amount, due to the Fund being underweight the stock, while it managed to outperform the benchmark by c.2%.

Other notable detractors were Woolworths and Shoprite, both underweight positions in the Fund, and which delivered good results in an uncertain environment.

Fund positioning

The biggest buy was telecommunications company MTN. The share has continued to be weak off the highs reached in February, post FY21 results. Much of this is tied into the general cautious mood in financial markets (which the high group exposure to Nigeria plays into), as well as specific concerns around African currency depreciation (Nigeria, Ghana) and the potential impact of earnings and cashflow. From an operational standpoint, the group has continued to improve throughout the year and continues to repatriate cash. Other material buys include business hotelier City Lodge (new position) and capital equipment distributor Barloworld.

Notable sells during the quarter were in paper and packaging business Mondi and profit taking in Motus as well as British American Tobacco.

After material outperformance by Naspers over Prosus, we switched some of the former into the latter.

Outlook

Heading into the fourth quarter (Q4-22), we continue to believe in the absolute and relative attractiveness of the Fund’s holdings. We are encouraged by their prospects and look forward to what they will contribute to the Fund’s returns going forward.

Portfolio managers

Tumisho Motlanthe and Nicholas Hops

as at 30 September 2022
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 (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 TERs. 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

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