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

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.

Other costs 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?

SARAH-JANE ALEXANDER
BBusSc, CFA

ADRIAN ZETLER
BCom (Hons), CA (SA), 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
CORONATION INDUSTRIAL FUND

CLASS P as at 31 August 2017

Fund category: South African - Equity - Industrial
Launch date: 01 July 1998
Benchmark: FTSE/JSE Industrial Index
Portfolio manager/s: Sarah-Jane Alexander and Adrian Zetler

Fund size: R 1.38 billion
NAV: 20360.57 cents
Total Expense Ratio: 1.16%
Transaction Costs: 0.24%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

PERFORMANCE FOR VARIOUS PERIODS

Top 10 Holdings

INCOME DISTRIBUTIONS

MONTHLY PERFORMANCE RETURNS

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

Issue date: 2017/09/06

Client Service: 0800 22 11 77 Email: clientservice@coronation.co.za Website: www.coronation.com Minimum Disclosure Document Page 2/4
The FTSE/JSE All Share Index (ALSI) ended marginally down for the quarter, generating a negative 0.39%. ALSI returns for the past three years have never been very disappointing, returning only 3.43% p.a. for this period. The industrial sector outperformed the broader market for the quarter and ended up 2.2%, while over three years it has returned a more acceptable 7.65% p.a.

After a volatile few quarters where political developments – both locally and abroad – have dominated news headlines, this quarter fortunately proved a bit less surprising. In Europe, the election of the pro-EU candidate Emmanuel Macron as the new French president significantly boosted business confidence on the continent, while the strong showing of the Labour Party in the UK general election has raised the prospect of a “softer” Brexit. Improving consumer sentiment and economic growth outlook in Europe should bode well for the fund’s positions, which include large European exposure, in particular through Steinhoff. In SA, the focus is now firmly on the ANC elective conference in December 2017. Until then, the political environment will remain extremely fluid as the different factions within the ANC post for position. While all this plays out, we are faced with a local economy where business and consumer confidence is collapsing, the growth outlook has rapidly deteriorated and the currency continues to look vulnerable. The one bright spot is an improving inflation outlook and this has opened the door for a possible interest rate cut by the SA Reserve Bank in the second half of this year.

The fund had a reasonable quarter, returning 2.53% versus a 2.2% return for the FTSE/JSE Industrials index. Over the past one year, the fund returned 2.93%, compared to 1.74% for the index. We are also very pleased that we have generated outperformance over all meaningful time periods; three, five and ten years.

Shares that added to performance during the quarter were our positions in Naspers and Steinhoff. Naspers has also contributed meaningfully to fund performance over the past 12 months, along with our positions in Barloworld, Mondi, Niveus, Cartrack and Datatec. Our relatively low weighting in Richemont was our largest detractor from performance over the quarter and over the past 12 months. Furthermore, our underweight positions in SABMiller, together with certain consumer-facing domestic stocks like Foschini and Mr Price, also positively contributed to performance over the past 12 months.

The fund’s holdings continue to be skewed towards rand-hedge stocks which derive a significant portion of their overall earnings from outside of SA. However, valuations for SA domestic – and consumer-facing stocks in particular – are starting to look attractive and we have been begun to build larger positions. Material new portfolio purchases for the quarter were Spar and Netcare, together with increased exposure to Richemont and Aspen as their prices came under pressure. Spar is a high-quality business whose near-term earnings are under pressure because of the tough consumer environment. However, it is now trading on 11x our assessment of normal earnings and on a one-year forward dividend yield of almost a 5%, which we think is very attractive. These purchases were mainly funded from the selling of our Mondi and Datatec positions, both on the back of strong relative outperformance.

During the quarter, a research trip to China confirmed our positive assessment of the largest holding in the fund, Naspers. As a reminder, Naspers owns a 34% stake in Tencent – one of the largest internet companies in China. During the trip we met with the management teams of Tencent, a number of its investee companies and almost all of Tencent’s major competitors. The Tencent story is a remarkable one for Naspers: a $34m investment in 2001 is currently worth over $110bn. Today, more than two-thirds of Chinese people (almost 1bn people) use Tencent’s two messaging apps, WeChat and QQ, for everything from texting to shopping, flirting, dating, watching videos, playing games, and ordering food and taxis. Chinese users collectively spend 1.7 billion hours a day on Tencent apps, more than they spend on all other apps combined. Tencent today is an incredibly profitable and cash generative business, generating more than $10bn in profit and $12bn in free cash flow respectively this year alone. However, we think there is still enormous runway for Tencent to further grow its earnings base, including:

- Gaming. In addition to still being able to grow the overall gaming user base, we also think there are still significant opportunities to further monetise the user base by increasing user engagement and user pay, which we think is very attractive. These purchases were mainly funded from the selling of our Mondi and Datatec positions, both on the back of strong relative outperformance.
- Advertising. While Tencent has the most popular and most used mobile social apps in China, it still commands less than 10% of the advertising market share in that country. It has been very conservative in how it has been ramping up its advertising business and over time we think its advertising market share could easily rise close to the 20% level;
- Payments and financial services. While still not contributing to earnings, we are very encouraged by the traction Tencent is gaining in this space and it is clear this has now emerged as a key priority area for the company. We believe this segment has the potential to be the biggest business within Tencent over the medium to long term. The size of the prize is enormous: up until now Tencent has been playing in sectors (gaming and advertising) which comprise c1-2% of Chinese GDP. They are now disrupting a sector that comprises c10% of Chinese GDP.
- Other. Outside of payments and financial services, Tencent also has strong market positions in online video and cloud services, both of which are still loss-making. We think Tencent’s execution in these businesses is exemplary, and which could contribute meaningfully to earnings if successful. Furthermore, what many don’t appreciate is that Tencent is now running the biggest venture capital/investment fund in China and has a portfolio of more than 500 investments spanning a wide array of technologies and industries. This investment portfolio is worth c$40bn and includes companies like JD.com (leading online retailer), 58.com (leading online classifieds site), Didi Dache (leading Chinese taxi booking app) and even a 5% stake in electric car maker Tesla. This investment portfolio is pregnant with optionality and could significantly increase Tencent’s intrinsic value over time.

Needless to say we think Tencent is still very attractive, and even more so within Naspers, where you can today buy Tencent at a c20% discount to its underlying market value. In addition you get the remaining Naspers portfolio for free. This includes the dominant SA and African pay-TV businesses, the largest online classifieds portfolio in the world and a collection of very valuable ecommerce businesses. We think Naspers is being grossly mispriced by the market.

We have been positive on Distell for quite some time, but always believed that Capevin Holdings was a better entry point given it consistently traded at a 10% to 15% discount to its underlying Distell look-in value. In addition you get the remaining Naspers portfolio for free. This includes the dominant SA and African pay-TV businesses, the largest online classifieds portfolio in the world and a collection of very valuable ecommerce businesses. We think Naspers is being grossly mispriced by the market.

During the quarter we also exited our Datatec position on the back of the announcement that it had sold a major part of its Westcon business to Synnex Corporation, prompting a rerating in the share price. This position contributed nicely to performance since it was purchased by the fund.

**Portfolio managers**
Sarah-Jane Alexander and Adri Zetler
as at 30 June 2017
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. Coronation Management Company (RF) (Pty) Ltd is a Collective Investment Schemes Manager approved by the Financial Services Board 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 it deems 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 management 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 reinvestment costs. 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 for a rolling 36-month period to the last quarter end (December, March, June and September). The TER charged by any underlying fund held as part of a fund's portfolio is included in the TER figure, 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. 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.

ADVICE AND PLATFORM COSTS

Coronation does not provide financial advice. If you appoint an advisor, advice fees are contracted directly between you and the advisor. We will facilitate the collection of advice fees only upon receiving your instruction, up to a maximum of an initial fee of 3.00% and an ongoing fee of 1.00% per annum (where an initial advice fee of more than 1.50% is selected, the maximum annual advice fee that we will collect is 0.50%). Advice fees are usually collected through the redemption of units. You may cancel the instruction to facilitate the payment of advice fees at any time. Advisors will only share in Coronation fees subject to prior approval by and/or disclosure to the investor. A portion of Coronation’s annual management fee may be paid to administration platforms such as Linked Investment Service Providers (LISPs) as a payment for administration and distribution services.

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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