



REVIEWED PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL RESULTS

for the year ended 30 September 2020



CORONATION

TRUST IS EARNED™

Assets under
management (AUM)

R569bn

Diluted headline earnings
per share

398.5c

Total dividend
per share

383.0c

CORONATION FY 2020 RESULTS

The Covid-19 pandemic and the economic consequences of the unprecedented national lockdowns have marked the period under review as a defining point in human history.

South Africa, which was precariously positioned going into the crisis, faces unique headwinds that require swift policy intervention. In the October Medium-term Budget Policy Statement, it became clear that conditions have continued to deteriorate. Although National Treasury made firm commitments to retain fiscal sustainability, the execution risks remain high. As Minister Mboweni stressed, a collective effort between government, the private sector and citizens is required to walk South Africa up the steep path away from a debt trap.

Globally, especially in developed markets, unparalleled accommodative monetary policy and fiscal stimulus have attempted to soften the recessionary effects of lockdowns and have been supportive of financial markets. However, risk levels remain elevated as it is still unknown as to how the pandemic will play out. Geopolitical tensions also continue, as the trade stand-off between the US and China escalates. In the UK, while Brexit uncertainties remain, its impact will weigh heavily on the economy and investor sentiment.

RESULTS

Against this unusual backdrop, revenue for the 12 months ended 30 September 2020 increased by 10.7% to R3.6 billion (September 2019: R3.3 billion) and net profit is up 16.6%. In addition to the impact of the unrealised fair value gains on investment securities of R96 million, the increase in earnings is attributed to improved performance across our portfolios and the judicious management of operating costs.

Total operating expenses are up 8.6% as compared to the 2019 financial year. Fixed costs are up 12.8%, reflecting our continuing investment into technology and information systems infrastructure, which is key to delivering on our promise of business excellence. Excluding these technology costs, operating expenses were largely in line with inflation.

Diluted and basic headline earnings per share increased 16.6% for the period to 398.5 cents (September 2019: 341.9 cents). Management measures operating financial performance based on earnings from fund management activities, which is defined in note 7 of the condensed consolidated financial statements. Fund management earnings per share increased 14.2% for the period to 383.1 cents (September 2019: 335.5 cents).

Over the 12 months to end-September 2020, the key asset classes included in our client portfolios are in positive territory, although domestic asset returns remain depressed. The FTSE/JSE All Share Index delivered 2.0% and the All Bond Index returned 3.6%, while the MSCI All Country World Index and MSCI Emerging Markets Index returned 22.3% and 22.4% in rands, respectively.

Coronation's closing assets under management (AUM) as at 30 September 2020 is flat at R569 billion (September 2019: R571 billion) reflecting the effect of positive performance across our funds and strategies, offsetting the impact of net client outflows. As a large player within the domestic savings industry, net client outflows should be expected in periods when economic conditions are tough and investor sentiment is negative.

BUSINESS UPDATE AND CORPORATE CITIZENSHIP

We are a large independent asset manager and custodian of the savings of millions of South Africans, as well as several international retirement funds, endowments and family offices – a responsibility that we take very seriously. As an investment-led business, our focus is to grow the value of the client assets entrusted to us over the long-term, rather than growing the pool of assets under our management. We are also an active corporate citizen that is committed to contributing to the health and prosperity of South African society and the economy.

We have been in the privileged position to operate efficiently throughout lockdown and we have not had to retrench or furlough employees. Approximately 75% of our employees continue to work remotely. In spite of some transitional challenges, business activity continued as usual, with service levels to our clients unchanged and productivity unaffected. Client engagements and communication increased during the course of the year, while we adhered strictly to the social distancing requirements necessitated by the pandemic. Due to the nature and resilience of our business, we did not require nor request any Covid-19 related funding from government.

Our current offsite work arrangements will be in place for the remainder of 2020. We will continue to monitor the Covid-19 situation and will manage employee work arrangements accordingly and in compliance with health regulations and social distancing requirements. The wellbeing of our employees, contractors, service providers and clients remain top of mind in our return-to-work plans.

Covid-19 social response

In direct response to the economic consequences of Covid-19, Coronation and its employees supported several Covid-19 relief initiatives, including donations to the Solidarity Fund, FoodForward SA and 30 other charitable relief organisations. We are proud to report that Coronation employees rank first in the private sector in terms of corporate payroll donations to the Solidarity Fund. We have continued to support our third-party service providers and implemented a weekly payment schedule for our small- and medium-sized businesses suppliers. In addition, together with our CSI partners,

we have provided community support in the form of feeding schemes, the provision of personal protective equipment (PPE), the roll out of an app-based learning platform and the payment of teacher salaries. Coronation also continues to be an active participant in industry engagements to find solutions to mitigate the socioeconomic effects of lockdown and aid the country on the road to recovery.

Governance

Governance continues to be an important aspect of running our business. To ensure we plan adequately for Board succession, we have adopted a phased approach with the appointment of three new non-executive directors to the Board of Directors, namely Messrs Neil Brown, Phakamani Hadebe and Saks Ntombela, effective 19 October 2020.

Following the conclusion of a tender process, the audit and risk committee has recommended and the Board has endorsed the proposed appointment of KPMG Incorporated ("KPMG") as the external auditor of Coronation with effect from the financial year ending 30 September 2021. The change in external auditor was initiated by Coronation's decision to adopt mandatory audit firm rotation early. This appointment will be put to shareholders at the annual general meeting of the Company scheduled for February 2021. Ernst & Young Inc. ("EY") will continue as external auditor in respect of the financial year ended 30 September 2020. EY has served as the Company's external auditor for a period of ten years.

Stewardship

We have continued to deepen our focus on stewardship and ESG integration in our investment process. This year, we achieved the highest Principles for Responsible Investing ratings of either A or A+ in all categories. This is an important yardstick by which we measure our responsible investment activities in relation to our peers. For almost all categories, we achieved a score ahead of the median. We are pleased with this outcome and will use our ratings feedback to continue to improve on our stewardship activities.

INSTITUTIONAL BUSINESS

Our institutional business manages R330 billion of assets (September 2019: R331 billion) on behalf of South African and global institutions.

South African Institutional Business

We continue to manage a meaningful share of assets in the local retirement fund industry, representing a total AUM of R251 billion (September 2019: R265 billion), making us one of the largest independent managers of retirement assets in the country.

Net outflows were in line with our estimate of those experienced by the South African asset management industry, which we believe is a good outcome given the current economic challenges facing the savings industry.

We expect outflows to continue to be impacted by ongoing shrinkage in the local savings pool, which is exacerbated by financially distressed employers having to retrench employees or reduce their remuneration. Over the short term, contributions will also be affected by the reprieve from retirement fund contributions. From a performance perspective, we are pleased to see strong long-term returns generated across all our client portfolios and our ability to add value via active management is evident in:

- ▶ Clients representing more than 50% of our total institutional assets have been invested with Coronation for more than 10 years.
- ▶ Of these client assets, 95% have outperformed their benchmarks since inception.¹
- ▶ 97% of our institutional portfolios with 15-year and 20-year track records have delivered positive active returns over that period.

¹ On an asset-weighted basis

Global Institutional Business

We manage a total of R79 billion (September 2019: R66 billion) in our global strategies on behalf of several leading international retirement funds, endowments and family offices. For the reporting period, net outflows were marginal. Following very strong performance in the 2019 calendar year, we have experienced inflows into the Global Emerging Markets Strategy, as clients seek to take advantage of the potential upside inherent in the current market volatility.

- ▶ Coronation Global Emerging Markets Strategy has delivered an active return of 4.4% p.a. since its inception in 2008.
- ▶ Coronation Africa Frontiers Strategy has delivered an active return of 4.4% p.a. since its inception in 2008.

All institutional performance returns are stated gross of fees.

RETAIL BUSINESS

With retail assets totalling R239 billion (September 2019: R240 billion), we are a leading independent manager of South Africa's household savings and investments. AUM recovered strongly in the second half of the financial year and our retail fund range delivered good relative performance over this period.

We experienced net outflows of 5.6% of our opening balance (September 2019: 5.4%). Net client cash flows from longer-term funds were broadly in line with retail investment industry experience, but while we achieved net inflows into our managed income and near-cash solutions, the level of inflows in this category lagged the overall industry experience. We expect net client cash flows to remain under pressure given the growth constraints faced by the South African economy, coupled with household financial stress and a general lack of domestic investor confidence.

Despite a challenging environment, the long-term track records of our fund range remain compelling. Of our rand-denominated unit trust funds, 16 out of 23 rank first in their respective ASISA categories since their inception dates. This includes:

- ▶ Coronation Balanced Plus, a leading traditional balanced fund in South Africa, outperforming peers, inflation and the FTSE/JSE All Share Index since its inception in 1996;
- ▶ Coronation Top 20, our concentrated domestic equity fund, delivering an annualised return of 16.2% since inception in 2000. This resulted in a total period return of double the domestic index for an investment made at inception;
- ▶ Coronation Optimum Growth, the top-performing fund in the worldwide flexible category, returning 14.8% p.a. since its inception in 1999; and
- ▶ 86% of our unit trust funds, on an asset-weighted basis, producing first quintile performance in their respective ASISA categories over the past 10 years.

TRANSFORMATION AND EMPOWERMENT

As at 30 September 2020, we are a Level 2 contributor to broad-based black economic empowerment as per the Financial Sector Code. 49% of our employees are women and 57% of our South African-based employees are black, of whom 57% are black women. 80% of our South African-based employees appointed during the reporting period are black, of whom 40% are black women. In addition, 78% of our Board of Directors are black, and 56% are female.

Key senior leadership positions are occupied by black individuals, including our CEO, CFO, COO, Head of Institutional Business, Head of Fixed Income and Head of SA Equity Research. R225 billion of our AUM is managed by black investment professionals.

We will continue to promote and build an inclusive financial services industry that is representative of our country.

CASH DIVIDEND

We continue to reward shareholders through regular and significant distributions of free cash flow generated. We endeavour to distribute at least 75% of after-tax cash profit. After assessing any projected future cash requirements, a final gross dividend of 205.0 cents per share has been declared for the full-year period ended 30 September 2020 from income reserves, resulting in a final net dividend of 164.0 cents per share for shareholders subject to Dividends Tax.

In compliance with the Listings Requirements of the JSE Ltd, the following dates are applicable:

Declaration date:	Tuesday, 24 November 2020
Last day to trade cum dividend:	Tuesday, 8 December 2020
Trading ex-dividend commences:	Wednesday, 9 December 2020
Record date:	Friday, 11 December 2020
Payment date:	Monday, 14 December 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 9 December and Friday, 11 December 2020, both dates inclusive. In terms of Dividends Tax, the following additional information is disclosed: The local Dividends Tax rate is 20%. The number of ordinary shares in issue at the date of this declaration is 349 799 102. Coronation's tax reference number is 9 675 107 719.

PROSPECTS

As second waves of Covid-19 infections are affecting the northern hemisphere, governments have re-imposed hard lockdowns and other restrictions, which will see the current high levels of uncertainty prevailing for the foreseeable future.

Amid these uncertainties, we will continue to construct diversified portfolios that can absorb unanticipated shocks. With an ongoing focus on valuations and further deepening our understanding of ESG factors, we continue to apply our in-depth proprietary research to identify investment opportunities that are attractive on a risk-adjusted basis to generate long-term value for all our stakeholders.

Coronation employees have adapted well to remote working conditions and will continue to offer our clients the world-class service they have come to expect. We will also continue to play our part on the path to economic recovery and the transformation of the South African financial services sector.

EXTERNAL AUDIT REVIEW

The external auditors, EY, reviewed the preliminary condensed consolidated statement of financial position of Coronation Fund Managers Ltd Group as at 30 September 2020, and the related condensed consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and explanatory notes. The review has been conducted in accordance with the International Standard on Review Engagements 2410. Copies of the unqualified report of EY are available for inspection at the registered office of the Company. Any forward-looking information contained in this announcement has not been reviewed or reported on by the Company's external auditors.

Shams Pather
Chairman

Anton Pillay
CEO

Mary-Anne Musekiwa
CFO

Cape Town
24 November 2020

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	REVIEWED 30 SEPT 2020 R MILLION	AUDITED 30 SEPT 2019 R MILLION	% CHANGE
Fund management activities			
Revenue	3 642	3 291	11%
Other income	29	22	
Total operating expenses	(1 952)	(1 797)	9%
Other expenses	(1)	(1)	
Operating expenses	(1 951)	(1 796)	
Results from operating activities	1 719	1 516	13%
Finance and dividend income	23	37	
Finance expense	(30)	(24)	
Share of profit of equity-accounted investee	6	6	
Profit from fund management	1 718	1 535	12%
Sundry gains	96	40	
Income attributable to policyholder linked assets and investment partnerships	9	4	
Net fair value gains on policyholder and investment partnership financial instruments	72	87	
Administration expenses borne by policyholders and investors in investment partnerships	(63)	(83)	
Profit before income tax	1 823	1 579	15%
Income tax expense	(429)	(383)	
Taxation on shareholder profits	(420)	(379)	
Taxation on policyholder investment contracts	(9)	(4)	
Profit for the year	1 394	1 196	17%
Other comprehensive (loss)/income (to be reclassified to profit and loss in future periods)	(3)	7	
Foreign currency translation differences for foreign operations	(3)	7	
Total comprehensive income for the year	1 391	1 203	
Profit attributable to:			
– equity holders of the company	1 394	1 196	17%
– non-controlling interest	–	–	
Profit for the year	1 394	1 196	
Total comprehensive income attributable to			
– equity holders of the company	1 391	1 203	16%
– non-controlling interest	–	–	
Total comprehensive income for the year	1 391	1 203	
Earnings per share (cents)			
– basic	398.5	341.9	17%
– diluted	398.5	341.9	17%
Note to the statement of comprehensive income			
Headline earnings per share (cents)			
– basic	398.5	341.9	17%
– diluted	398.5	341.9	17%
Dividend per share (cents)			
– interim	178.0	165.0	8%
– final	205.0	176.0	17%

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	REVIEWED 30 SEPT 2020 R MILLION	AUDITED 30 SEPT 2019 R MILLION
Assets		
Intangible assets	1 088	1 088
Equipment	18	18
Lease asset (note 1)	76	–
Investment in equity accounted investees	41	42
Deferred tax asset	151	126
Investments backing policyholder funds and investments held through investment partnerships	49 473	49 603
Investment securities	1 702	1 145
Taxation receivable	35	–
Trade and other receivables	695	448
Cash and cash equivalents	519	682
Total assets	53 798	53 152
Liabilities		
Long-term borrowings (note 3)	467	150
Long-term other payables	29	–
Lease liability (note 1)	108	–
Deferred tax liabilities	44	27
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	49 464	49 598
Short-term portion of long-term borrowings (note 3)	–	150
External investors in consolidated funds	577	260
Taxation payable	–	38
Trade and other payables	804	748
Total liabilities	51 493	50 971
Net assets	2 305	2 181
Equity		
Share capital and premium	256	256
Retained Earnings	1 752	1 609
Reserves	167	169
Total equity attributable to equity holders of the Company	2 175	2 034
Non-controlling interest in consolidated funds	130	147
Total equity	2 305	2 181

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	REVIEWED 30 SEPT 2020 R MILLION	AUDITED 30 SEPT 2019 R MILLION
Cash flows from operating activities		
Profit from fund management	1 718	1 535
Non cash and other adjustments	41	7
Operating cash flows before changes in working capital	1 759	1 542
Working capital changes	(112)	(170)
Cash flows from policyholders and investment partnership activities	(99)	54
Cash generated from operations	1 548	1 426
Interest on lease liability paid	(12)	-
Interest paid	(30)	(24)
Income taxes paid	(504)	(325)
Net cash from operating activities	1 002	1 077
Cash flows from investing activities		
Finance and dividend income	23	37
Acquisition of equipment	(12)	(12)
Net (acquisition)/disposal of investment securities	(191)	88
Net cash (utilised in)/from investing activities	(180)	113
Cash flows from financing activities		
Dividends paid	(1 238)	(1 266)
Increase in long-term borrowings	167	-
Lease liability paid	(10)	-
Net cash utilised in financing activities	(1 081)	(1 266)
Decrease in cash and cash equivalents	(259)	(76)
Net decrease in cash and cash equivalents – shareholders	(160)	(130)
Net (decrease)/increase in cash and cash equivalents – policyholders and investment partnerships	(99)	54
Cash and cash equivalents at beginning of the year	6 004	6 073
Cash and cash equivalents at beginning of year – shareholders	682	805
Cash and cash equivalents at beginning of year – policyholders and investment partnerships	5 322	5 268
Effect of exchange rate fluctuations on cash held	(3)	7
Cash and cash equivalents at end of the year	5 742	6 004
Cash and cash equivalents at end of year – shareholders	519	682
Cash and cash equivalents at end of year – policyholders and investment partnerships	5 223	5 322

The above cash flows include the policyholder and investment partnership activities. These cash flows represent net contributions and withdrawals by policyholders and investment partnerships and the related investing activities. Cash and cash equivalents of policyholders and investment partnerships are not available for use by the shareholders of the group.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL AND PREMIUM R MILLION	FOREIGN CURRENCY TRANSLATION RESERVE R MILLION	RETAINED EARNINGS R MILLION	SHARE-BASED PAYMENT RESERVE R MILLION	ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY R MILLION	NON- CONTROLLING INTEREST R MILLION	TOTAL EQUITY R MILLION
Balance at 30 September 2018 (audited)	256	153	1 679	8	2 096	160	2 256
Total comprehensive income for the year							
Profit for the year			1 196		1 196		1 196
Other comprehensive income							
Currency translation differences		7			7		7
Total comprehensive income for the year		7	1 196		1 203		1 203
Transactions with owners recorded directly to equity							
Share-based payments				1	1		1
Dividends paid			(1 266)		(1 266)		(1 266)
Change in non-controlling interest in consolidated funds (note 5)						(13)	(13)
Total transactions with owners			(1 266)	1	(1 265)	(13)	(1 278)
Balance at 30 September 2019 (audited)	256	160	1 609	9	2 034	147	2 181
IFRS 16 Adjustment (Note 1)			(13)		(13)		(13)
Profit for the year			1 394		1 394		1 394
Other comprehensive income							
Currency translation differences		(3)			(3)		(3)
Total comprehensive income for the year		(3)	1 394		1 391		1 391
Transactions with owners recorded directly to equity							
Share-based payments				1	1		1
Dividends paid			(1 238)		(1 238)		(1 238)
Change in non-controlling interest in consolidated funds (note 5)						(17)	(17)
Total transactions with owners			(1 238)	1	(1 237)	(17)	(1 254)
Balance at 30 September 2020 (reviewed)	256	157	1 752	10	2 175	130	2 305

EARNINGS PER SHARE

	REVIEWED 30 SEPT 2020 R MILLION	AUDITED 30 SEPT 2019 R MILLION
Earnings attributable to shareholders	1 394	1 196
Non-controlling interest	–	–
Earnings attributable to ordinary shareholders	1 394	1 196
Headline earnings attributable to ordinary shareholders	1 394	1 196
Earnings per share (cents)		
– basic	398.5	341.9
– diluted	398.5	341.9
Headline earnings per share (cents)		
– basic	398.5	341.9
– diluted	398.5	341.9
	NUMBER '000	NUMBER '000
Issued ordinary shares at beginning of year	349 799	349 799
Weighted average number of ordinary shares in issue during the year	349 799	349 799
Adjusted weighted number of ordinary shares potentially in issue	349 799	349 799

CONDENSED CONSOLIDATED SEGMENT REPORT

	AFRICA		INTERNATIONAL		GROUP	
	REVIEWED 30 SEPT 2020 R MILLION	AUDITED 30 SEPT 2019 R MILLION	REVIEWED 30 SEPT 2020 R MILLION	AUDITED 30 SEPT 2019 R MILLION	REVIEWED 30 SEPT 2020 R MILLION	AUDITED 30 SEPT 2019 R MILLION
Segment external revenue	2 331	2 165	1 311	1 126	3 642	3 291
Segment operating expenses	(1 463)	(1 308)	(489)	(489)	(1 952)	(1 797)
Segment profit	868	857	822	637	1 690	1 494
Share of income of equity-accounted investee	6	6	–	–	6	6
Net finance and other income/(expense)	38	39	(16)	(4)	22	35
Profit from fund management	912	902	806	633	1 718	1 535
Sundry gains					96	40
Income*					9	4
Profit before income tax					1 823	1 579
Segment assets	1 901	1 384	1 068	910	2 969	2 294
Investments*					50 829	50 858
Total assets					53 798	53 152

* Income and investments are attributable to and backing policyholder funds and investments held through investment partnerships, consolidated funds and other assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information has been prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards ("IFRS"); the International Accounting Standard 34 Interim Financial Reporting; the Listings Requirements of the JSE Limited; the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, as well as the South African Companies Act, No. 71 of 2008. The condensed consolidated financial statements do not include all of the information required for a complete set of IFRS annual financial statements.

These condensed consolidated financial statements have been prepared in accordance with the historical cost basis except for certain financial instruments which are stated at fair value. The condensed consolidated financial statements are presented in rand, rounded to the nearest million.

The accounting policies applied in the presentation of the condensed interim financial statements are in terms of IFRS and are consistent with those presented in the 2019 annual financial statements except for IFRS 16.

The group applied IFRS 16 Leases for the first time. IFRS 16 has resulted in leases previously classified as operating leases under IAS 17 being brought onto the statement of financial position through the raising of a right-of-use asset and lease liability. In its adoption of IFRS 16 the group used the modified retrospective approach with adjustments made to balances at the date of initial application. This is similar to the treatment of finance leases under IAS 17. The group elected to make use of a single discount rate for portfolios of leases with reasonably similar characteristics. In the context of the transition to IFRS 16, right-of-use assets of R84 million and lease liabilities of R113 million were recognised as at 1 October 2019, with an adjustment of R13 million to the opening equity balance as at 1 October 2019 (including the reversal of lease smoothing liabilities amounting to R16 million).

These reviewed results have been prepared under the supervision of N Salie CA(SA).

2. RELATED PARTY TRANSACTIONS

Related party transactions for the current year are similar to those disclosed in the group's annual financial statements for the year ended 30 September 2019. No new significant related party transactions arose during the current year.

3. LONG-TERM AND SHORT-TERM BORROWINGS

The cumulative redeemable preference shares with dividends linked to prime had capital repayments of R150 million due on 1 April 2020 and 1 April 2021 as separate tranches. These two tranches were combined into one tranche as at 1 April 2020 with the capital payment of R300 million now due on 1 April 2025.

Additional long-term borrowings at year end reflect a new term loan facility of R167 million (US \$10 million) with Standard Bank of South Africa Limited (Standard Bank) entered into on 18 October 2019 for the purposes of funding for a Common Contractual Fund (i.e. CCF, refer to note 5) issued by Coronation Global Fund Managers (Ireland) Limited. The loan facility is at a fixed rate and capital repayment is due on 17 October 2024.

4. FAIR VALUE DISCLOSURE

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as closing prices) or indirectly (i.e. derived from closing prices). The majority of Level 2 investments are deposits held with financial institutions. The fair values of these deposits are determined using a discounted cash flow valuation methodology based on market rates, reflecting the time value of money and counter party credit risk. The fair value of policyholder and investment partnership liabilities that are included in Level 2 of the hierarchy are measured with reference to the quoted prices in an active market of the investments underlying the liabilities. Cash and cash equivalent balances along with their related liabilities of R2 286 million (2019: R1 705 million) have been excluded from the below table in current and prior years respectively.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. FAIR VALUE DISCLOSURE (CONTINUED)

	LEVEL 1 R MILLION	LEVEL 2 R MILLION	LEVEL 3 R MILLION	TOTAL R MILLION
September 2020 (reviewed)				
Investments backing policyholder funds and investments held through investment partnerships	42 459	4 728	–	47 187
Investment securities	1 692	–	10	1 702
	44 151	4 728	10	48 889
Policyholder, external investor and investment partnership liabilities	–	47 755	–	47 755
September 2019 (audited)				
Investments backing policyholder funds and investments held through investment partnerships	43 018	4 880	–	47 898
Investment securities	1 141	–	4	1 145
	44 159	4 880	4	49 043
Policyholder, external investor and investment partnership liabilities	–	48 153	–	48 153

During the current year, a net amount of R126 million in debentures included in Investments backing policy holder funds and investments held through investment partnerships were transferred from Level 1 to Level 2 as these are now considered to be held in an inactive market.

Fair value for all other financial assets and liabilities have not been presented because they are not carried at fair value and their carrying amounts approximate fair value.

5. NON-CONTROLLING INTEREST IN CONSOLIDATED FUNDS AND EXTERNAL INVESTORS IN CONSOLIDATED FUNDS

Consistent with prior years, the group consolidates both the Coronation Global Frontiers Fund and the Coronation Global Equity Select [ZAR] Feeder Fund due to the seed capital invested in the funds relative to the total fund size being significant. In the current year the group seeded the Coronation Global Sustainable Equity Income Fund (CCF) and is the largest unitholder of the fund.

The group's interest in the Coronation Global Frontiers Fund is 57% (2019: 53%); its interest in Coronation Global Equity Select [ZAR] Feeder Fund is 40% (2019: 55%) and its interest in the Coronation Global Sustainable Equity Income Fund (CCF) is 100%.

6. CONTINGENT LIABILITIES: SOUTH AFRICAN REVENUE SERVICE (SARS) MATTERS

From time to time, in common with other organisations, the group is subject to review by SARS. The group has been the subject of a review on a matter of principle relating to international operations, and assessed for the 2012 to 2017 financial periods, to which management strongly disagrees and has objected. Management is confident, supported by external advisors, of the group's position and an outflow is not considered probable when the matter is interpreted by a court of law, the ultimate tax authority on these matters. This matter has been set down in the Western Cape Tax Court for December 2020. Any amounts involved are currently not considered capable of reliable estimation.

7. RECONCILIATION OF FUND MANAGEMENT EARNINGS

Fund management earnings are used by management to measure operating financial performance, which excludes the net impact of fair value gains and losses, and related foreign exchange, on investment securities held by the group. In management's view this measure represents the earnings from core business activities of the group, being fund and investment management activities.

The calculation of fund management earnings is based on headline earnings attributable to ordinary shareholders, adjusted for the after tax and after bonus impact of sundry gains or losses disclosed in the condensed consolidated statement of comprehensive income. These sundry gains and losses include the fair value and foreign exchange movements on investment securities disclosed in the condensed consolidated statement of financial position.

	2020 R MILLION	2019 R MILLION
Headline earnings attributable to ordinary shareholders	1 394	1 196
Sundry gains (condensed consolidated statement of comprehensive income)	(96)	(40)
Related tax (28% at capital gains inclusion rate) and bonus impact	42	18
Fund management earnings	1 340	1 174
Fund management earnings per share (cents)	383.1	335.5
Diluted fund management earnings per share (cents)	383.1	335.5

Directors: S Pather (Chairman)*, A C Pillay (CEO), L Boyce*, N Brown**#, J G February*, P Hadebe**#, J D McKenzie*, M A Musekiwa (CFO), H Nelson,* M Nhlumayo*, S Ntombela**#, A Watson* (* Independent non-executive) (# Appointed 19 October 2020)

Company secretary: N Hawa

Registered office: 7th Floor, MontClare Place, Cnr Campground and Main Roads, Claremont 7708, Cape Town

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Registration number: 1973/009318/06

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