

## 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



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.

Fund expenses 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](http://www.coronation.com)

## WHO ARE THE FUND MANAGERS?



### KARL LEINBERGER

BBusSci, CA (SA),  
CFA



### SARAH-JANE ALEXANDER

BBusSc, CFA



### ADRIAN ZETLER

BCom (Hons), CA  
(SA), CFA

## GENERAL FUND INFORMATION

Launch Date	15 April 1996
Fund Class	A
Benchmark	Composite: 52.5% equity, 22.5% bonds, 5% cash, 20% international
Fund Category	South African – Multi-asset – High Equity
Regulation 28	Complies
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORBALN
ISIN Code	ZAE000019808
JSE Code	CORB

# CORONATION BALANCED PLUS FUND

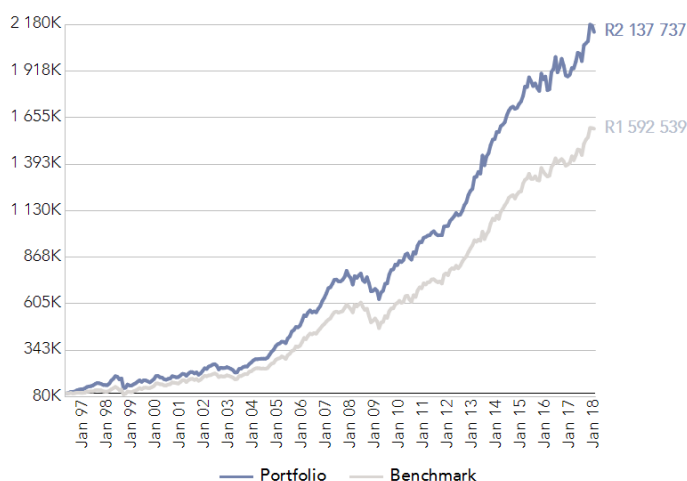
CLASS A as at 31 December 2017

Fund category	South African - Multi Asset - High Equity
Launch date	15 April 1996
Fund size	R90.62 billion
NAV	10677.86 cents
Benchmark/Performance	Composite (52.5% equity, 22.5% bonds, 20% international, 5% cash)
Fee Hurdle	20% international, 5% cash)
Portfolio manager/s	Karl Leinberger, Sarah-Jane Alexander and Adrian Zetler

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.65%	1.67%
Fund expenses	1.24%	1.24%
VAT	0.23%	0.25%
Transaction costs (inc. VAT)	0.17%	0.17%
Total Investment Charge	0.13%	0.12%
	1.78%	1.79%

## PERFORMANCE AND RISK STATISTICS

### GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



## PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	2037.7%	1492.5%	545.2%
Since Launch (annualised)	15.2%	13.6%	1.6%
Latest 20 years (annualised)	14.4%	14.3%	0.0%
Latest 15 years (annualised)	15.6%	14.9%	0.7%
Latest 10 years (annualised)	11.0%	10.7%	0.3%
Latest 5 years (annualised)	11.3%	11.2%	0.0%
Latest 3 years (annualised)	7.0%	8.7%	(1.8)%
Latest 1 year	12.7%	13.8%	(1.1)%
Year to date	12.7%	13.8%	(1.1)%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	13.3%	12.3%
Sharpe Ratio	0.40	0.31
Maximum Gain	57.9%	29.3%
Maximum Drawdown	(34.3)%	(31.9)%
Positive Months	68.1%	65.4%

	Fund	Date Range
Highest annual return	49.3%	Aug 2004 - Jul 2005
Lowest annual return	(17.4)%	Sep 1997 - Aug 1998

## MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2017	2.0%	(0.1)%	1.9%	2.6%	(0.3)%	(2.0)%	4.6%	0.5%	0.6%	4.5%	(0.3)%	(1.7)%	12.7%
Fund 2016	(4.1)%	0.3%	5.4%	0.9%	3.5%	(4.4)%	1.5%	2.5%	(1.9)%	(2.8)%	(0.3)%	0.6%	0.5%
Fund 2015	1.9%	2.9%	(0.2)%	3.0%	(1.2)%	(1.5)%	0.8%	(1.5)%	(0.9)%	5.5%	(1.7)%	0.8%	8.1%

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2017
<b>Domestic Assets</b>	<b>76.8%</b>
Equities	43.8%
Oil & Gas	0.1%
Basic Materials	7.8%
Industrials	1.3%
Consumer Goods	6.5%
Health Care	2.2%
Consumer Services	11.0%
Telecommunications	3.7%
Financials	8.3%
Technology	0.0%
Derivatives	2.9%
Unlisted	0.0%
Preference Shares & Other Securities	0.2%
Real Estate	14.2%
Bonds	13.2%
Commodities	1.7%
Cash	1.9%
Other (Currency Futures)	1.8%
<b>International Assets</b>	<b>23.2%</b>
Equities	21.0%
Real Estate	0.6%
Bonds	0.3%
Cash	1.3%

## TOP 10 HOLDINGS

As at 31 Dec 2017	% of Fund
Coronation Global Opportunities Equity Fund	15.7%
Naspers Ltd	5.6%
British American Tobacco Plc	3.9%
Coronation Global Emerging Markets Fund	3.9%
MTN Group Ltd	3.6%
INTU Properties	2.7%
Standard Bank Group Ltd	2.7%
Coronation African Frontiers Fund	2.7%
Fortress Income Fund Ltd A	2.4%
Redefine Income Fund	2.3%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Sep 2017	02 Oct 2017	122.63	43.60	79.03
31 Mar 2017	03 Apr 2017	103.07	29.56	73.51
30 Sep 2016	03 Oct 2016	101.10	37.85	63.25
31 Mar 2016	01 Apr 2016	76.52	21.84	54.68

**Please note that the commentary is for the retail class of the fund.**

The fund returned 2.45% for the quarter and 12.7% for the year, which is an improved absolute return given strong equity markets. The fund has performed well against its peer group over meaningful time periods.

Rand strength and a rally in domestic assets meant the large offshore holdings and limited exposure to government bonds detracted from performance in the quarter. Over the longer term, the fund's significant offshore exposure remains a meaningful contributor to performance.

The strong run in global equity markets continued into the quarter with a quarterly US dollar return of 5.7% (MSCI All Country World Index) supporting the 12-month number at 24.0%. Major markets were broadly strong across the developed and emerging world with both the US and eurozone reporting healthy growth. This was achieved despite political tensions continuing to boil under the surface; North Korea's ongoing development of its nuclear agenda, alleged Russian interference in US politics and a tumultuous Middle East. Global GDP growth forecasts remain strong for 2018 with further rate hikes expected in the US.

A tough economy and political uncertainty undermined the performance of South African assets for much of the year. The release of the Medium Term Budget Policy Statement in October highlighted the deterioration in fiscal metrics. A further weakening in the rand and the widening of bond yields provided an opportunity to add to domestic assets at the margin in the period preceding the ANC elective conference.

The appointment of Cyril Ramaphosa as ANC president in December drove a major swing in sentiment, and domestic asset classes rallied into the fourth quarter with the local currency, government bonds and domestic equities all performing strongly. Mr Ramaphosa is expected to herald better fiscal discipline, though a divided party leadership will make reform challenging. The market's reaction has priced much optimism into domestic asset classes against which delivery will be difficult. Our exposure to domestic fixed rate bonds remains low, though this is partially offset by holdings in the higher quality property shares as well as the A class property shares which offer superior risk-reward characteristics. These holdings contributed positively to performance over the quarter.

South African equity markets delivered good returns in 2017, reversing the lacklustre market performance of the past few years. The Capped All Share Index (CAPI) returned 18.06% for the year and 6.5% in the fourth quarter. This compares to an annualised 8.9% over three years. The return in US dollar terms is 30.6% over the year as the rand strengthened.

From an earnings perspective domestic shares had a challenging year and had underperformed going into the final quarter of the year. However, the past quarter saw a rally in their share prices with notable performers including banks (+28%) and general retailers (+23%). The large rand hedges such as Naspers (+72%) and Richemont (+25%) had a good year, outperforming the market. The fund's Naspers position was consistently trimmed throughout the 12-month period on the back of strong performance, particularly in the underlying Tencent investment. Despite this, our absolute position in Naspers remains large, reflecting our continued assessment of the company as an attractive share as it streamlines its investment portfolio and Tencent expands its portfolio of services in large and growing markets. For the full year, resources (+16.8%) lagged the returns delivered by industrials (+22.6%) and financials (+24.4%) (JASIN and FINI 15).

The fund remains overweight offshore stocks, though the buying of domestic shares during the year has reduced the extent of this overweight position. The fund added selectively to better quality domestic industrial names (including Spar, Netcare, Famous Brands, Curro and Pick n Pay) as they underperformed. These positions all contributed to performance during the fourth quarter domestic rally. Notwithstanding this, we believe valuation remains attractive. Offshore names where the fund continues to have meaningful exposure include Naspers, British American Tobacco, MTN and Hammerson.

British American Tobacco in particular looks cheap for a global consumer staple on a one-year forward PE of 15.4x with the opportunity to grow earnings through next generation tobacco products and margin uplift on the back of the recently completed Reynolds take out. The fund added significantly to this position during 2017 and remains convinced of its compelling valuation.

Steinhoff has been a significant detractor from performance over the year, exacerbated by the share price collapse on the announcement that the company would delay the release of its 2017 audited financial results, launch an investigation into accounting irregularities and that the CEO had resigned. The fund held Steinhoff for the expanding, cash generative value retailer Pepkor as well as the opportunity to consolidate a rapidly growing but fragmented European furniture market through its vertically integrated European operations. Despite concerns about its acquisitive nature and aggressive tax structuring, the valuation looked compelling on a single-digit PE multiple. We did extensive reference checks including meeting many of the high calibre board members and well respected regional managers. To date, limited information has been released to further our understanding of where the accounting irregularities occurred. We continue to monitor events closely and will take action as considered appropriate.

The rally in domestic banks and life insurers is also cause for review with higher earnings expectations being priced in. Discovery was one of the biggest contributors to performance in 2017 with particular strength in the past quarter. The position size has been trimmed in line with the reduced margin of safety. Domestic bank valuations are also pricing in a more optimistic outcome. Slow advances growth over the last few years could be accelerated with more accommodative economic growth, though a benign credit cycle leaves little room for credit loss improvements. Here too, positions sizes reflect a reduced margin of safety.

Brexit-related market uncertainty continued to undermine the outlook for UK property stocks. Global corporate activity picked up in the property sector in the past quarter with bids such as Unibail for Westfield and Brookfield for GGP highlighting inherent longer term value. In the UK specifically, an all share offer for Intu by Hammerson in early December provided some support to our view that there is long-term value in the sector. It is hoped that Hammerson's excellent management team can further unlock the potential in Intu by combining two leading retail portfolios. Valuation remains attractive with the shares trading at significant discounts to NAV. The fund retains a significant holding in UK property via Hammerson PLC, Intu PLC and Capital and Counties.

Calendar 2017 was a relatively robust year for commodity prices with most strengthening as Chinese demand remained resilient. Supply remained constrained as miners persisted with disciplined allocation of capital and Chinese environmental regulation capped domestic supply. While higher commodity prices have reduced the margin of safety in resource valuations, the fund retains a reasonable exposure with contributions to full-year performance from Exxaro, Anglo American and Mondi. Exxaro, in particular, performed well with associate Kumba Iron Ore profiting from robust iron ore prices, high coal prices and a recovery in Tronox. A recent pullback in Mondi has meant the valuation again looks attractive and we are adding to our position.

The past quarter's domestic rally has created the opportunity for us to buy some of the more attractively valued rand hedge shares as the market prices in a very optimistic economic outcome domestically despite lingering challenges. The overall portfolio remains largely unchanged, consistent with our commitment to invest where we see long-term opportunity.

**Portfolio manager**  
**Karl Leinberger, Sarah-Jane Alexander and Adrian Zetler**  
as at 31 December 2017

### IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION BALANCED PLUS FUND

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 therefore Coronation does not make any guarantees with respect to the protection of capital or returns. Past performance is not necessarily an indication of future performance. 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. Portfolio managed by Coronation Asset Management (Pty) (FSP 548) Ltd, an authorised financial services provider. The Management Company reserves the right to close the fund to new investors if we deem it necessary to limit further inflows in order for it to be managed in accordance with its mandate. Unit trusts are allowed to engage in scrip lending and borrowing. Standard Chartered has been appointed as trustees for the fund ([www.sc.com/za](http://www.sc.com/za); 011-2176600). Coronation is a full member of the Association for Savings & Investment SA (ASISA).

### HOW ARE UNITS PRICED AND AT WHICH PRICE WILL MY TRANSACTION BE EXECUTED?

Unit trusts are traded at ruling prices set on every trading day. Fund valuations take place at approximately 15h00 each business day, except at month end when the valuation is performed at approximately 17h00 (JSE market close) and forward pricing is used. Instructions must reach the Management Company before 14h00 (12h00 for the Money Market Fund) to ensure same day value. The payment of withdrawals may be delayed in extraordinary circumstances, when the manager with the consent of the fund trustees deem this to be in the interest of all fund investors. These circumstances may include periods when significant underlying markets suspend trading which will prevent accurate valuation of the instruments held in the fund. When the suspension of trading relates to only certain assets held by the fund, these assets may be side-pocketed. This process allows normal liquidity on the assets that can be valued, but will delay liquidity on the affected portion of the fund. If the fund is faced with excessive withdrawals, the affected withdrawals may be ring-fenced, which is the separation and delayed sale of the assets reflecting the interest of the liquidity seeking investors. It ensures that the sale of a large number of units will not force Coronation to sell the underlying investments in a manner that may have a negative impact on remaining investors of the fund.

### HOW WAS THE PERFORMANCE INFORMATION INCLUDED IN THIS FACT SHEET CALCULATED?

Performance is calculated by Coronation as at the last day of the month for a lump sum investment using Class 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.

### WHAT IS THE TOTAL EXPENSE RATIO (TER) AND TRANSACTION COSTS (TC)?

TER is calculated as a percentage of the average net asset value of the portfolio incurred as charges, levies and fees in the management of the portfolio. The TER charged by any underlying fund held as part of a fund's portfolio is included in the fund expenses portion of the TER, but trading and implementation costs incurred in managing the fund are excluded. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's. The 1 year TER is for the 12 months to end of September 2017 (updated annually). The 3 year TER is for a rolling 36-month period to the last quarter end (December, March, June and September).

Transaction costs are a necessary cost in managing a fund and impacts the fund's return. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER.

The Total Investment Charge is the sum of the Total Expense Ratio (TER) and transaction costs.

### ADVICE AND PLATFORM COSTS

Coronation does not provide financial advice. If you appoint an 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.

### WHERE CAN I FIND ADDITIONAL INFORMATION?

Additional information such as daily fund prices, brochures, application forms and a schedule of fund fees and charges is available on our website, [www.coronation.com](http://www.coronation.com)

### IMPORTANT INFORMATION REGARDING TERMS OF USE

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