

## 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

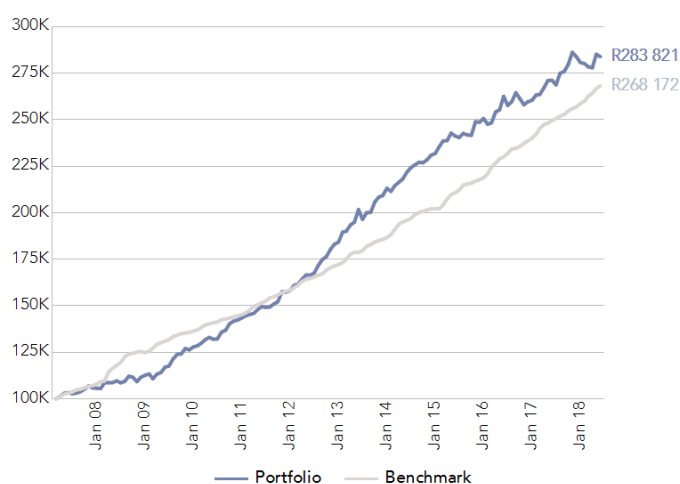
CLASS A as at 31 May 2018

Fund category	South African - Multi Asset - Low Equity
Launch date	01 February 2007
Fund size	R34.97 billion
NAV	183.77 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%	1.72%
Fund expenses	1.39%	1.41%
VAT	0.13%	0.12%
Transaction costs (inc. VAT)	0.20%	0.20%
Total Investment Charge	0.04%	0.04%
	1.76%	1.76%

## 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)	183.8%	168.2%	15.6%
Since Launch (annualised)	9.7%	9.2%	0.6%
Latest 10 years (annualised)	10.0%	8.6%	1.4%
Latest 5 years (annualised)	7.1%	8.5%	(1.4)%
Latest 3 years (annualised)	5.6%	8.4%	(2.8)%
Latest 1 year	4.7%	7.5%	(2.8)%
Year to date	1.1%	3.8%	(2.6)%

### RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	4.2%	1.5%
Downside Deviation	2.3%	N/A
Sharpe Ratio	0.55	1.12
Maximum Gain	21.2%	26.9%
Maximum Drawdown	(2.9)%	(0.9)%
Positive Months	76.3%	95.6%
	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)%	(0.2)%	2.6%	(0.4)%								1.1%
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	31 May 2018
<b>Domestic Assets</b>	<b>74.1%</b>
<b>Equities</b>	<b>15.8%</b>
Basic Materials	2.2%
Industrials	0.5%
Consumer Goods	2.7%
Health Care	0.6%
Consumer Services	4.2%
Telecommunications	0.9%
Financials	3.7%
Technology	0.0%
Derivatives	1.0%
<b>Preference Shares &amp; Other Securities</b>	<b>1.1%</b>
<b>Real Estate</b>	<b>7.4%</b>
<b>Bonds</b>	<b>46.8%</b>
<b>Commodities</b>	<b>1.6%</b>
<b>Cash</b>	<b>4.2%</b>
<b>Other (Currency Futures)</b>	<b>(2.6)%</b>
<b>International Assets</b>	<b>25.9%</b>
Equities	13.2%
Real Estate	1.6%
Bonds	6.4%
Commodities	0.5%
Cash	4.1%

### TOP 10 HOLDINGS

As at 31 Mar 2018	% of Fund
Coronation Global Capital Plus Fund	12.9%
Coronation Global Opportunities Equity Fund	8.0%
Naspers Ltd	1.4%
British American Tobacco Plc	1.3%
Coronation Global Emerging Markets Fund	1.1%
Hammerson	1.0%
Atterbury Investment Holdings	0.9%
MTN Group Ltd	0.9%
Anglo American Plc	0.8%
Capital & Counties Properties	0.7%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Mar 2018	03 Apr 2018	1.76	0.28	1.48
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

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

#### Macro overview

Globally equity markets were on the back foot in the first quarter of 2018 as increased geopolitical risks outweighed the benefits of a relatively strong global economy and continued progress in the orderly normalisation of monetary policy in the US. Given the backdrop of elevated market levels in the US and the potential damaging impact a trade war between the US and China could have on the global economy, we would anticipate increased levels of volatility as the rhetoric surrounding global trade continues. We have been more defensively positioned and although this has been a drag on performance in 2017, we believe one should be prudent given the elevated risks.

In South Africa, 'Ramaphoria' continued to inspire a further rally in local assets. The election of Cyril Ramaphosa as leader of the ANC was a much needed step in the right direction for SA, but what has proven surprising has been the pace and impact of consequent changes that he has announced. Although the economic outlook for country has improved with the changes being implemented, we would caution that many local assets have already priced in a fair amount of the good news, without consideration for some of the structural challenges we still face as a nation and risks around implementation of some of the proposed changes by the new leadership of the ANC.

#### Fund performance

The fund has the dual mandate of trying to beat inflation by 3% over time and protecting capital over all rolling 12-month periods. Whilst we were able to protect capital, the fund unfortunately has not achieved its inflation plus 3% target in the recent past (longer term returns are still ahead of benchmark), which has been disappointing. Given the poor performance we wanted to unpack the returns over the rolling one, three and five year periods to shed more light on the reasons for the underperformance.

The table below illustrates the index performances for the rolling one, three and five year periods:

Asset Class	Index	1 yr	3 yrs	5 yrs
Domestic equity	Capped Swix	8.0%	3.8%	10.4%
Domestic property	SAPY	-7.1%	-0.5%	7.1%
Domestic bonds	ALBI	16.2%	8.6%	7.7%
Domestic cash	Stefi	7.5%	7.2%	6.6%
Offshore assets	50% ACWI/50% UST Bills	-2.3%	4.8%	11.4%

A few comments of the fund's specific performance over these periods:

- The fund's performance has to be seen in the context of the tough investment environment experienced in the recent past where real returns across asset classes (as illustrated above) have been far lower than the historical trend.
- Domestic equity performance for the fund has lagged the performance of the index over a rolling one and three year basis, but has been in line over a rolling five year basis. These returns must be seen in the context of the portfolio being constructed to outperform inflation and not the relevant equity benchmark. The portfolio has been more defensively positioned which has been a drag on performance as has been our large holdings in dual listed rand hedge stocks.

- Domestic property performance for the fund has generated alpha relative to the SAPY index over these periods as we have not had exposure to the Resilient Group, however returns for both the fund and the sector have not been able to beat the required inflation plus 3% benchmark.
- We are very pleased with the performance of our domestic bonds, which has either matched or outperformed the performance of the ALBI over the period, despite being much more conservatively positioned.
- The offshore assets has been a drag on performance over the rolling one and three year periods. The continued strengthening of the rand relative to major developed market currencies has been a headwind to the fund's performance. In hard currency the fund's performance has generally lagged global equity markets given the more defensively positioned nature of this portfolio with only 50% of the offshore assets allocated to equities.

#### Portfolio activity

We took advantage of the market sell-off during the quarter to increase the fund's allocation to domestic equity through the purchase of index futures and adding to our positions in British American Tobacco and Investec. We trimmed our holding in Naspers and exited positions in Foschini, Mr Price and Coronation during the quarter on the back of strong share price performance and reduced margin of safety.

British American Tobacco remains one of the fund's top holdings. We have used the recent share price weakness on the back of regulatory concerns in the US to add to our holding. We believe that on a 13x forward (11x our assessment of normalized earnings) price earnings ratio and 5% dividend yield the regulatory concerns have been more than priced in and one is getting access to one of the best businesses in our market at a very attractive valuation.

We reduced the fund's allocation to domestic property by trimming positions in Growthpoint, Hammerson and Redefine into strength.

We further reduced the fund's exposure to local government bonds during the quarter given our view that valuations are not attractive on a risk-adjusted basis.

We made no meaningful changes to the fund's offshore asset allocation during the quarter. We believe the fund's offshore allocation remains appropriate given the benefits of diversification, value in the underlying offshore assets and our expectation of future SA rand weakness.

#### Outlook

In an incredibly uncertain world, we continue to strive to build diversified portfolios that can absorb unanticipated shocks. We will remain focused on valuations and will seek to take advantage of whatever attractive opportunities the market present us to generate inflation-beating returns for our investors over the long term. While we are cognisant of the fact that we have not delivered inflation-beating returns in the recent past, we remain confident that the positioning of the portfolio and our investment approach for these absolute return portfolios should deliver inflation-beating returns consistent with its long-term track record.

#### Portfolio managers

**Charles de Kock and Duane Cable**  
as at 31 March 2018

### 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 Sector Conduct Authority 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 adviser, advice fees are contracted directly between you and the adviser. For more information please contact the relevant platform (Linked Investment Service Provider or Life Assurance Provider).

### 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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