

CORONATION FUND MANAGERS
(Incorporated in the Republic of South Africa)
Registration number: 1973/009318/06
JSE share code: CML
ISIN: ZAE00047353
("Coronation" or "the company")

INTERIM RESULTS for the six months ended 31 March 2019

- Assets under management (AUM) R586bn
- Diluted headline earnings per share 165.1c
- Interim dividend per share 165.0c

RESULTS

Coronation's results for the six months to end March 2019 reflect the extremely challenging financial market conditions experienced worldwide up until December 2018, somewhat ameliorated by the strong recovery in the first quarter of calendar year 2019 (Q1-19). Despite the FTSE/JSE All Share Index's 8.0% gain in Q1-19, it produced a mediocre return of 2.7% over the reporting period. Emerging markets were up 9.9% in Q1-19, but only gained 1.7% in the reporting period, as measured by the MSCI Emerging Markets Index in US dollar terms; while developed markets, as measured by the MSCI All Country World Index in US dollars, lost 2.1% for the reporting period, despite adding 12.2% in Q1-19.

At the period end, Coronation's total assets under management (AUM) remained flat compared to the figure reported as at end-September 2018 (R587 billion). However, average AUM for the six months to end-March 2019 decreased by 8% from average AUM reported for the comparable period to end-March 2018, contributing to a 22% decrease in revenue to R1.6 billion (March 2018: R2.1 billion). Conversely, operating expenses decreased by 10%, as a result of variable costs decreasing by 18%. The combined effect was a decrease of 26% in diluted and basic headline earnings per share for the period to 165.1 cents (March 2018: 223.4 cents).

BUSINESS UPDATE

We are an independent active manager, with a long-term valuation-driven investment philosophy. The period under review saw a meaningful improvement in short-term performance across most of our strategies. The long-term performance across our entire fund range remains excellent.

From an operational perspective, following the implementation of a new fund administration model and the insourcing of retail reporting and communications in FY 2018, we successfully migrated our unit trust client administration to Intembeko Investment Administrators. These back-office transitions were achieved on time, within budget and without interruption to our clients.

INSTITUTIONAL BUSINESS

Our institutional business manages R346 billion (September 2018: R346 billion) on behalf of South African institutions and a growing number of global clients.

South African clients

We continue to manage a meaningful share of assets in the local pension fund industry, representing a total AUM of R278 billion (September 2018: R285 billion), making us one of the largest independent managers of pension assets in the country. Net outflows over the reporting period represented 4.3% of our opening balance for local institutional assets and were similar to the level of net outflows experienced in the prior comparable reporting period. While we continue to operate in a net-outflow local institutional market, driven by years of low economic growth and poor savings discipline among South Africans, we believe the introduction of in-fund preservation could be positive for renewed growth in the pension fund market in the next five to ten years.

Within our South African specialist equity strategies:

- Coronation Houseview Equity has produced a return of 16.4% p.a. since its inception in October 1993, delivering an active return (alpha) of 2.1% p.a.

Within our market-leading multi-asset strategies:

- Coronation Global Houseview has delivered 15.7% p.a. since its launch in October 1993, thereby achieving a real return of 9.7% p.a., while Coronation Managed has produced 15.8% p.a. since its launch in May 1996, representing a real return of 10.0% p.a.

Our South African fixed-income franchise continued to perform very well:

- Coronation Strategic Bond has produced a return of 10.0% p.a. since its inception in January 2008, thereby outperforming the All Bond Index by 1.3% p.a., while Coronation Active Bond has produced a return of 11.5% p.a. since its launch in July 2000, representing alpha of 0.9% p.a.

Global clients

We manage a total of R68 billion (September 2018: R61 billion) in our global strategies on behalf of several leading international retirement funds, endowments and family offices. Net outflows represented 2.4% of our opening AUM; a reasonable outcome, given the ongoing material shift from active to passive strategies.

That said, we remain confident in the long-term outlook for our global strategies as well as their value proposition to clients through active management:

- Our Global Emerging Markets Equity Strategy saw a strong recovery in short-term performance in Q1-19, taking its annualised active return to 4.0% since its inception more than a decade ago in July 2008.
- Our Africa Frontiers Strategy has delivered a strong absolute return of 9.4% p.a. (in US dollars) since its launch more than 10 years ago in October 2008, resulting in an annualised active return of 8.6%.
- Launched in December 2014, we are encouraged by the investment track record of our Global Frontiers Strategy, which has delivered an absolute return of 3.8% p.a. (in US dollars) since inception.

All institutional performance returns are stated gross of fees.

Retail business

We remain one of the country's leading managers of long-term assets in the collective investment schemes industry, with retail assets totalling R240 billion (September 2018: R241 billion). Once again, net inflows at an industry level were subdued, driven by weak economic conditions impacting savings levels. Against this backdrop, we experienced net outflows representing 2.9% of our opening balance.

Performance highlights across our domestic and international fund range are detailed below, reflecting consistent first-quartile rankings in their corresponding Morningstar categories since their respective inception dates:

- Coronation Top 20, a top-performing general equity fund, has outperformed its benchmark (FTSE/JSE Capped All Share Index) by 3.8% p.a. since its inception in October 2000.
- Coronation Balanced Plus, the no. 1 balanced fund in South Africa since its launch in April 1996, has outperformed its average competitor by 2.0% p.a. and inflation by 8.0% p.a. over this same period.
- Coronation Capital Plus, the no. 1 multi-asset medium equity fund since its inception in July 2001, has delivered a real return of 6.0% p.a. over this same period.
- Coronation Balanced Defensive, a top-performing low equity fund, has produced a real return of 3.5% p.a. since its launch in February 2007.
- Coronation Strategic Income, the no. 1 multi-asset income fund since its launch in July 2001, has outperformed cash by, on average, 2.5% p.a. over this same period.
- Coronation Global Opportunities Equity [ZAR] Feeder, a top-performing global equity general fund since its launch in August 1997, has outperformed the global equity market by 0.8% p.a. over its more than 20-year history.
- Coronation Global Managed [ZAR] Feeder, the no. 1 global multi-asset high equity fund in South Africa since its launch in October 2009, has outperformed its average competitor by 1.7% p.a. over this same period. All performance returns are stated net of fees for the respective retail classes.

TRANSFORMATION

We are pleased with the tangible progress Coronation has made in transforming the business to reflect our country's diversity. Of our board of directors, 67% of the non-executive directors are black and 50% are female. Our employees are 56% black, of whom 57% are female.

In the period under review, we were rated a Level 2 contributor to broad-based black economic empowerment as per the revised Financial Sector Code released in December 2017.

INTERIM 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 gross dividend of 165.0 cents per share has been declared for the interim period ended 31 March 2019 from income reserves, resulting in a net dividend of 132.0 cents per share for shareholders subject to Dividends Tax (DT). In compliance with the Listings Requirements of the JSE Ltd, the following dates are applicable:

Last day to trade	Tuesday, 4 June 2019
Shares trade ex dividend	Wednesday, 5 June 2019
Record date	Friday, 7 June 2019
Payment date	Monday, 10 June 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 5 June 2019 and Friday, 7 June 2019, both dates inclusive. In terms of DT, the following additional information is disclosed:

- The local DT 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

We believe we are well placed to capitalise on the new systems and administration infrastructure, which allows us to continue improving on our levels of service to clients.

Should current market levels hold, we expect an improvement in our results for the second half of the current financial year.

Notwithstanding the uncertainties that abound, our objective remains to build diversified portfolios that can absorb unanticipated shocks. We will remain focused on valuation and will seek to take advantage of attractive opportunities that the market may present to us and in so doing generate long-term value for all our stakeholders.

EXTERNAL AUDIT REVIEW

The external auditors, EY, reviewed the condensed consolidated statement of financial position of Coronation Fund Managers Ltd Group as at 31 March 2019, and the related condensed consolidated statement of comprehensive income, changes in equity and cash flows for the period then ended, and other 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	Anton Pillay	John Snalam
Chairman	Chief executive officer	Chief financial officer

Cape Town
21 May 2019

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	SIX MONTHS REVIEWED 31 MARCH 2019 R MILLION	SIX MONTHS REVIEWED 31 MARCH 2018 R MILLION	% CHANGE	FULL YEAR AUDITED 30 SEPT 2018 R MILLION
Fund management activities				
Revenue	1 632	2 079	(22)	3 848
Other income	11	1		18
Total operating expenses	(891)	(1 055)	(16)	(1 933)
Other expenses	(2)	(68)		(3)
Operating expenses	(889)	(987)		(1 930)
Results from operating activities	752	1 025	(27)	1 933
Finance and dividend income	17	17		38
Finance expense	(14)	(13)		(24)
Share of profit of equity-accounted investee	3	5		8
Profit from fund management	758	1 034	(27)	1 955
Sundry gains*	11	-		-
Income attributable to policyholder linked assets and investment partnerships	-	-		5

Net fair value gains on policyholder and investment partnership financial instruments	12	13		99
Administration expenses borne by policyholders and investors in investment partnerships	(12)	(13)		(94)
Profit before income tax	769	1 034	(26)	1 960
Income tax expense	(191)	(252)		(489)
Taxation on shareholder profits	(191)	(252)		(484)
Taxation on policyholder investment contracts	-	-		(5)
Profit for the period	578	782	(26)	1 471
Other comprehensive income (to be reclassified to profit and loss in future periods)				
Foreign currency translation differences for foreign operations	(10)	(19)		22
Net change in fair value of available-for-sale financial assets*	-	4		33
Other comprehensive income for the period	(10)	(15)		55
Total comprehensive income for the period	568	767		1 526
Profit attributable to:				
- equity holders of the company	578	782	(26)	1 471
Profit for the period	578	782		1 471
Total comprehensive income attributable to:				
- equity holders of the company	568	767	(26)	1 526
Total comprehensive income for the period	568	767		1 526
Earnings per share (cents)				
- basic	165.1	223.4	(26)	420.7
- diluted	165.1	223.4	(26)	420.7
Note to the statement of comprehensive income				
Headline earnings per share (cents)				
- basic	165.1	223.4	(26)	420.7
- diluted	165.1	223.4	(26)	420.7
Dividend per share (cents)				
- interim	165.0	223.0	(26)	223.0
- final				197.0

* The following changes have been made to the presentation of the statement of changes in comprehensive income:

As a result of IFRS 9, sundry gains has been added in order to show the unrealised movement on investments whose gains and losses were previously recorded in equity through other comprehensive income.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	REVIEWED 31 MARCH 2019 R MILLION	REVIEWED 31 MARCH 2018 R MILLION	AUDITED 30 SEPT 2018 R MILLION
Assets			
Intangible assets	1 088	1 088	1 088
Equipment	24	17	20
Investment in equity-accounted investees	38	38	41
Deferred tax asset	106	122	125
Investments backing policyholder funds and investments held through investment partnerships	51 532	54 504	51 424
Investment securities	1 159	862	1 190
Taxation receivable	-	-	15
Trade and other receivables	484	466	448

Cash and cash equivalents	285	553	805
Total assets	54 716	57 650	55 156
Liabilities			
Long-term borrowings (note 3)	300	300	300
Deferred tax liabilities	23	10	23
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	51 529	54 503	51 421
External investors in consolidated funds	212	-	221
Taxation payable	47	9	-
Trade and other payables	466	560	935
Total liabilities	52 577	55 382	52 900
Net assets	2 139	2 268	2 256
Equity			
Share capital and premium	256	256	256
Retained earnings	1 568	1 630	1 539
Reserves	152	229	301
Total equity attributable to equity holders of the company	1 976	2 115	2 096
Non-controlling interest in consolidated funds	163	153	160
Total equity	2 139	2 268	2 256

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	SIX MONTHS REVIEWED 31 MARCH 2019 R MILLION	SIX MONTHS REVIEWED 31 MARCH 2018 R MILLION	FULL YEAR AUDITED 30 SEPT 2018 R MILLION
Cash flows from operating activities			
Profit from fund management	758	1 034	1 955
Non-cash and other adjustments	16	74	(15)
Operating cash flows before changes in working capital	774	1 108	1 940
Working capital changes	(497)	(162)	314
Cash flows from policyholders and investment partnership activities	(17)	(993)	(2 427)
Cash generated from/(utilised by) operations	260	(47)	(173)
Interest paid	(14)	(13)	(24)
Income taxes paid	(110)	(240)	(490)
Net cash from operating activities	136	(300)	(687)
Cash flows from investing activities			
Finance and dividend income	17	17	38
Acquisition of equipment	(12)	(4)	(12)
Net sales of investment securities	21	61	(8)
Net cash from investing activities	26	74	18
Cash flows from financing activities			
Dividends paid	(689)	(759)	(1 539)
Net cash from financing activities	(689)	(759)	(1 539)
Decrease in cash and cash equivalents	(527)	(985)	(2 208)
Net (decrease)/increase in cash and cash equivalents - shareholders	(510)	8	219
Net decrease in cash and cash equivalents - policyholders and investment partnerships	(17)	(993)	(2 427)
Cash and cash equivalents at beginning of period	6 073	8 259	8259
Cash and cash equivalents at beginning of period - shareholders	805	564	564

Profit for the period			578			578		578
Other comprehensive income								
Currency translation differences	(10)					(10)		(10)
Total other comprehensive income	(10)					(10)		(10)
Total comprehensive income for the period	(10)		578			568		568
Transactions with owners recorded directly to equity								
Share-based payments				1		1		1
Dividends paid			(689)			(689)		(689)
Change in non-controlling interest in consolidated funds							3	3
Total transactions with owners			(689)	1		(688)	3	(685)
Balance at 31 March 2019 (reviewed)	256	143	1 568	9	-	1 976	163	2 139

EARNINGS PER SHARE

	SIX MONTHS REVIEWED 31 MARCH 2019 R MILLION	SIX MONTHS REVIEWED 31 MARCH 2018 R MILLION	FULL YEAR AUDITED 30 SEPT 2018 R MILLION
Earnings attributable to shareholders	578	782	1 471
Non-controlling interest	-	-	-
Earnings attributable to ordinary shareholders	578	782	1 471
Headline earnings attributable to ordinary shareholders	578	782	1 471
Earnings per share (cents)			
- basic	165.1	223.4	420.7
- diluted	165.1	223.4	420.7
Headline earnings per share (cents)			
- basic	165.1	223.4	420.7
- diluted	165.1	223.4	420.7

CONDENSED CONSOLIDATED SEGMENT REPORT

	AFRICA			INTERNATIONAL			GROUP		
	SIX MONTHS REVIEWED 31 MARCH 2019 R MILLION	SIX MONTHS REVIEWED 31 MARCH 2018 R MILLION	FULL YEAR AUDITED 30 SEPT 2018 R MILLION	SIX MONTHS REVIEWED 31 MARCH 2019 R MILLION	SIX MONTHS REVIEWED 31 MARCH 2018 R MILLION	FULL YEAR AUDITED 30 SEPT 2018 R MILLION	SIX MONTHS REVIEWED 31 MARCH 2019 R MILLION	SIX MONTHS REVIEWED 31 MARCH 2018 R MILLION	FULL YEAR AUDITED 30 SEPT 2018 R MILLION
Segment external revenue	1 050	1 315	2 516	582	764	1 332	1 632	2 079	3 848
Segment operating expenses	(675)	(787)	(1 457)	(216)	(268)	(476)	(891)	(1 055)	(1 933)
Segment profit	375	528	1 059	366	496	856	741	1 024	1 915
Share of income of equity-accounted investee	3	5	8	-	-	-	3	5	8
Net finance and other income/(expenses)	19	62	10	(5)	(57)	22	14	5	32
Profit from fund management	397	595	1 077	361	439	878	758	1 034	1 955
Sundry gains							11	-	-
Income*							-	-	5
Profit before income tax							769	1 034	1 960
Segment assets	1 269	1 070	1 557	683	828	921	1 952	1 898	2 478
Investments*							52 764	55 752	52 678
Total assets							54 716	57 650	55 156

* 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 FINANCIAL STATEMENTS

1 Basis of preparation and accounting policies

The financial information has been prepared in accordance with and containing the information required by the International Financial Reporting Standards (IFRS); the International Accounting Standard 34 Interim Financial Reporting; the Listings Requirements of the JSE Ltd; 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 consolidated financial statements are in terms of IFRS and are consistent with those presented in the previous annual financial statements.

The group applied IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers for the first time. IFRS 15 has no impact on the results of the group. In its adoption of IFRS 9, the group has used the retrospective approach with adjustments made to balances at the date of initial application. Investments previously held as available for sale under IAS 39 have been reclassified as fair value through profit and loss and the historical revaluation reserve has been transferred to retained earnings resulting in a restated 1 October 2018 opening retained earnings. Additionally, fair value gains and losses on these investments, previously recognised in other comprehensive income with related foreign exchange gains and losses previously recognised in other expenses, are now both included in sundry gains and losses in the statement of comprehensive income. Comparatives have not been restated.

These reviewed results have been prepared under the supervision of H Rawoot CA(SA).

2 Related party transactions

Related party transactions for the current period are similar to those disclosed in the group's annual financial statements for the year ended 30 September 2018. No new significant related party transactions arose during the current period.

3 Long-term and short-term borrowings

Cumulative redeemable preference shares with dividends linked to prime are payable on a quarterly basis, with R150 million capital repayments due on 1 April 2020 and 1 April 2021.

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 R1 823 million (R1 383 million: 30 September 2018 and R1 989 million: 31 March 2018) have been excluded from the fair value table on page 11 in current and prior years respectively.
- Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	LEVEL 1 R MILLION	LEVEL 2 R MILLION	LEVEL 3 R MILLION	TOTAL R MILLION
March 2019 (Reviewed)				
Investments backing policyholder funds and investments held through investment partnerships	44 795	4 914	-	49 709
Investment securities	1 155	-	4	1 159
	45 950	4 914	4	50 868
Policyholder, external investor and investment partnership liabilities	-	49 918	-	49 918

March 2018 (Reviewed)

Investments backing policyholder funds and investments held through investment partnerships	46 171	6 344	-	52 515
Investment securities	861	-	1	862
	47 032	6 344	1	53 377
Policyholder, external investor and investment partnership liabilities	-	52 514	-	52 514

September 2018 (Audited)

Investments backing policyholder funds and investments held through investment partnerships	45 017	5 024	-	50 041
Investment securities	1 189	-	1	1 190
	46 206	5 024	1	51 231
Policyholder, external investor and investment partnership liabilities	-	50 259	-	50 259

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.

During the current reporting period a net amount of R154 million in debentures were transferred from Level 2 to Level 1 as these are now considered to be held in an active market.

5 Non-controlling interest and external investors in consolidated funds

The non-controlling interest in consolidated funds arises as a result of the continued consolidation of the Coronation Global Frontiers Fund. The prior year increase in the group's interest in the Coronation Global Equity Sector Feeder Fund means that it also continues to be consolidated.

6 Contingent liabilities: South African Revenue Service (SARS) matters

From time to time, in common with other organisations, companies in the group are subject to review by SARS. One of our companies has been the subject of a review on a matter of principle relating to international operations, and assessed on that basis for the 2012, 2013 and 2014 financial periods, to which management strongly disagrees and has objected. Management is confident, supported by external advisors, of the company's position and an outflow is not considered probable should the matter be interpreted by a court of law, the ultimate tax authority on these matters. Any amounts involved are currently not considered capable of reliable estimation.

Directors: S Pather (Chairman)*, A C Pillay (CEO), J A Snalam (CFO), A Watson*, H Nelson*, J D McKenzie*, J G February*, L Boyce* (* Independent non-executive)

Company secretary: L Parenzee (resigned with effect 30 June 2019)

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JSE share code:CML

ISIN: ZAE00047353

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Sponsor: PSG Capital (Pty) Ltd

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