

## WHAT IS THE FUND'S OBJECTIVE?

Balanced Defensive is in the first instance managed to protect capital over any 12-month period. In addition, we aim to achieve reasonable investment growth over the long run.

It is specifically managed to suit very cautious investors who want to draw an income over an extended period of time.

## WHAT DOES THE FUND INVEST IN?

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

The fund will typically hold a maximum of 50% of its investments in growth assets (shares and property). Shares usually offer the best growth, but this comes with the greatest risk of short-term losses. The fund's exposure to shares is therefore carefully balanced with more stable investments like bonds.

Exposure to foreign assets (excluding Africa) is limited to 30%. The fund is mandated to use derivative instruments for efficient portfolio management purposes.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

### Risk Profile



3/10

Conservative

### Maximum growth/ minimum income exposures



■ Growth Assets: 50%

□ Income Assets: 50%

The fund is tactically managed to protect and grow capital, as well as secure an attractive income.

A large and experienced investment team actively seeks out the best potential opportunities for income and growth, while taking great care to consider the different risks within the fund.

Balanced Defensive is specifically managed to not lose money over any 12-month period, although it cannot guarantee protection against losses.

Our intent is that the fund should produce a return of at least CPI + 3% p.a. over the medium term.

The fund is diversified across a range of assets reflecting its cautious risk budget. This includes a selection of shares that we believe are attractively valued, as well as quality income assets.

## HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The recommended investment term is three years and longer.

The fund's exposure to shares may result in short-term price fluctuations that make it unsuitable for investors who can only invest for short periods.

## WHO SHOULD CONSIDER INVESTING IN THE FUND?

- Pensioners and other investors requiring an income, especially those in the second half of retirement.
- Living annuity investors seeking a fund that aims to achieve both income and capital growth.
- Cautious pre-retirement investors seeking a low-risk fund for their retirement annuity, provident fund, preservation fund or pension fund.
- Trusts, endowments, foundations and charities who require long-term funding of a moderate spending rule.
- The fund is not appropriate for investors who want to build wealth over more than five years.

## WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 1.25% is payable.

The fund will discount to 0.75% p.a. for negative performance over a rolling 12-month period until 30 September 2018, thereafter the discount will fall away.

The annual management fee is accrued daily and paid monthly. Fund expenses 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 fund 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?



### CHARLES DE KOCK

BCom (Hons), MCom  
(Economics)



### DUANE CABLE

BCom (Hons), CA  
(SA), CFA

## GENERAL FUND INFORMATION

Launch Date	1 February 2007
Fund Class	A
Benchmark	CPI + 3% p.a.
Fund Category	South African – Multi Asset – Low Equity
Regulation 28	Complies
Income Distribution	Quarterly (March, June, September, December)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CBALDFA
ISIN Code	ZAE000090627
JSE Code	COBA

# CORONATION BALANCED DEFENSIVE FUND

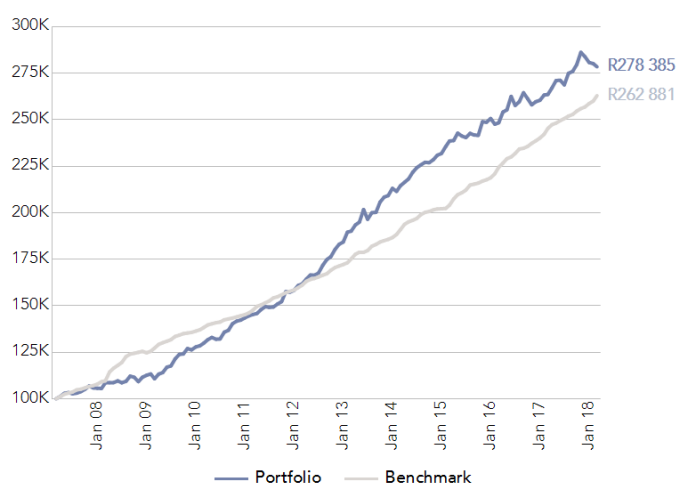
CLASS A as at 28 February 2018

Fund category	South African - Multi Asset - Low Equity
Launch date	01 February 2007
Fund size	R35.47 billion
NAV	182.01 cents
Benchmark/Performance	CPI + 3% p.a.
Fee Hurdle	
Portfolio manager/s	Charles de Kock and Duane Cable

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.72%	1.77%
Fund expenses	1.39%	1.43%
VAT	0.13%	0.15%
Transaction costs (inc. VAT)	0.20%	0.20%
Total Investment Charge	0.04%	0.04%
	1.76%	1.81%

## 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)	178.4%	162.9%	15.5%
Since Launch (annualised)	9.8%	9.2%	0.6%
Latest 10 years (annualised)	9.9%	8.9%	1.0%
Latest 5 years (annualised)	7.9%	8.5%	(0.5)%
Latest 3 years (annualised)	5.3%	8.8%	(3.5)%
Latest 1 year	5.7%	7.2%	(1.5)%
Year to date	(0.8)%	1.7%	(2.5)%

### RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	4.1%	1.6%
Downside Deviation	2.4%	N/A
Sharpe Ratio	0.56	1.12
Maximum Gain	21.2%	26.9%
Maximum Drawdown	(2.7)%	(0.9)%
Positive Months	77.3%	95.5%

	Fund	Date Range
Highest annual return	21.2%	Jun 2012 - May 2013
Lowest annual return	2.0%	Mar 2008 - Feb 2009

### MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2018	(0.2)%	(0.6)%											(0.8)%
Fund 2017	1.1%	0.1%	1.4%	1.5%	0.1%	(0.9)%	2.3%	0.4%	1.3%	2.4%	(0.8)%	(1.1)%	7.8%
Fund 2016	(1.2)%	0.3%	2.3%	0.5%	2.8%	(1.9)%	0.8%	1.9%	(1.2)%	(1.3)%	0.7%	0.3%	3.9%
Fund 2015	1.6%	1.3%	0.1%	1.7%	(0.6)%	(0.3)%	0.9%	(0.4)%	(0.1)%	3.0%	(0.1)%	0.8%	8.1%
Fund 2014	(0.8)%	1.4%	0.9%	0.8%	1.6%	1.1%	0.7%	0.6%	(0.1)%	0.7%	1.1%	0.4%	8.8%
Fund 2013	2.9%	0.3%	1.7%	0.8%	3.5%	(2.6)%	1.8%	0.1%	2.7%	1.3%	0.4%	1.9%	15.7%
Fund 2012	1.7%	0.5%	1.6%	1.4%	(0.1)%	0.7%	2.4%	1.8%	0.9%	2.2%	1.5%	0.7%	16.4%
Fund 2011	0.8%	0.5%	0.4%	1.4%	1.1%	(0.3)%	0.1%	1.1%	0.8%	3.5%	(0.2)%	0.6%	10.3%

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	28 Feb 2018
<b>Domestic Assets</b>	<b>74.4%</b>
<b>Equities</b>	<b>15.8%</b>
Basic Materials	2.5%
Industrials	0.6%
Consumer Goods	2.9%
Health Care	0.6%
Consumer Services	4.3%
Telecommunications	0.9%
Financials	3.9%
Technology	0.0%
<b>Preference Shares &amp; Other Securities</b>	<b>1.3%</b>
<b>Real Estate</b>	<b>7.6%</b>
<b>Bonds</b>	<b>41.6%</b>
<b>Commodities</b>	<b>1.5%</b>
<b>Cash</b>	<b>6.7%</b>
<b>Other (Currency Futures)</b>	<b>(0.1)%</b>
<b>International Assets</b>	<b>25.7%</b>
Equities	12.4%
Real Estate	1.4%
Bonds	5.2%
Commodities	1.5%
Cash	5.2%

### TOP 10 HOLDINGS

As at 31 Dec 2017	% of Fund
Coronation Global Capital Plus Fund	13.3%
Coronation Global Opportunities Equity Fund	8.1%
Naspers Ltd	2.1%
Growthpoint Properties Ltd	1.5%
Hammerson	1.3%
British American Tobacco Plc	1.1%
Coronation Global Emerging Markets Fund	1.1%
Redefine Income Fund	1.0%
MTN Group Ltd	0.9%
Atterbury Investment Holdings	0.9%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Dec 2017	02 Jan 2018	1.63	0.13	1.50
29 Sep 2017	02 Oct 2017	1.77	0.27	1.50
30 Jun 2017	03 Jul 2017	1.52	0.13	1.39
31 Mar 2017	03 Apr 2017	1.77	0.26	1.51

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

The final quarter and especially the month of December provided a climactic finish to an already eventful year. The election of Cyril Ramaphosa as ANC president was positively received by the markets, with the rand surging by 10% against all major currencies in the final month of the year. Domestically-focused stocks and bonds also gained sharply as was evidenced by the bank and retail sectors delivering returns of around 15% in December. Bond yields also dropped sharply, turning a poor year for bond investors into a good one. The All Bond Index ended up delivering a total return of 10.2% for the year of which 5.7% accrued in December alone.

The business world provided its share of drama towards year end with the collapse in the Steinhoff share price. This after the sudden resignation of CEO Markus Jooste and the company's announcement that it was unable to produce audited figures for the year as well as the potential restating of prior years' earnings. As a result, we find it impossible to value the company at present. Since the dramatic events of early December we have therefore not traded in the share as we await more information. At the start of the fourth quarter of 2017, before the share price collapsed, the portfolio (in line with its conservative mandate) held only 0.6% of fund in Steinhoff shares. While the price collapse did detract from performance, the impact was not crippling.

The strength in the rand towards year end had a greater negative impact on performance as it impacted the value of the fund's offshore holdings totalling 25% of portfolio as well as many of the large equity holdings such as British American Tobacco, Richemont, ABI, Mondi and other rand hedge stocks.

Over the course of the year the biggest contributors to performance were Naspers (adding 1.2%), the fund's global equity holdings, Growthpoint, Anglo American, Standard Bank and the R186 government bond. Major detractors include Steinhoff (it cost the fund 0.8%), US dollar cash, Accelerate Property and Liberty Two Degrees.

Listed property company Intu is a stock we have held for many years in the belief that the value of its underlying portfolio of high-quality shopping centres far exceeded its market capitalisation. Our view was supported by rival property company Hammerson's offer to buy Intu at a large premium to its then current price. The combined portfolio of Hammerson and Intu will make it the largest holder of prime retail shopping centres in the UK. We further believe the Hammerson management team can unlock significantly more value for shareholders over time. As such, we support the buy-out enthusiastically.

We were very active in the bond market over the quarter, adding 4.9% of the portfolio to our bond positioning. We used the market's disappointment in the Medium Term Budget to add to government bonds at very attractive yields and therefore enjoyed the sharp improvement in yields subsequent to the ANC's elective conference. Domestic bonds as an asset class ended up being the biggest contributor to the portfolio's total performance for the year, adding 5.0% on a gross basis (before fees and tax). Domestic equities contributed 2.1% and foreign assets 1.1% (both on a gross basis) to the total return as the strong rand countered the positive returns delivered by global equities.

On an after fees basis, the portfolio's total return was 7.8% for the year, which is marginally ahead of its inflation plus 3% target. Over the past five and ten years, the fund returns were also ahead of target at 8.7% per annum and 10.3% per annum respectively.

Looking forward to 2018, the market will be focused on how Mr Ramaphosa will lead the ANC and, in particular, for how long Jacob Zuma will remain President of the country and therefore in control of key cabinet appointments and government policy. The deeply divided top six officials of the ruling party and its national executive committee will make it difficult for the new president to act decisively in our view. We think the markets have been too euphoric in its assessment of recent events and expect some retreat in those market sectors that were so buoyant in December.

**Portfolio managers**  
**Charles de Kock and Duane Cable**  
as at 31 December 2017

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

The Balanced Defensive 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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