

## 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

Maximum growth/  
minimum income exposures

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 1.25% (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?



**NEILL  
YOUNG**  
BBusSc (Hons Fin), CA  
(SA), CFA



**GODWILL  
CHAHWAHWA**  
BCompt, CA (SA)  
CFA

## GENERAL FUND INFORMATION

Launch Date	1 July 1998
Fund Class	A
Benchmark	FTSE/JSE Financials ex Real estate Index
ASISA Fund Category	South African – Equity – Financial
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORFING
ISIN Code	ZAE000019766
JSE Code	CNFG

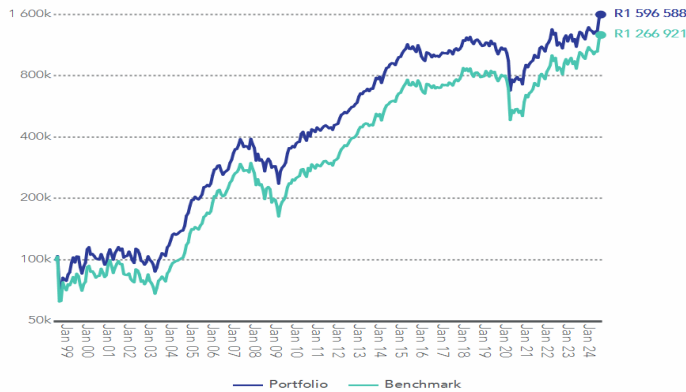
CLASS A as at 31 July 2024

ASISA Fund Category	South African - Equity - Financial
Launch date	01 July 1998
Fund size	R408.06 million
NAV	6909.98 cents
Benchmark	FTSE/JSE Financials (ex Real estate) Index
Portfolio manager/s	Neill Young and Godwill Chahwahwa

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.46%	1.47%
Fund expenses	1.23%	1.24%
VAT	0.05%	0.05%
Transaction costs (inc. VAT)	0.18%	0.19%
Total Investment Charge	0.21%	0.21%
	1.68%	1.68%

## PERFORMANCE AND RISK STATISTICS

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



## PORTFOLIO DETAIL

## EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Jul 2024
<b>Domestic Assets</b>	<b>98.9%</b>
Equities	98.5%
Consumer Goods	1.4%
Financials	97.1%
Cash	0.4%
<b>International Assets</b>	<b>1.1%</b>
Equities	1.1%
Cash	0.0%

## PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1496.6%	1166.9%	329.7%
Since Launch (annualised)	11.2%	10.2%	1.0%
Latest 20 years (annualised)	13.0%	13.4%	(0.4)%
Latest 15 years (annualised)	11.0%	12.2%	(1.1)%
Latest 10 years (annualised)	5.6%	7.8%	(2.1)%
Latest 5 years (annualised)	8.4%	10.1%	(1.8)%
Latest 3 years (annualised)	17.7%	21.2%	(3.5)%
Latest 1 year	21.7%	21.5%	0.3%
Year to date	15.5%	14.7%	0.8%

## TOP 10 HOLDINGS

As at 30 Jun 2024	% of Fund
FirstRand Limited	24.2%
Standard Bank Of SA Ltd	17.8%
Sanlam Life Assurance Limited	9.9%
Capitec Bank Holdings Ltd	9.7%
Investec Limited	5.8%
Discovery Holdings Ltd	5.7%
Outsurance Group Ltd	4.6%
Nedbank Ltd	4.1%
Absa Bank Ltd	3.7%
Psg Group	2.9%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	19.9%	21.1%
Sharpe Ratio	0.14	0.09
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(45.4)%	(45.3)%
Positive Months	59.1%	59.4%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
28 Mar 2024	02 Apr 2024	83.65	82.94	0.71
29 Sep 2023	02 Oct 2023	180.39	179.14	1.24
31 Mar 2023	03 Apr 2023	82.22	81.36	0.86
30 Sep 2022	03 Oct 2022	142.43	141.71	0.73

	Fund	Date Range
Highest annual return	63.0%	Aug 2004 - Jul 2005
Lowest annual return	(39.5)%	Apr 2019 - Mar 2020

## MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2024	(3.2)%	(1.0)%	(2.9)%	2.5%	0.5%	14.9%	4.9%						15.5%
Fund 2023	5.6%	2.5%	(7.6)%	2.9%	(8.4)%	10.8%	6.7%	(1.2)%	(4.5)%	(2.5)%	9.2%	5.0%	17.3%
Fund 2022	2.7%	4.1%	11.4%	(5.8)%	1.9%	(13.2)%	3.6%	(2.0)%	(4.6)%	11.8%	3.5%	(6.6)%	3.9%
Fund 2021	(2.6)%	3.7%	2.5%	1.5%	6.5%	(2.7)%	(0.5)%	11.5%	1.8%	(2.4)%	(3.0)%	7.8%	25.5%
Fund 2020	(5.0)%	(8.6)%	(28.4)%	13.2%	(2.8)%	3.6%	2.3%	(3.2)%	1.0%	(5.8)%	16.1%	7.2%	(16.9)%

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

### Performance

The Fund returned 18.4% for the quarter, ahead of the benchmark return of 17.8%. Since inception, the Fund generated an annualised return of 11.0%, some 1% ahead of the benchmark.

### Economic backdrop

Global equity markets built on the momentum established in the first quarter by delivering positive returns, with the MSCI ACWI returning 3% and taking the year-to-date return to 11%. However, the performance was mixed between markets, with the S&P 500 (+4%) and FTSE 100 (+4%) outperforming the Dow Jones Euro Stoxx 50 (-3%) and Nikkei 225 (-8%). Optimism for a soft landing in the US continues to drive markets. Developed market central banks met in June, with the European Central Bank (ECB) administering the first rate cut in the current cycle, while the other central banks (BoE, US Fed) opted to keep policy rates on hold as headline inflation readings remain stubbornly above target range despite food prices continuing to moderate.

After lagging in the first quarter, emerging markets fared better than developed markets in the second quarter, with the MSCI Emerging Markets Index delivering 5%. Within that grouping, SA was strong, with the MSCI South Africa Index delivering a 13% US dollar return (10% in ZAR). On 29 May, South Africans went to the polls to elect a new National Assembly and Provincial legislature. For the first time, the ANC failed to achieve a majority and elected to form a Government of National Unity (GNU), which included the largest opposition party, the Democratic Alliance (DA), as well as the Inkatha Freedom Party (IFP), GOOD and the Patriotic Alliance (PA). Combined, these political parties control 273 seats, accounting for 68% of the seats in the National Assembly. This outcome was well received by the markets, and domestic assets rallied, while the rand strengthened. Going forward, a lot of work still needs to be done by the GNU to deliver positive outcomes for the country and the ailing economy. Given the inherent instability around national unity governments and coalitions in general, the road ahead will likely be rocky, and it remains to be seen whether the GNU results in decision-making paralysis or whether the parties involved are able to work together constructively for the benefit of the country.

### Fund positioning and portfolio actions

Within the SA market, financials (+18%) rallied the strongest in the quarter, followed by industrials (+5%) and resources (+4%). Within financials, banks (+20%) outperformed both the life insurance (+18%) and short-term insurance (+11%) sectors. Contributors to Fund performance relative to the benchmark included underweight positions in Reinet, Old Mutual, Remgro and Absa, as well as an overweight in WeBuyCars (WBC). Detractors for the quarter included underweights in Capitec and JSE Ltd as well as overweight holdings in Santam, OUTsurance and Discovery Holdings.

During the quarter, we added to holdings in Standard Bank, FirstRand, Sanlam, Discovery and OUTsurance and these were funded from reductions in holdings of Ninety One, Nedbank, Absa and Reinet. In the March quarterly commentary, we covered in more detail the attractiveness of Standard Bank and FirstRand – both with very strong franchises delivering strong operational results but not fully reflected in their valuations. Discovery Holdings has strong positions in the health administration market in SA, an area under potential threat if National Health Insurance (NHI) is implemented in a way that does not leave room for private medical schemes like Discovery Health to meaningfully participate. NHI, as currently envisaged, is unaffordable and likely to take significant time to implement as envisaged in its current form. We believe that at the current

valuation, the Discovery share price discounts a lot of these concerns and offers an attractive investment opportunity.

During the quarter, WBC was unbundled from Transaction Capital (TCP) and separately listed on the JSE. As part of the process, the Fund participated in a market placement by TCP and in addition received shares from the unbundling. WBC, founded in 2001, was built on the premise that the best used vehicle stock is in the hands of private individuals and, therefore, built a business focused on meaningfully improving the experience for private sellers. The company has since expanded its footprint to include 15 vehicle supermarkets, 74 buying pods and more than 340 buyers across the country, as well as establishing a strong, trusted brand. This has enabled them to move from selling fewer than 1 400 vehicles per month in 2017 to over 13 000 per month by the start of 2024. The table below shows that sales and profit have followed suit, compounding at 43% and 40% p.a. respectively.

### ATTRACTIVE GROWTH OVER TIME

	2017	2018	2019	2020	2021	2022	2023	*CAGR
Vehicles sold	16 587	29 145	58 343	59 177	88 271	125 812	141 851	43%
Revenue (Rm)	1 580	2 922	5 940	6 479	10 723	17 875	19 965	53%
Profit (Rm)	86	138	311	302	541	762	660	40%

Source: Company financial reports  
\*Compound annual growth rate

The business enjoys some important moats:

- A national footprint, which brings them closer to customers and facilitates quick response times.
- A rich proprietary database of used vehicle prices, constantly enriched with new data points to refine their algorithms, enabling them to achieve more accurate vehicle pricing in the market.
- Scale and low-cost operations. Using large warehouses located in industrial areas enables WBC to display between 500 and 1 500 vehicles at very low unit costs, much lower than competing dealerships.
- A strong brand which is trusted by consumers.

What does growth for WBC look like going forward? There are between 500k and 550k *new* vehicle sales and between 1.2m and 1.4m *used* vehicle sales each year into a 12.9m car park in SA. In addition to growing share within the used vehicle market, WBC is increasing the pace and ease of selling vehicles which drives the frequency at which vehicles are traded, all adding to the opportunity at hand. WBC margins are also enhanced when they add finance and insurance to the vehicles they sell. The penetration rate of these products is currently at 20%, with scope to go higher. We believe the ability for WBC to continue growing strongly, even in a stagnant economy, is underappreciated in the current share price.

### Outlook

The elections in SA have come and gone, and it is now time for the GNU to knuckle down and get to the business of resolving the structural challenges that beset the local economy. There are challenges in important areas such as power, ports, railways, logistics and water. These will no doubt take time to address. The stability of the GNU will also be tested in the process. For this reason, we remain on the look-out for high-quality businesses, like WBC, which can deliver in what is likely to remain a low-growth economy.

### Portfolio managers

**Neill Young and Godwill Chahwahwa**  
as at 30 June 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](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 A 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](http://www.coronation.com)

**IMPORTANT INFORMATION REGARDING TERMS OF USE**

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