CORONATION BALANCED PLUS FUND
Fund Information as at 30 November 2016

WHAT IS THE FUND’S OBJECTIVE?

Balanced Plus aims to achieve the best possible investment growth for retirement savers (within the constraints of Regulation 28 of the Pension Funds Act) over the long term.

WHAT DOES THE FUND INVEST IN?

Balanced Plus can invest in a wide variety of assets, such as shares, bonds, listed property and cash, both in South Africa and internationally.

The fund complies with Regulation 28, which limits the exposure of retirement investors to certain asset classes. For example, shares may never comprise more than 75% of the fund’s portfolio, while exposure to property and foreign assets (excluding Africa) is limited to 25% each.

The fund is mandated to use derivative instruments for efficient portfolio management purposes.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

<table>
<thead>
<tr>
<th>Risk Profile</th>
<th>Maximum growth/minimum income exposures</th>
</tr>
</thead>
</table>
| 6/10 Moderate | Growth Assets: 85%  
|              | Income Assets: 15%                     |

As Balanced Plus aims to maximise long-term returns, it will typically have a strong bias towards shares, which offer the highest expected growth over the long run. The fund’s managers actively seek out attractively valued shares that may achieve strong returns over periods of five years and longer.

While shares usually offer the best investment return, this comes with the greatest risk of short-term losses. The fund’s investment in shares is therefore carefully balanced with other assets (including cash, bonds and property) to ensure that risk is moderated. Returns from these assets are not as volatile as shares, and will not always move in the same direction (up or down) at the same time, making the fund less risky than a pure equity fund.

Given the care taken to manage risk and to ensure that the best possible returns can be achieved from a range of diverse investments, it is unlikely that the Balanced Plus fund will lose money over the longer term. However, the fund may produce negative returns in extreme years, albeit at a lower level than a fund that is only invested in shares.

HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The recommended investment term is five years and longer.

WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are saving for retirement, and:
- can stay invested for at least five years (preferably longer);
- have to choose a fund for their retirement annuity, provident fund, preservation fund or pension fund, and are looking for an investment that balances long-term growth with moderate levels of risk.

WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 1.25% (excl. VAT) is payable.

Other costs that are incurred in the fund include fees payable to unconnected international fund managers on a portion of assets situated offshore as well as 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

WHO ARE THE FUND MANAGERS?

KARL LEINBERGER
BBusSci, CA (SA), CFA

GENERAL FUND INFORMATION

<table>
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<th>Launch Date</th>
<th>15 April 1996</th>
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<td>Fund Class</td>
<td>A</td>
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<tr>
<td>Benchmark</td>
<td>Composite: 52.5% equity, 22.5% bonds, 5% cash, 20% international</td>
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<tr>
<td>Fund Category</td>
<td>South African – Multi-asset – High Equity</td>
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<tr>
<td>Regulation 28</td>
<td>Complies</td>
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<tr>
<td>Income Distribution</td>
<td>March &amp; September</td>
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<tr>
<td>Investment minimum</td>
<td>R5 000 or R500/m debit order</td>
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<td>Bloomberg Code</td>
<td>CORBALN</td>
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<tr>
<td>ISIN Code</td>
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CORONATION BALANCED PLUS FUND
CLASS A as at 30 November 2016

Fund category: South African - Multi Asset - High Equity
Launch date: 15 April 1996
Benchmark: Composite (52.5% equity, 22.5% bonds, 20% international, 5% cash)
Portfolio manager/s: Karl Leinberger

Fund size: R81.27 billion
NAV: 9632.27 cents
Total Expense Ratio: 1.62%
Transaction Costs: 0.13%

Performance and Risk Statistics

Growth of a R100,000 investment

Portfolio Detail

Effective Asset Allocation Exposure

Performance for Various Periods

Top 10 Holdings

Income Distributions

Monthly Performance Returns
Please note that the commentary is for the retail class of the fund.

The fund outperformed its benchmark by 0.1% per annum over a rolling five-year period (14.5% versus 14.4% per annum) and by 1.9% since inception (15.7% versus 13.8% per annum). It is one of the top-performing funds in its sector over all meaningful periods.

For the third quarter of 2016, the MSCI All Country World and MSCI Emerging Markets indices returned 5.3% and 9.2% respectively in US dollars. Locally, the JSE All Share Index returned 7.6% in dollars, but rand appreciation (in line with other emerging market currencies) meant that the rand in local currency terms gained 5.6% over the same period. Commodity prices, in general, ended the quarter virtually unchanged in US dollars: oil was down 1.3%, platinum gained 0.3% and copper rose slightly by 0.2%. Notwithstanding the benign moves in commodity prices and strength of the rand, resource shares performed well: the local resources index returned 8.1%, outperforming industrials (-2.1%) and financials (0.8%). The longer-term divergence in performance of resources relative to industrials and financials remains significant. Not only has the resources index lagged industrials and financials over three, five and ten years, but it has also underperformed cash over these time periods.

Nearly eight years since the global financial crisis, interest rates remain close to zero in most major economies and even negative in others. The world’s major central banks are committed to maintaining the status quo of unconventional monetary policy. The US Federal Reserve has once again delayed hiking rates while the European Central Bank and Bank of Japan continue to apply quantitative easing. Highly accommodative monetary policy represses the cost of capital and serves as a tax on the savings industry. This lack of yield encourages risk-taking as capital scours the globe in search of the best opportunities. This has the effect of distorting asset prices across the spectrum – equities, bonds, property, and currencies. This has resulted in the current disconnect between strong financial markets and tepid growth in most major economies. While monetary policy has succeeded in buoying financial markets, very little of the heavy lifting by way of fiscal and structural reform has taken place. While central bankers may have averted the great recession from becoming a depression, they are potentially sowing the seeds for another crisis in the years ahead.

At the time of writing, Theresa May, the UK prime minister, has announced she will start formal negotiations for Britain to leave the European Union by March 2017. Once she triggers Article 50, she will have two years to negotiate a new trade deal with the EU. This has once again rekindled uncertainty as market participants speculate about the terms of the UK’s departure. This uncertainty is likely to result in central bankers erring on the side of caution and keeping interest rates lower for even longer.

Domestically, economic growth remains subdued with risk to the downside given the backdrop of a weak global economy, instability caused by political infighting and the risk of a credit downgrade to junk status. Recent rand strength has improved inflation expectations and together with weak economic growth, this means that the SA Reserve Bank is unlikely to hike interest rates further.

We believe domestic equities are moderately attractive. While the JSE All Share Index is near its peak in rand terms, it has basically tracked sideways for the last five years in US dollar terms. We believe the global businesses listed in SA are attractively valued and, as such, our portfolios have healthy weightings in stocks such as Naspers, Steinhoff International Holdings, British American Tobacco and Anheuser-Busch InBev.

Resource shares have performed strongly year-to-date as commodity prices recovered. Our funds were well positioned to capture this bounce, given our overweight in resource shares. Notwithstanding the recent outperformance, we believe resources remain attractive based on our assessment of fair value. However, given the uncertainties around Chinese demand, one has to manage this risk by ensuring that the weighting is sized appropriately. Our preferred holdings remain Mondi, Anglo American and the low-cost platinum producers, Northam and Impala Platinum. Both SA gold and platinum miners face enormous challenges and cost pressures (such as real increases in both electricity tariffs and labour costs without the corresponding gains in productivity). The SA platinum producers mine approximately 70% of world’s platinum supply. This affords them some pricing power. Metal prices will ultimately have to adjust higher to reflect these cost pressures in order to incentivise platinum miners to expand production to meet demand. The same is true for gold. SA miners shy away from the recovery in the gold price, SA gold miners faced enormous pressure; balance sheets were under immense strain and many were either facing a rights issue or closure. This prompted management to run these businesses for cash – production was high-graded (at the expense of the life of the mine) and exploration capital expenditure was culled. While this is good for near-term cash flow and profitability, it is negative long term. Mines face a declining production profile – if they don’t replace production (by sinking new shafts, as an example), unit costs will eventually blow out as lower production is spread over a similar fixed cost base. This will be detrimental to profitability. We thus remain negative on SA gold miners.

Given the weak domestic economy, it will be a challenge for the average business to defend, let alone grow, earnings in real terms. In such an environment, high-quality businesses thrive and take market share from the weaker ones. To this extent, we hold reasonable positions in food retailers and producers as well as selected consumer-facing businesses (Foschini and Woolworths). These businesses are well managed and trade below our assessment of fair value.

Banks returned 10% for the quarter, outperforming the broader financials index. While banks are effectively a geared play on a weak domestic economy, we believe that this is more than discounted in the current share prices. Valuations are attractive on both a price-to-earnings and price-to-book basis. These businesses are well-capitalised, well-provided for and trade on attractive dividend yields. Our preferred holdings are Standard Bank, Nedbank and FirstRand. Life insurers returned -1.5% for the quarter. Our preference remains Old Mutual and MMI Holdings, both of which trade on attractive dividend yields and below our assessment of their intrinsic value.

In a low-growth, low-yield environment, equities remain our preferred asset class for producing inflation-beating returns. We prefer global to domestic equities on the basis of valuation and remain at the maximum 25% offshore allocation in our global balanced funds. We believe the current rand/dollar exchange rate to be fairly valued.

The bond market returned 3.4% for the quarter, outperforming cash, which yielded 1.8%. Inflation-linked bonds yielded 0.5% for the quarter, underperforming nominal bonds. We believe that yields on global bonds are too low and do not offer value. We also believe that the real returns from cash and bonds are likely to be relatively poor over the long term, both from a local and global perspective. The fund continues to hold a reasonable position in inflation-linked bonds and selected corporate bonds where we believe that spreads adequately compensate investors for the risk undertaken.

Listed property returned -0.7% for the quarter. We expect domestic properties to grow distributions at levels close to inflation over the medium term, even if one assumes an uptick in tenant vacancies. This real growth, combined with a fair initial yield, offers an attractive holding period return. We continue to hold the higher-quality property names, which we believe will produce better returns than bonds and cash over the long term.

In conclusion, financial markets are fraught with uncertainty as investor sentiment reacts to the news of the day. During these choppy markets, our long-term time horizon and valuation-driven investment philosophy act as a compass, allowing us to navigate through the noise and make the correct decisions for the benefit of our clients.

Portfolio manager
Karl Leinberger
as at 30 September 2016
The Balanced Plus Fund should be considered a medium- to long-term investment. The value of units may go down as well as up, and is therefore not guaranteed. Past performance is not necessarily an indication of future performance. The fund is mandated to invest up to 30% (including a maximum exposure of 5% to Africa, excluding South Africa) of its portfolio into foreign securities and may as a result be exposed to macroeconomic, settlement, political, tax, reporting or illiquidity risk factors that may be different to similar investments in the South African markets. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Asset allocation is reflected on a look-through basis. Any African exposure (ex SA) is reflected under international assets. Coronation Management Company (RF) (Pty) Ltd is a Collective Investment Schemes Manager approved by the Financial Services Board in terms of the Collective Investment Schemes Control Act. 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; 011-2176600). Coronation is a full member of the Association for Savings & Investment SA (ASISA).

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 valuation. 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.

Performance is calculated by Coronation as at the last day of the month for a lump sum investment using Class A NAV prices with income distributions reinvested. All underlying price and distribution data is sourced from Morningstar. Performance figures are quoted after the deduction of all costs (including manager fees and trading costs) incurred within the fund. Note that individual investor performance may differ as a result of the actual investment date, the date of reinvestment of distributions and dividend withholding tax, where applicable. Annualised performance figures represent the geometric average return earned by the fund over the given time period. Unannualised performance represents the total return earned by the fund over the given time period, expressed as a percentage.

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 for a rolling 36-month period to the last quarter end (December, March, June and September) The TER charged by any underlying fund held as part of a fund’s portfolio is included in the TER figure, 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.

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.

Coronation does not provide financial advice. If you appoint an advisor, advice fees are contracted directly between you and the advisor. We will facilitate the collection of advice fees only upon receiving your instruction, up to a maximum of an initial fee of 3.00% and an ongoing fee of 1.00% per annum (where an initial advice fee of more than 1.50% is selected, the maximum annual advice fee that we will collect is 0.50%). Advice fees are usually collected through the redemption of units. You may cancel the instruction to facilitate the payment of advice fees at any time. Advisors will only share in Coronation fees subject to prior approval by and/or disclosure to the investor. A portion of Coronation’s annual management fee may be paid to administration platforms such as Linked Investment Service Providers (LISPs) as a payment for administration and distribution services.

Additional information such as fund prices, brochures, application forms and a schedule of fund fees and charges is available on our website, www.coronation.com

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