

## WHAT IS THE FUND'S OBJECTIVE?

Top 20 aims to outperform the equity market over the long term.

## WHAT DOES THE FUND INVEST IN?

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

The fund would typically hold shares in a maximum of 20 companies selected from all equities listed on the JSE. Its investments will therefore always be concentrated and limited to shares in large companies listed in South Africa.

While investments in foreign markets are specifically excluded, the fund can invest in foreign companies that are listed locally. There are no restrictions on how much exposure the fund can have to different sectors (for example, to mining, financial or industrial companies). The fund will remain fully invested in shares at all times. 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 Top 20 Fund focuses on a limited number of shares we believe are attractively valued and offer superior long-term growth, and avoid those shares that we view as least attractive. Consequently, its investment performance will often look very different from that produced by the overall market.

The fund can only invest in shares that are listed in South Africa. As a result, it cannot provide diversification into other asset classes or geographies. While the fund can invest in smaller companies, it is expected to always have an allocation biased towards larger companies.

Shares can be volatile investments and the risk of capital loss over the short term is high. 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.

## HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The fund is managed to deliver the best possible returns over the long term; an investment horizon of 10 years or more is therefore ideal. It is not suitable as a single investment for investors who need to preserve their capital over five years or less.

## WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are building wealth, and who

- ▶ are comfortable with full exposure to shares in large companies listed in SA;
- ▶ accept that the fund may underperform the market significantly in the short term in pursuit of superior long-term gains;
- ▶ are holding Top 20 as one of multiple equity funds in their investment portfolio.

## WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of a minimum of 0.10% and a maximum of 2.60%, depending on the fund's performance, is payable.

If the fund's return (after fees and costs) is equal to that of its benchmark, a fee of 0.60% will be charged. We share in 20% of performance above the benchmark, up to a maximum total annual fee of 2.60%. Performance is measured over a rolling 24-month period.

When the fund return is below the benchmark over a rolling 60-month period the fee is discounted by 0.50%

All fees exclude VAT. 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?



**NEVILLE  
CHESTER**  
BCom, CA (SA), CFA



**NICHOLAS  
STEIN**  
CA (SA), CFA

## GENERAL FUND INFORMATION

Fund Launch Date	2 October 2000
Fund Class	P (previously class B4)
Class Launch Date	2 April 2012
Benchmark	FTSE/JSE Capped All Share Index (CAPI)
Fund Category	South African – Equity – General
Regulation 28	Does not comply
Income Distribution	Semi-annually (March & September)
Bloomberg Code	CORTPB4
ISIN Code	ZAE000165213
JSE Code	CTTB4

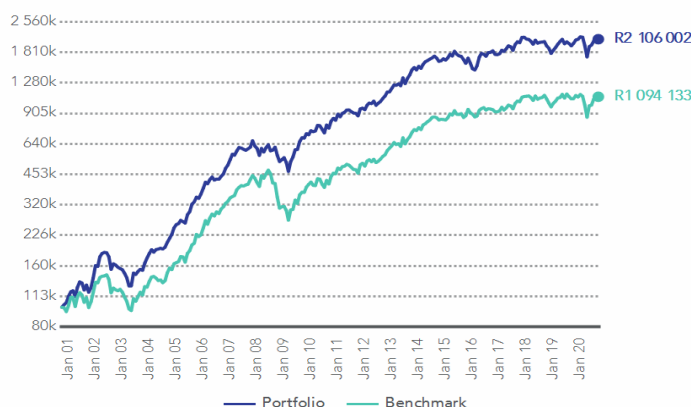
CLASS P as at 31 August 2020

<b>Fund category</b>	South African - Equity - General
<b>Launch date</b>	02 April 2012
<b>Fund size</b>	R18.08 billion
<b>NAV</b>	13261.05 cents
<b>Benchmark/Performance</b>	FTSE/JSE Capped All Share Index
<b>Fee Hurdle</b>	
<b>Portfolio manager/s</b>	Neville Chester and Nicholas Stein

<b>Total Expense Ratio</b>	1 Year	3 Year
Fee for performance in line with benchmark	0.12%	0.56%
Adjusted for out/(under)-performance	0.60%	0.60%
Fund expenses	(0.50)%	(0.12)%
Fund expenses	0.01%	0.01%
VAT	0.01%	0.07%
<b>Transaction costs (inc. VAT)</b>	0.23%	0.27%
<b>Total Investment Charge</b>	0.35%	0.83%

## 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)	2006.0%	994.1%	1011.9%
Since Launch (annualised)	16.5%	12.8%	3.8%
Latest 15 years (annualised)	13.1%	11.7%	1.4%
Latest 10 years (annualised)	10.6%	10.4%	0.2%
Latest 5 years (annualised)	4.8%	4.8%	(0.1)%
Latest 3 years (annualised)	1.0%	1.6%	(0.6)%
Latest 1 year	7.9%	2.4%	5.5%
Year to date	(2.6)%	(2.6)%	0.0%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	16.4%	17.5%
Sharpe Ratio	0.52	0.27
Maximum Gain	46.6%	37.4%
Maximum Drawdown	(31.7)%	(43.4)%
Positive Months	60.7%	59.0%

	Fund	Date Range
Highest annual return	68.9%	May 2005 - Apr 2006
Lowest annual return	(31.7)%	May 2002 - Apr 2003

## MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2020	(0.3)%	(8.8)%	(12.4)%	12.4%	1.8%	4.8%	2.4%	(0.3)%					(2.6)%
Fund 2019	3.2%	3.6%	3.1%	2.7%	(5.0)%	2.4%	(2.0)%	(2.6)%	2.9%	3.9%	0.8%	2.8%	16.4%
Fund 2018	(0.3)%	(2.1)%	(3.4)%	4.8%	(3.3)%	1.0%	0.2%	0.6%	(4.7)%	(2.8)%	(5.7)%	3.8%	(11.8)%

## PORTFOLIO DETAIL

## EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Aug 2020
<b>Domestic Assets</b>	<b>100.0%</b>
■ <b>Equities</b>	<b>100.0%</b>
Basic Materials	28.6%
Consumer Goods	10.8%
Health Care	6.3%
Consumer Services	28.3%
Telecommunications	3.8%
Financials	20.9%
Technology	1.2%
■ <b>Cash</b>	<b>0.0%</b>

## TOP 10 HOLDINGS

As at 30 Jun 2020	% of Fund
Naspers Ltd	16.9%
Anglo American Plc	10.6%
British American Tobacco Plc	8.4%
Impala Platinum Holdings Ltd	5.8%
Standard Bank Of SA Ltd	5.8%
Prosus Nv	5.2%
Quilter Plc	5.1%
Aspen Pharmacare Holdings Ltd	5.0%
Shoprite Holdings Ltd	4.9%
Nedbank Ltd	4.8%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2020	01 Apr 2020	190.88	190.59	0.29
30 Sep 2019	01 Oct 2019	279.59	278.87	0.73
29 Mar 2019	01 Apr 2019	222.37	221.45	0.92
28 Sep 2018	01 Oct 2018	395.30	394.60	0.70

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

After a tough first quarter (Q1-20), the Fund delivered an excellent performance in the second quarter of 2020 (Q2-20), returning 20% for the three months. Year to date (YTD), the Fund has returned -4.6%, ahead of the benchmark return of -5.2%. The aim of the Fund is to deliver outperformance over longer time periods, and, to this end, the since-inception return remains compelling, with alpha of 3.8% per annum, net of fees.

On a daily basis, the economic reality of Covid-19 continues to sink in. The practical implications of producing a vaccine at a global scale means that a lasting solution is likely a few years away, even were it shown to work today. The psychological and economic pain felt as a result of the pandemic has been devastating. Many jobs have already been lost, with the brunt being borne by tourism, restaurants and supporting industries. Each week seems to bring more announcements of retrenchments. Against this backdrop, the performance of stock markets around the world is surprising. While the economic impact and the likely duration of the virus becomes clearer and more alarming, stock markets continue their strong recovery. Despite earnings expectations being lowered meaningfully, the S&P 500 is now flat YTD. Central banks globally have adopted a 'whatever it takes' mantra, and this wall of money needs to find a home.

The strongest performance in our portfolio this quarter came from the platinum-group metals (PGM) miners. Last quarter, we wrote about our surprise at the divergence between PGM share prices and the underlying fundamentals, with producers Northam Platinum and Impala Platinum having fallen 44% and 46% respectively. This reversed in the second quarter, with the shares rising 69% and 54% respectively. South Africa (SA) is the largest source of primary mine supply. While the lockdown will hurt near-term earnings, shutting mines kept supply/demand balances in check and supply tight. We continue to forecast meaningful deficits in the coming years, which underpins our expectations of strong PGM pricing.

The diversified miners also performed strongly over the quarter. Anglo American, Exxaro and Glencore all increased over 30%. China accounts for over 50% of demand for many of the commodities supplied by these diversified majors. China's recovery in economic activity as it emerged from lockdown was sharper and faster than most expected. For example, Chinese steel demand is up YTD. This, coupled with their announced stimulus plans, buoyed commodity prices. On the supply side, curtailments assisted across many commodities. None more so than iron ore, where strong demand, coupled with poor shipments from Brazil's Vale, saw iron ore prices exceed \$100/t.

Glencore is a stock we have added to the portfolio fairly recently. We like their particular commodity exposure, with over 40% of normal earnings exposed to so-called electric vehicle metals (copper, nickel and cobalt). The long-term supply-demand outlook for each is promising. We also believe the supply/demand fundamentals for thermal coal, another key commodity for Glencore, remain favourable. The current low thermal coal price renders a large portion of supply loss making. With limited investment in new mines, and growth in power station demand from India and South East Asia, thermal coal prices should trend higher. Their marketing business earns a consistently high return on assets. Concerns related to governance remain the reason that Glencore trades at such a discount to the other major diversified miners. We have done significant research into this matter and are pleased that the company has taken significant steps to improve governance and compliance since listing in 2011. There remains residual risk from the investigation into past practices related to the acquisition of one of their mines in the Democratic Republic of the Congo, particularly relating to the partner involved at the time of the transaction.

While impossible to forecast, we believe the majority of the risk related to this is reflected in the price. Glencore trades on 7 times our assessment of normal earnings (and, more importantly, 6 times our assessment of normal free cash flow [FCF]), which we consider compelling.

The strong share price performance in Naspers and Prosus continued this quarter, rising 23% and 30% respectively. Tencent has been a beneficiary of Covid-19 and an acceleration to a digital economy. Recent results were well ahead of market expectations, with games performing strongly. Naspers/Prosus remains our biggest holding. We reduced our exposure marginally towards the end of the quarter as the share performed strongly.

Aspen shares delivered a 55% return for the quarter. Aspen demonstrated good FCF generation at its interim result. This, coupled with the disposal of its Japanese business, which was approved this year, has allayed investor fears over its levels of debt. Despite initial fears, demand for Aspen's products has remained robust throughout the Covid-19 pandemic. Two avenues provide interesting upside optionality. There is evidence of increased blood clotting in some Covid-19 patients. Anti-coagulants, a key product line for Aspen, is able to assist in this regard. Secondly, early evidence from a UK trial testing the drug Dexamethasone on Covid-19 patients has displayed promising results. Aspen owns the rights to manufacture and distribute the drug in a number of countries. Despite the share price having recovered from its 2019 lows, it still only trades on 8 times our assessment of normal earnings, which does not factor in any upside optionality discussed. We consider this attractive.

We reintroduced Woolworths into the portfolio. Woolworths' SA food business is an impressive business that has continued to take market share. The SA clothing business earnings are at a cyclical low, driven by internal merchandising issues. A new SA clothing CEO and Edgars' business rescue should see earnings recover off a low base. The newly-appointed group CEO, without any legacy attachment to the group's structure, should ensure better capital allocation from here onwards.

SA went into the Covid-19 pandemic with the cupboards bare. Executives had been telling us for two years that the environment was the toughest in memory during the last two decades. Poor growth, erratic electricity supply, policy uncertainty, and evidence of a decade of government corruption coming to the fore contributed to record low consumer and business confidence levels. Government was initially applauded for acting early and decisively in establishing the hard lockdown. Our precarious economic position going into the lockdown was at odds with the severity of our lockdown – SA's rules were some of the most draconian globally. This, coupled with a number of seemingly irrational rules, saw a lot of the initial goodwill dissipate.

Our portfolio was well positioned with our hawkish stance on the SA economic environment. The portfolio has a low weighting to SA-exposed businesses. Outside of our exposure to banks, our SA exposure is more defensive in nature, with holdings in food retailers and hospitals. We have also focused on improving the portfolio quality overall, looking to invest in businesses with good management teams and strong balance sheets.

While the recovery in stock prices has reduced the margin of safety in the market, we are still confident in the holdings in our portfolio, which still show meaningful upside from current levels.

**Portfolio managers**  
**Neville Chester and Nicholas Stein**  
as at 30 June 2020

## IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION TOP 20 FUND

The Top 20 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. Class A NAV prices were used for the period prior to the launch of Class P. 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. The fund's performance and fee benchmark is the FTSE/JSE Capped All Share Index (CAPI). The CAPI replaced the FTSE/JSE Top 40 Index from 1 October 2016. The fund benchmark shown in this MDD is therefore a splice of the current and historical benchmarks. Note that we use the formal SA – Equity – General category benchmark as specified in the ASISA Standard on Fund Classification, which is currently the FSTE/JSE All Share Index, for compliance monitoring purposes. 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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