

CORONATION



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# 2020 Reviewed *Annual* Results

FOR THE YEAR ENDED 30 SEPTEMBER 2020

24 November 2020

Anton Pillay, CEO

Mary-Anne Musekiwa, CFO



# Agenda

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- + Economic & market update
- + Business update
- + Financial update
- + Corporate citizenship
- + Closing comments
- + Questions
- + Annexure A



# Economic & market update

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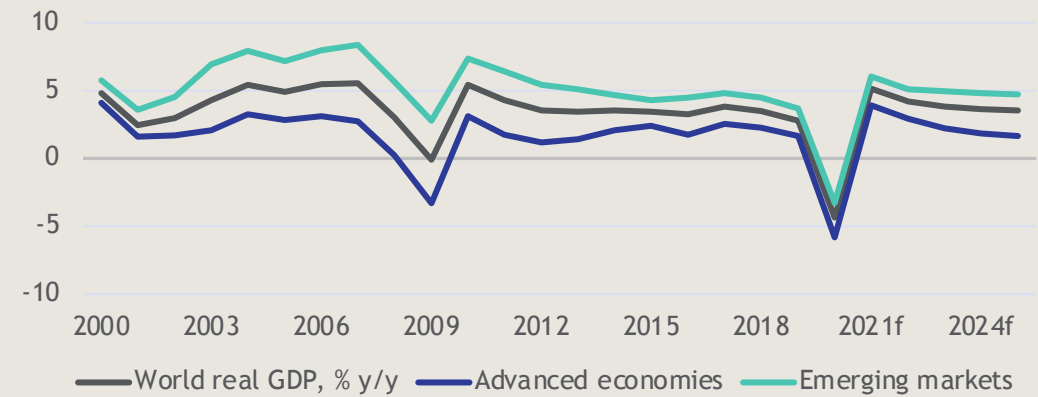
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## IMPACT OF COVID-19 COULD NOT HAVE BEEN PREDICTED

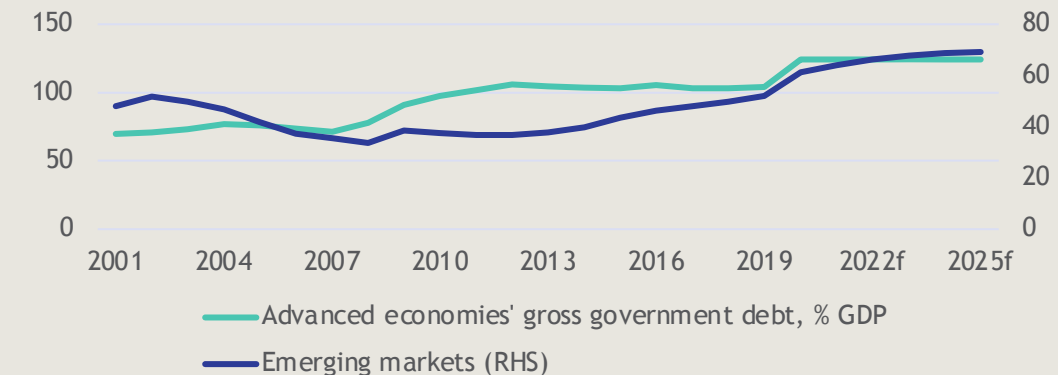
- + Covid-19 plunged the global economy into deep recession; the path to recovery remains uncertain
- + Profound impact on people's lives: unemployment, accelerating technological advances; automation; rising inequality; escalating debt
- + Outlook for global recovery unclear on the back of second-wave infections and second-round economic lockdowns
- + Following weakness in March, markets have rebounded on vaccine news; expectations that policies will remain accommodative
- + Covid-19's legacy: low growth and fiscal scarring - especially in emerging markets; material impact on economic policy

REAL GDP, % Y/Y



Source: IMF

GROSS GOVERNMENT DEBT, % GDP



Source: IRESS & Bloomberg



# Business update

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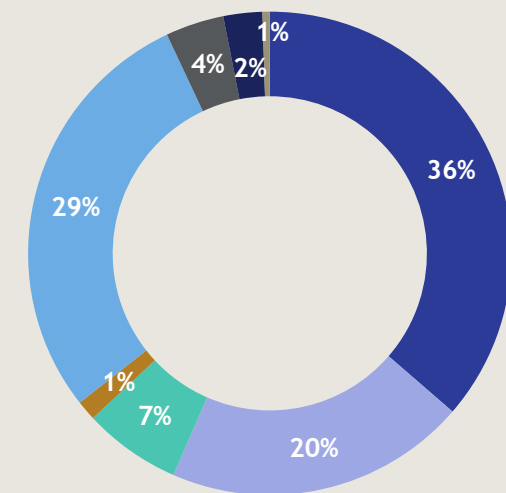
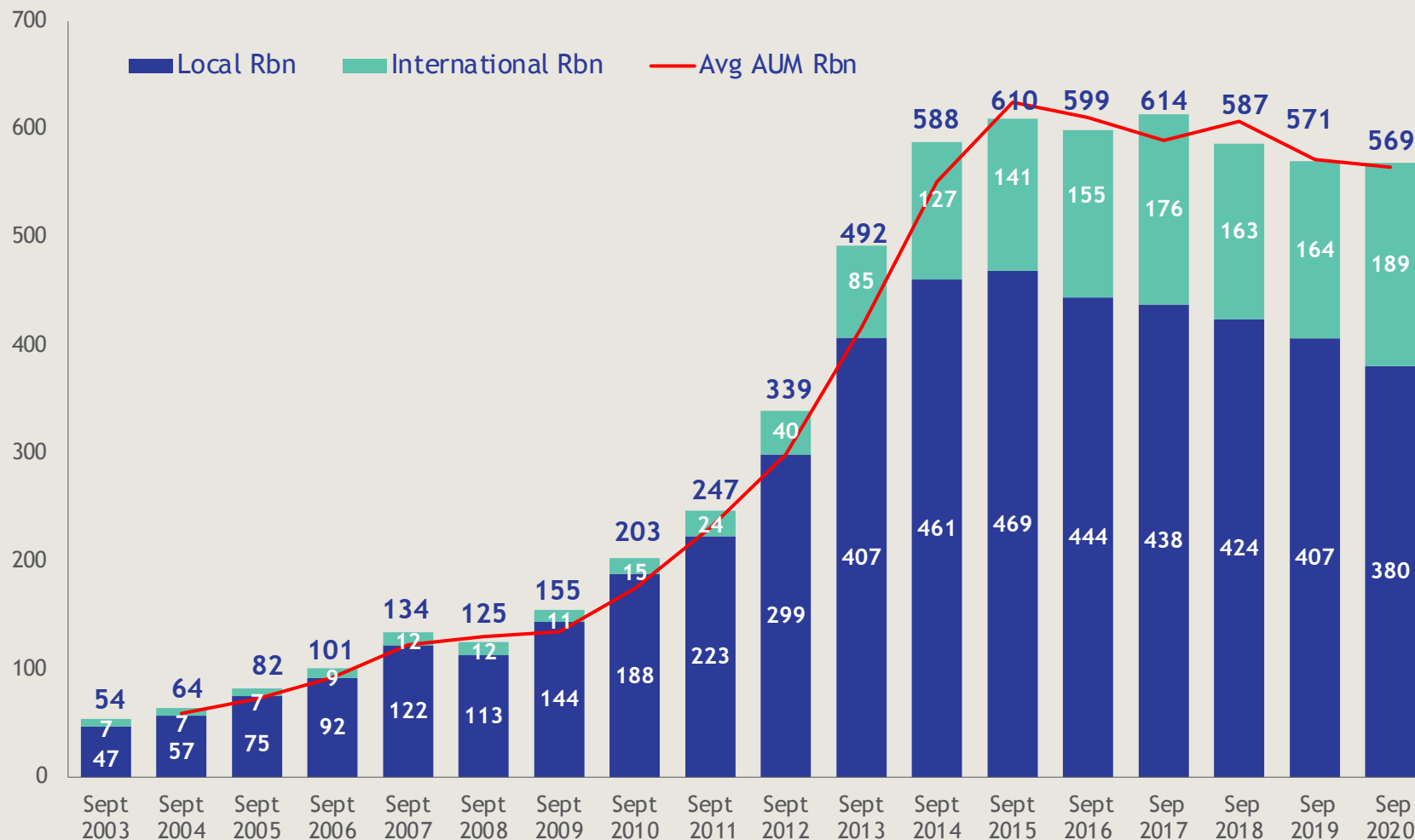
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# Assets under management



## AUM REFLECTIVE OF MARKET CONDITIONS & INVESTMENT EXCELLENCE

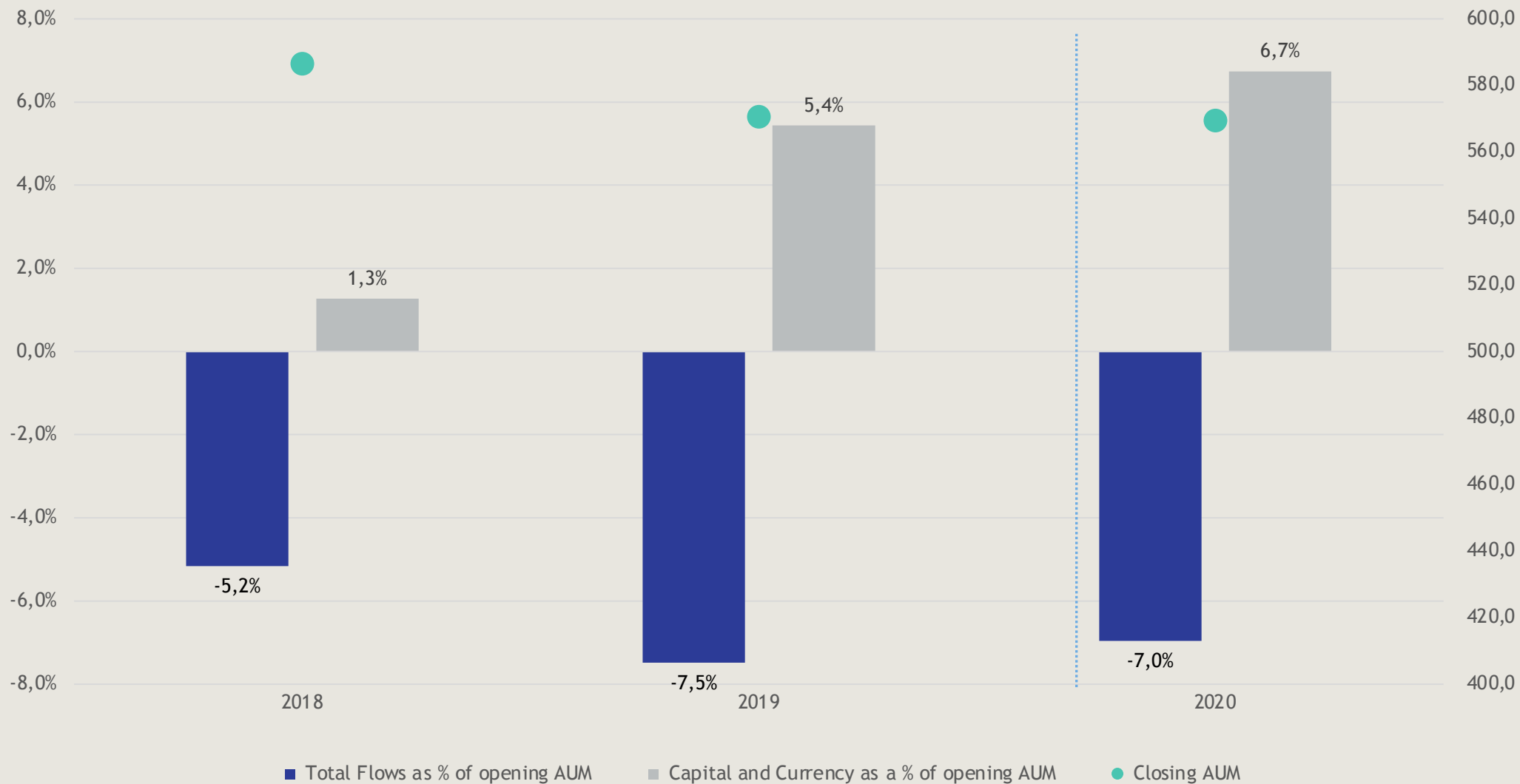


- Equity Local
- Fixed Interest Local
- Cash Local
- Other Local (UT's, Hedge, Pooled)
- Equity Foreign
- Fixed Interest Foreign
- Cash Foreign
- Other Foreign (UT's, Hedge, Pooled)

# Performance and net flows



## NET FLOWS IN LINE WITH EXPECTATIONS





# Investment performance



## COMPELLING LONG-TERM PERFORMANCE

+ 98% of rand-denominated retail assets in top quintile of peer groups since inception

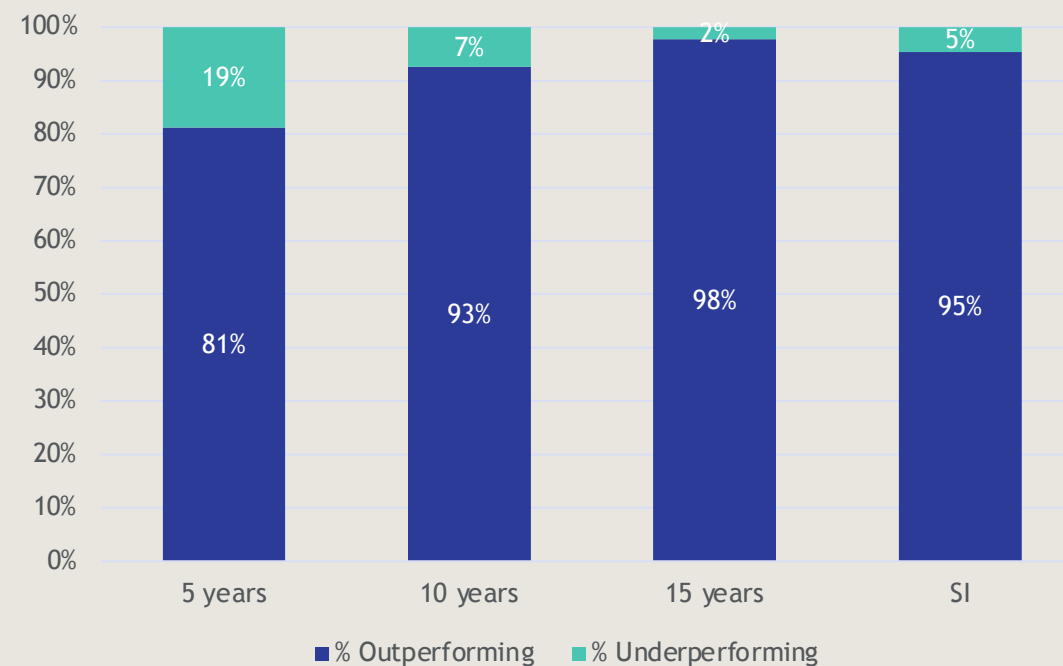
### QUINTILE RANKINGS FOR UNIT TRUST RANGE



As at 30 September 2020. Asset-weighted performance of 18 funds representing 97% of rand-denominated CIS funds included above. Five specialist funds with less than five comparable funds in category excluded. Source: Morningstar using primary share classes and formal ASISA categories for all funds (except Global Managed, compared to Global - MA - Flexible & High Equity Categories combined and Market Plus, compared to SA - MA - Flexible). Numbers may not add up due to rounding.

+ 95% of institutional client assets outperformed benchmark since inception\*

### % INSTITUTIONAL FUNDS OUTPERFORMING



Source: Coronation as at 30 September 2020  
Since inception figure refers to strategies with a 10-year+ track record

\*On an asset-weighted basis

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## A SIGNIFICANT MANAGER OF INSTITUTIONAL ASSETS IN SA AND A GROWING NUMBER OF GLOBAL CLIENTS

### Local Clients

- Outflows in line with our estimate of those experienced by SA asset management industry
- Continue to deliver strong performance over the long term

#### Future focus:

- + Maintaining our world-class client service
- + Continue to focus on deepening ESG integration & stewardship
- + Enhance relationships with key allocators & strengthen value proposition to existing clients

### Global Clients

- Net outflows were marginal
- Inflows into Global Emerging Markets Strategy on the back of strong performance

#### Future focus:

- + Confident in the long-term outlook for our global strategies
- + Confident in value proposition to clients through active management
- + Continued focus on deepening ESG integration & stewardship
- + Build out relationships with key allocators across the globe

Total client AUM

**R330bn**

Local client AUM

**R251bn**

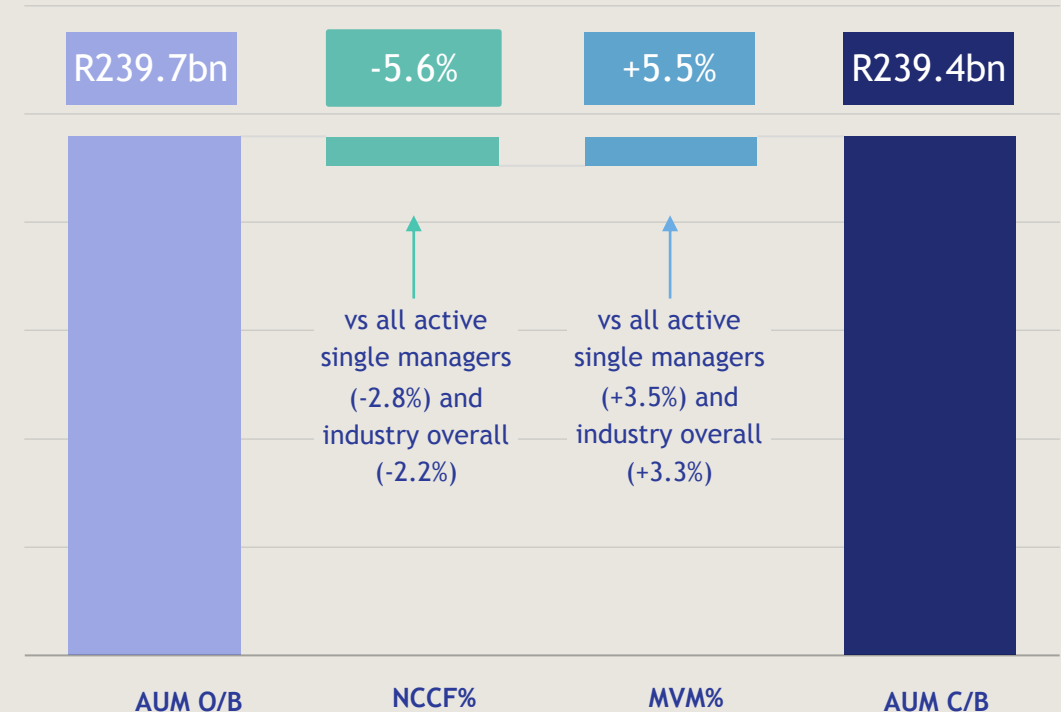
Global client AUM

**R79bn**



## CORONATION REMAINS ONE OF SA'S FOREMOST MANAGERS OF RETAIL SAVINGS AT R239BN AUM

- + Industry remains under pressure due to tough economic conditions and muted medium-term returns
  - Large outflows from longer-term, domestic-focused funds, offset by large inflows into cash and near-cash funds
- + Coronation unit trust net outflows 5.6% of opening CIS AUM
  - Coronation net flow mix similar to industry experience, but book more long-term oriented
- + We remain focused on client outcomes
  - Long-term performance remains excellent
  - Servicing clients across the wealth spectrum
  - Continuing to invest in client service infrastructure



Source: Morningstar as at 30 September 2020. All fund categories included. Overall CFM CIS assets adjusted for institutional clients in line with SENS disclosure.



# Financial update

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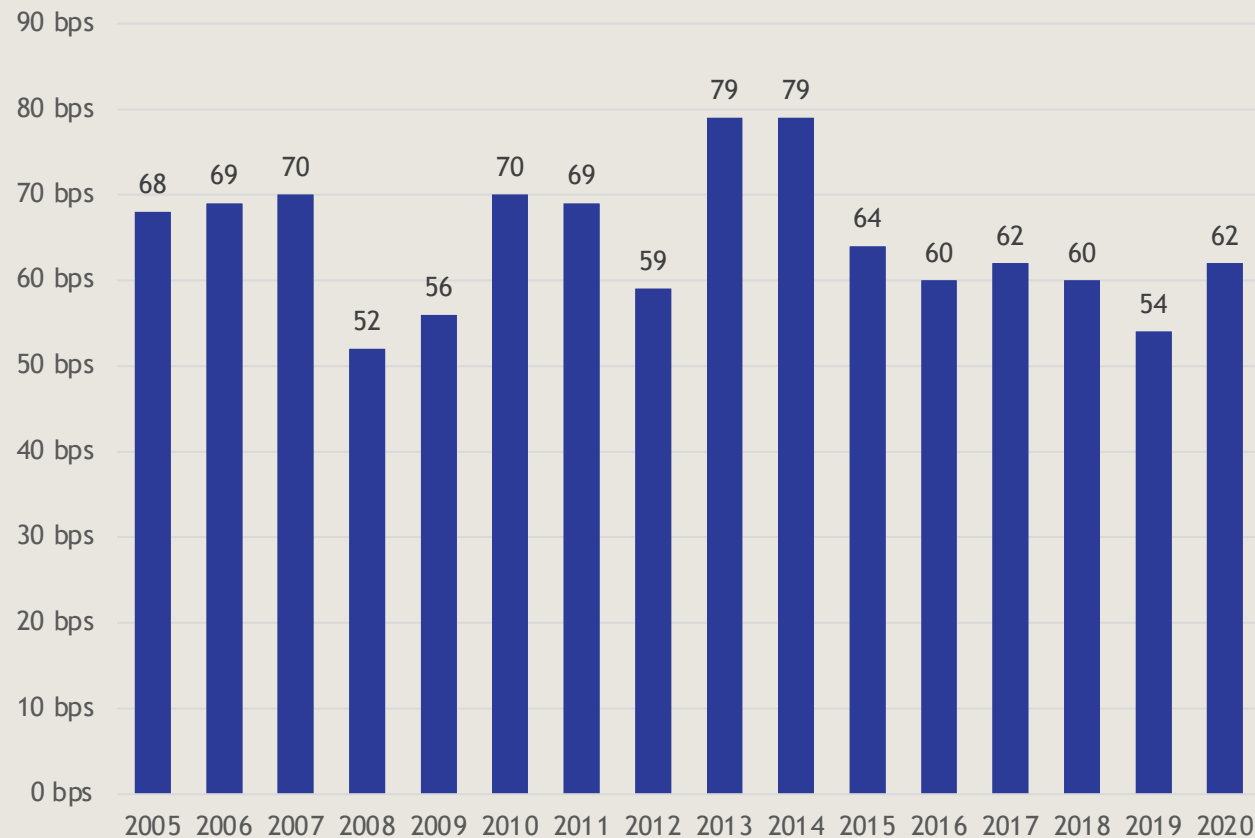
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## SOLID FINANCIAL PERFORMANCE

	Change	Sept 2020	Sept 2019
Revenue (from fund management)	11%	R3 642m	R3 291m
Profit (from fund management)	12%	R1 718m	R1 535m
Profit after tax	17%	R1 394m	R1 196m
Cost-to-income ratio (excl. non-operational fair value gains)		53.7%	54.3%

## NET FEE MARGIN

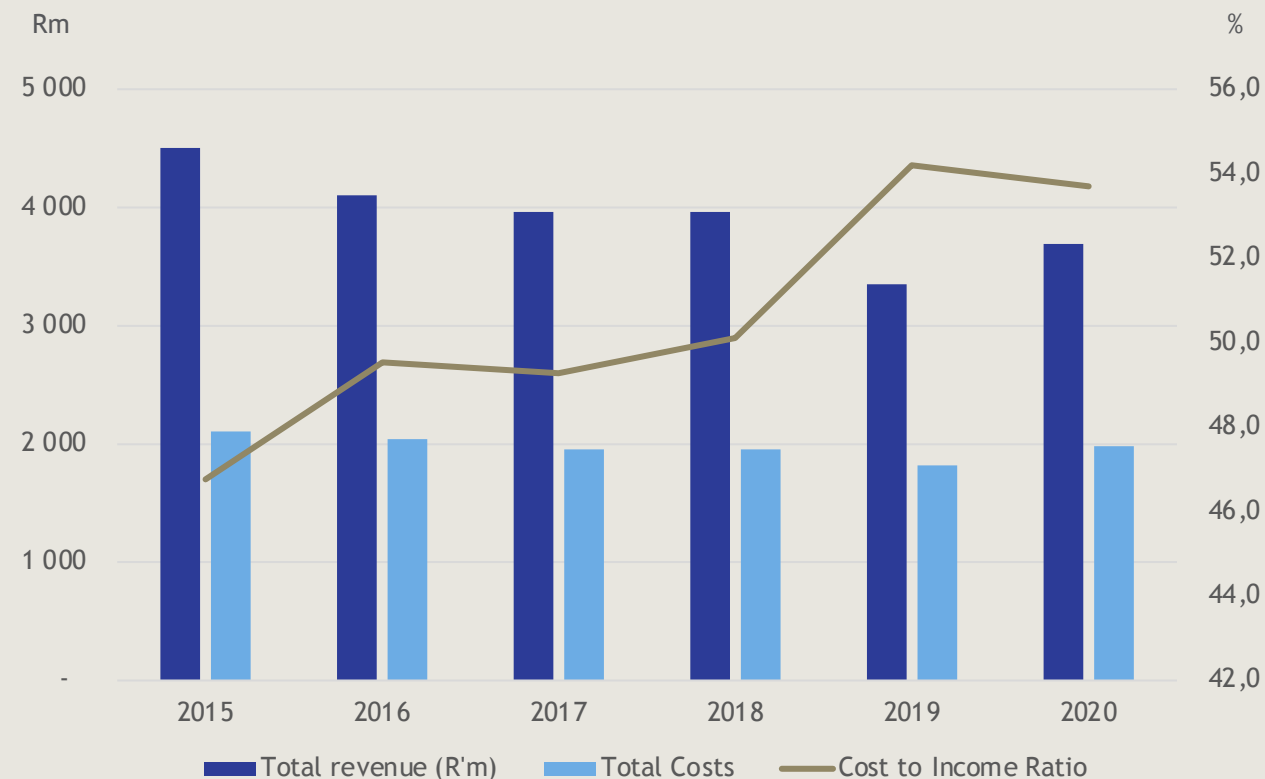




## VARIABLE COST MODEL CONTINUES TO PROVE ITS STRENGTH

	Change	Sept 2020	Sept 2019
Fixed costs	13%	R810m	R718m
Variable costs	6%	R1 138m	R1 069m
Other costs*		R4m	R10m
Operating costs	9%	R1 952m	R1 797m

\*Includes share-based payment expense and foreign-exchange losses



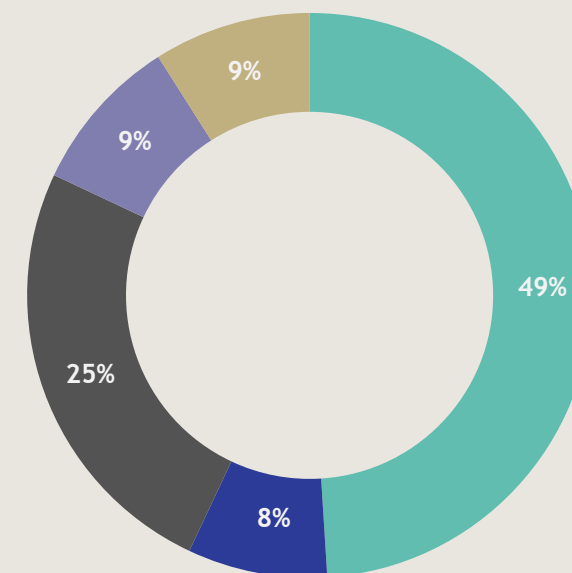
Cost-to-income (excl. non-operational fair value gains)

# Fixed costs



## INVESTING IN TECHNOLOGY TO DRIVE EFFICIENCY, CLIENT SERVICE & MANAGE RISKS

	Change	Sep 2020	Sep 2019
Total fixed costs	13%	R810m	R718m
- Employee costs*	9%	R389m	R357m
- Information systems & technology	57%	R214m	R136m
- Professional fees**	5%	R69m	R66m
- Marketing	(17%)	R69m	R83m
Employee complement		334	336



- Employee costs
- Professional fees
- Information systems & technology
- Other business
- Marketing

\*Employee costs include an increase of R9m in the leave pay provision due to Covid-19

\*\*Includes MiFD Research Costs

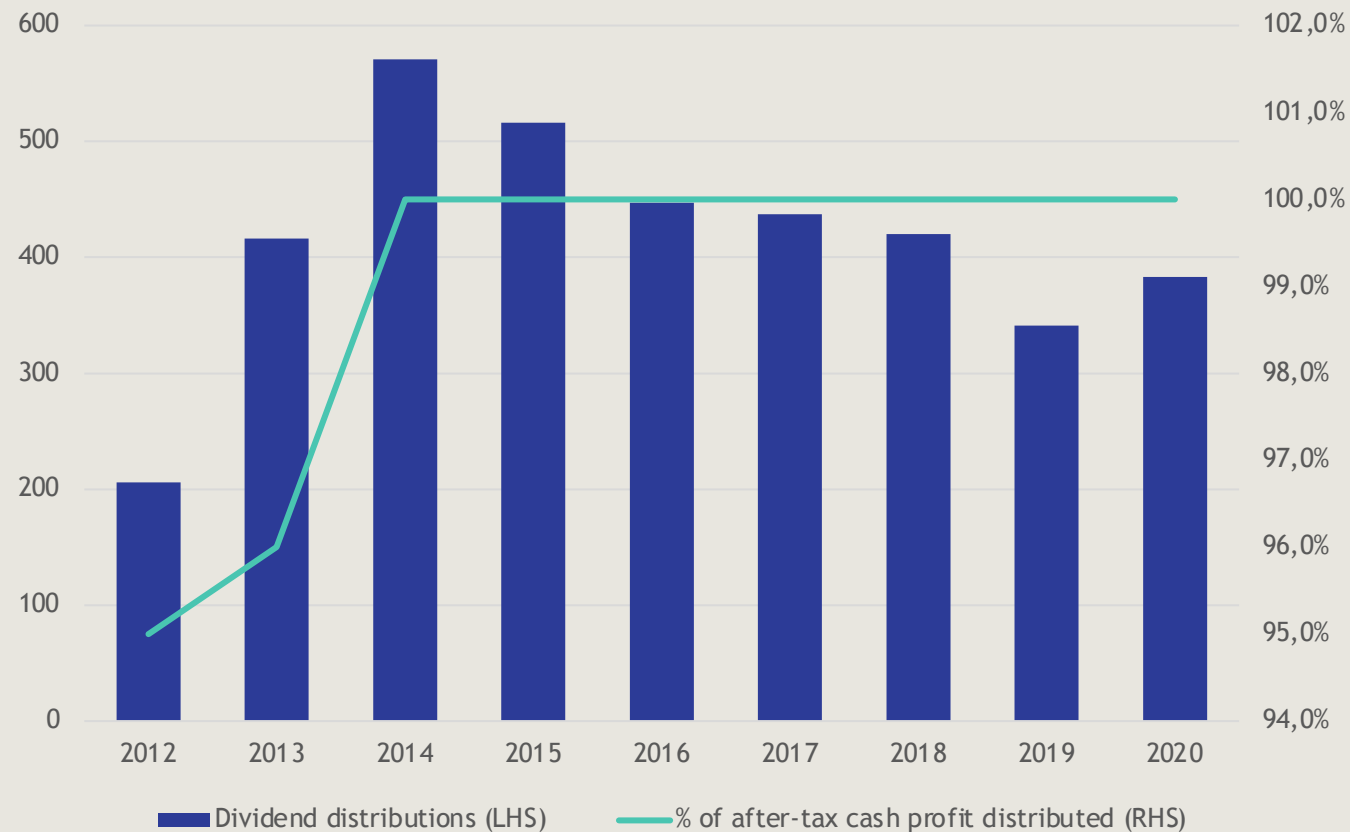
# Dividend pay-out rate unchanged



## MANAGING OUR DEPLOYMENT OF CAPITAL

	Change	Sept 2020	Sept 2019
Diluted HEPS (cents)	17%	398.5c	341.9
Fund Management EPS (cents)	14%	383.1	335.5
Total DPS (cents)	12%	383.0	341.0
Final DPS (cents)	16%	205.0	176.0

## SHAREHOLDER RETURN

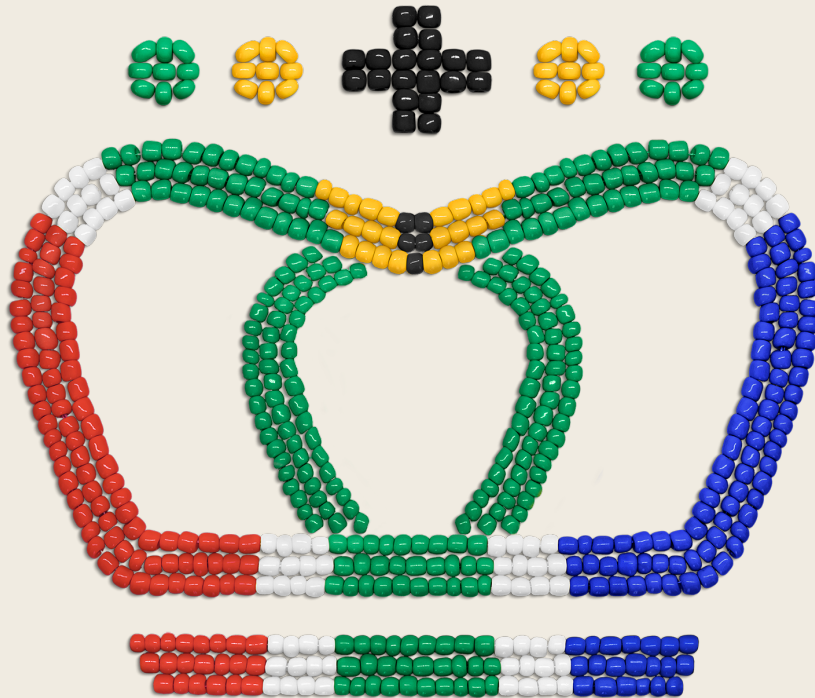


\*In prior years accounting profits treated as cash profits as non-cash adjustments were immaterial





# Corporate Citizenship...serving our stakeholders



# An active manager with a singular focus on long-term investing



## 27 YEARS OF INTEGRATED STEWARDSHIP OF CLIENT ASSETS



### We put our clients first

- + We focus on growing the value of client assets over the long term rather than growing the pool of assets under our management
- + Closed institutional strategies for five years
- + Strong symmetry & value for money: fees aligned with client outcomes
- + Continue to ensure clients are kept abreast of market, company and investment strategy developments
- + Do not target AUM or share price, only alpha



### Long-term performance our true measure of success

- + Long-term investment performance remains compelling across our entire fund range
- + Investment approach unchanged - encouraged by excellent outperformance in 2020
- + ESG analysis integrated into our investment process to allow for collaboration and engagement
- + 95% of institutional client assets<sup>1</sup> have outperformed their benchmarks since inception
- + 98% of our retail assets<sup>2</sup> have outperformed peers since inception



### Active Corporate Citizen

- + Response to COVID-19 by business to support affected communities
- + Active participants of CEO Initiative, BSA, BLSA & ASISA
- + Transformation of industry & company remains a key focus
- + Implement good corporate citizenship initiatives to ensure inclusive society and financial services sector
- + Increased focus & incorporation of corporate ESG factors
- + Three new independent NEDs to facilitate adequate succession
- + Early implementation of MAFR



### Creating a sustainable global business

- + Cyclical nature of business means we need to manage for the long term
- + Committed to investment in organic growth
- + Employee ownership level maintained at 25%
- + Cash-generative business with strong balance sheet
- + Seed new products with own cash
- + Employ and retain the best people
- + Established company culture anchored by strong values
- + Diverse product range

<sup>1</sup>Asset-weighted, mandates with >10-year history

<sup>2</sup>Assets invested in our rand-denominated unit trust funds



# Our stakeholder response to Covid-19

## PRIVILEGED POSITION TO FOCUS ON ENSURING DELIVERY TO CLIENTS & SUPPORT TO SOCIETY

### Enabling employees

- + Swift transition to 75%-85% seamlessly working from home
- + Well equipped to work from home, including access to support
- + Preventative measures in office environment
- + No retrenchments or furloughs
- + Employees welfare a priority in deciding how/when to return to offices

### Ensuring clients continue to be serviced

- + Increased communications
- + Focus on fulfilling our primary commitment
- + Uninterrupted service & uplift in engagement
- + Continue to focus on investment excellence & finding opportunities
- + Continued investment in the business
- + Single global operating platform

### Reducing the impact on society

- + Committed support to 3rd party service providers
- + Company, non-executive directors & 30% of employees contributed total of R10m to Solidarity Fund
- + Matched staff charitable contributions
- + SMME payments expedited
- + Community support programmes including feeding schemes
- + Gender & child abuse prevention programmes

### Contributing to the way forward

- + Engage with government and regulators
- + Participate in industry structures & initiatives including:
  - ASISA
  - BLSA/BSA
  - CEO Initiative



# Meaningful social impact

## CONTINUED FOCUS ON EDUCATION

### Education support

**>200**

Students awarded study opportunities since 1993

Sponsor and mentor Young Investor Programme students via South African universities

**72**

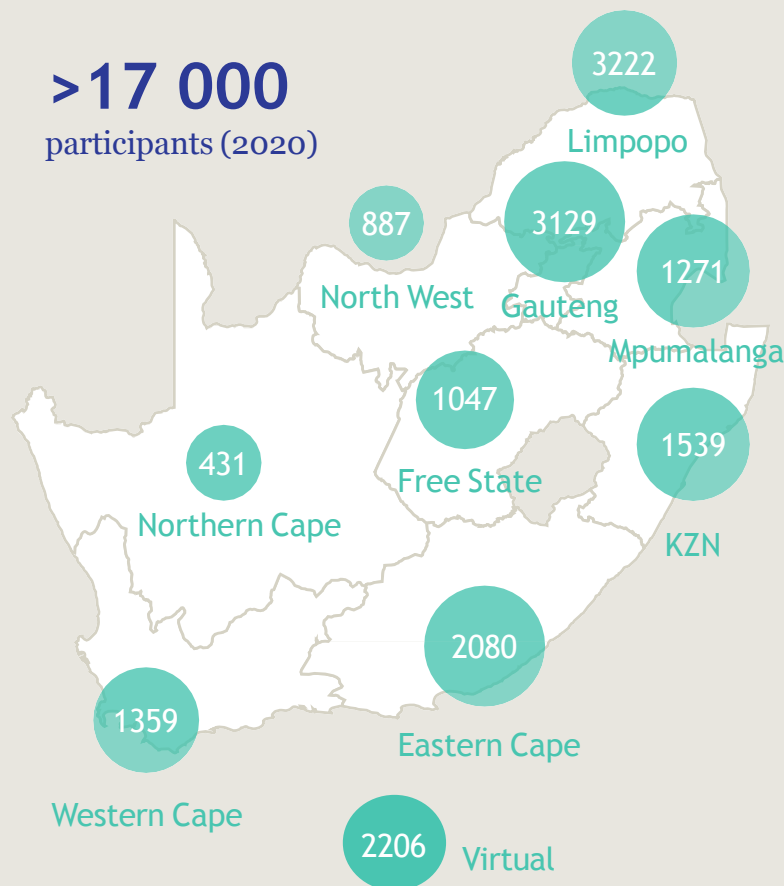
Internships placed since 2015

**141**

IFA interns placed in practices since 2016

### Consumer financial education

**>17 000**  
participants (2020)



### Education programmes

**568**

Schools

**>210 000**

Learners

**>6 400**

Educators

**5 386**

Small-scale farmers

Note: Figures cumulative; since programme inception dates

# Transforming our business and industry



A HOMEGROWN SOUTH AFRICAN BUSINESS COMMITTED TO TRANSFORMING FROM WITHIN & THE BROADER INDUSTRY

Level 2  
B-BBEE  
contributor\*

57%

of our employees  
are black

49%

of our employees  
are female

78%

of our Board  
members are black

R225bn

of total AUM managed by black  
investment professionals

## Advancing transformation in our industry

Pre-dating BEE legislation in South Africa, we pioneered corporate initiatives that have contributed to meaningful transformation and the development of skills in the financial services industry

## Established 3 independent black businesses:

+ African Harvest Fund Managers  
+ Kagiso Asset Management  
+ Intembeko Investment Administrators

## Since 2006 we have allocated:

R340m

in brokerage to black stockbrokers  
through the Coronation Business  
Support Programme

148

black IFA practices  
through the ASISA IFA  
Development  
Programme

29

analysts through the  
Vunani Securities  
Training Academy

\* As measured by the Financial Sector Code  
All figures are as at 30 September 2020, unless otherwise stated.



# Closing comments

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# Singular focus on clients



OUR PURPOSE IS TO DELIVER OUTPERFORMANCE THROUGH ACTIVE MANAGEMENT

	<b>INVESTMENT PERFORMANCE</b> Very encouraging outperformance by our clients' portfolios in 2020, supporting continued long-term outperformance	<i>Total AUM</i> <b>R569bn</b>
	<b>REVENUE</b> <b>R3.6 bn</b> Increase due to improved performance across our portfolios	
	<b>COSTS</b> <b>8.6%</b> Increase in operating costs driven by continued investment in business	<i>Total dividend per share</i> <b>383.0c</b>
	<b>HEADLINE EARNINGS PER SHARE</b> <b>398.5c</b> Increase of 17%	



## ONGOING FOCUS AND COMMITMENT TO INVESTMENT EXCELLENCE FOR OUR CLIENTS GLOBALLY

- + Covid-19 epidemic continues to materially affect the world
  - with many unknowns and second waves hitting many countries, there remains large-scale uncertainty in global economies
- + Responsible continuity of business and engagement
  - we are fully operational & business model demonstrating its resilience
  - full compliance with lockdown regulations
  - continue to embed resilience & invest for the future
  - focus on ESG across business and investment process
- + Active management has a significant role to play
  - consistent investment identity for past 27 years
  - encouraged by outperformance across our range of portfolios
  - our focus is on making the right long-term decisions during this crisis; we believe that the quality of our decision-making can only be assessed three to five years from now
- + Our long-term performance remains the true measure of our ultimate success on behalf of our clients and stakeholders





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# Questions

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# About Coronation Fund Managers



- + Founded in Cape Town, South Africa, in 1993 with zero assets under management
- + Listed in 2003
- + 25% employee-owned
- + An independent fund manager with no safety net of inhouse assets
- + Singular focus on asset management, outsourcing non-core components of business
- + An active manager with a long-term valuation-driven investment approach
- + A single global investment team and process
- + SA-based business with offices in Cape Town, Johannesburg, Durban, Pretoria, London and Dublin





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# Annexure A:

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## MARKET PERFORMANCE

# Capital *markets*



Economic group	3 months %	6 months %	12 months %
All Share (ZAR)	0.7%	24.0%	2.0%
CAPI	1.5%	24.8%	0.9%
Resources	6.0%	49.7%	27.3%
All Property	-15.4%	0.4%	-47.2%
Industrials	-2.3%	13.9%	4.3%
Financials	-1.6%	11.0%	-30.9%
USD/ZAR	5.1%	14.1%	-7.0%
AF Money Market/CASH	0.9%	2.3%	5.6%
CPI	1.7%	1.0%	3.0%
Small Cap	4.6%	20.6%	-6.8%
MSCI Emerging Markets (USD)	9.6%	29.4%	10.5%
MSCI All Country World Net USD	8.1%	28.9%	10.4%
FTSE/JSE All Africa ex SA 30 Index (USD)	7.6%	21.5%	-6.0%
MSCI Frontier Markets NET USD	8.3%	24.3%	-2.7%
MSCI World (USD)	7.9%	28.8%	10.4%

\*Alexander Forbes Money Market  
Returns as at end September 2020

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# Disclaimer

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