

CORONATION BALANCED PLUS FUND

Fund Information as at 31 March 2019

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 is limited to 25% and foreign assets (excluding Africa) is limited to 30% each.

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

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Risk Profile



6/10

Moderate

Maximum growth/ minimum income exposures



■ 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.

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

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

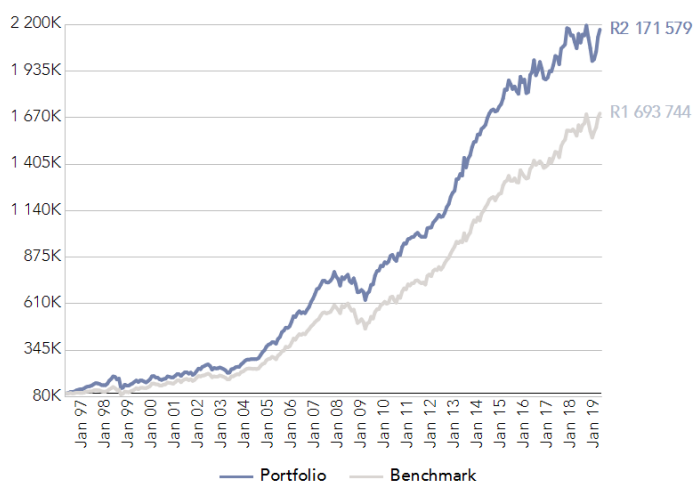
CLASS A as at 31 March 2019

Fund category	South African - Multi Asset - High Equity
Launch date	15 April 1996
Fund size	R90.48 billion
NAV	10558.19 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	1.60%	1.61%
Fund expenses	1.24%	1.24%
VAT	0.18%	0.19%
Transaction costs (inc. VAT)	0.18%	0.18%
Total Investment Charge	0.14%	0.13%
	1.74%	1.74%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2019
Domestic Assets	73.0%
■ Equities	43.3%
Basic Materials	10.7%
Industrials	0.5%
Consumer Goods	7.7%
Health Care	2.1%
Consumer Services	9.8%
Telecommunications	2.6%
Financials	7.6%
Technology	0.3%
Derivatives	2.1%
Unlisted	0.0%
■ Preference Shares & Other Securities	0.0%
■ Real Estate	8.5%
■ Bonds	16.2%
■ Commodities	1.8%
■ Cash	1.2%
■ Other (Currency Futures)	2.1%
International Assets	27.0%
■ Equities	25.1%
■ Real Estate	1.0%
■ Bonds	0.2%
■ Cash	0.6%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Peer Group Average
Since Launch (unannualised)	2071.6%	1593.7%	1355.8%
Since Launch (annualised)	14.4%	13.1%	12.4%
Latest 20 years (annualised)	13.7%	14.1%	12.8%
Latest 15 years (annualised)	14.3%	13.9%	12.4%
Latest 10 years (annualised)	12.5%	13.0%	10.4%
Latest 5 years (annualised)	6.1%	8.3%	5.7%
Latest 3 years (annualised)	4.3%	7.2%	3.8%
Latest 1 year	5.2%	8.1%	5.8%
Year to date	8.5%	6.6%	5.8%

TOP 10 HOLDINGS

As at 31 Mar 2019	% of Fund
Naspers Ltd	4.5%
British American Tobacco Plc	4.5%
Anglo American Plc	3.8%
Egerton Capital Equity Fund	3.4%
Contrarius Global Absolute Fund	2.9%
MTN Group Ltd	2.6%
Fortress Income Fund Ltd A	2.5%
Northam Platinum Ltd	2.3%
Nedbank Ltd	1.7%
RMB Holdings	1.5%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	13.1%	12.1%
Sharpe Ratio	0.36	0.29
Maximum Gain	57.9%	29.3%
Maximum Drawdown	(34.3)%	(31.9)%
Positive Months	67.3%	65.1%

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

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Mar 2019	01 Apr 2019	148.46	53.71	94.75
28 Sep 2018	01 Oct 2018	165.21	70.11	95.10
29 Mar 2018	03 Apr 2018	113.93	36.36	77.57
29 Sep 2017	02 Oct 2017	122.63	43.60	79.03

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2019	2.2%	4.0%	2.0%										8.5%
Fund 2018	0.0%	(1.8)%	(1.7)%	4.0%	(2.4)%	2.2%	(0.2)%	2.6%	(3.0)%	(2.9)%	(3.6)%	0.5%	(6.3)%
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%

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

The fund had a good quarter, returning 8.5%. This was mainly due to strong global and domestic equity markets. The fund has performed well against its peer group over meaningful time periods.

The broad-based asset class declines experienced in 2018 reversed dramatically in the first quarter of 2019. The MSCI All Country World Index ended the quarter up 12.2% in US dollar terms, despite a deteriorating macroeconomic environment in which central banks have become meaningfully more dovish than they were late last year. Developed market equity markets, and in particular the US, performed strongly and recorded their best quarter in nearly 20 years. The fund has benefited from its large exposure to global equities and our overweight position in emerging market equities contributed meaningfully to performance during the quarter.

The Citi World Government Bond Index appreciated by 1.7% in US dollars for the quarter. Bond yields fell, with investors buying up debt as a haven amid mounting evidence of a global economic slowdown, continued political uncertainty and a more dovish outlook among global central bankers. This shift has seen the US Federal Reserve (Fed) signalling that rates will remain on hold for the rest of this year and announcing that the bank will end its balance sheet run-off programme. In addition, the European Central Bank announced future stimulus measures and that it too will leave rates on hold until the end of 2019. At the end of March 2019, the amount of global government debt with negative yields rose above the \$10 trillion mark and European corporates such as LVMH and Sanofi were even raising debt at sub-zero rates (meaning you have to pay for the privilege to lend to these companies). The extent to which central banks continue to distort debt markets is concerning and we remain cautious on the outlook for global bonds.

The All Bond Index (ALBI) ended the quarter strongly (+3.8%) as the market started to price in potential interest rate cuts later this year. We believe the high real yields on offer are a reasonably attractive investment opportunity. Given recent global monetary policy developments and the South African Reserve Bank's benign inflation outlook, coupled with weak economic growth, we expect policy rates to remain on hold for an extended period of time. The property sector underperformed during the quarter on broad-based weakness. Distribution growth rates are increasingly at risk given negative rent reversions in certain sectors and nodes, high vacancy rates in the office sector, and leveraged balance sheets. The fund's property exposure, which is focused on the higher-quality portfolios such as Redefine and Investec, together with our exposure to the A property shares, should weather the storm better than peers.

Overall, the JSE had a good quarter, with the JSE Capped Shareholder Weighted All Share Index appreciating 3.9%. Resources had another very strong quarter and were up 17.8% - bringing the sector's rolling 12-month total return up to a whopping 41.6%. Platinum stocks in particular had a very strong quarter on the back of a rising platinum group metals (PGM) basket price.

During the quarter, all mining companies reported their annual or interim results for the period to end-December 2018. These results were characterised by a strong performance from the bulk metals (iron ore, coking coal, thermal coal and manganese). The theme of strong cash flow, deleveraging, and capital returns to shareholders continues. Shares reacted positively to financial results announcements and a strong commodity price environment, driven by tight supply-demand balances and an abatement of US-China trade war fears. Our large exposure to Anglo American (+22%) contributed to performance.

After a long and frustrating wait, PGM shares have finally begun to rally strongly with our holdings in Northam (+47%), Anglo American Platinum (+38%) and Impala Platinum (+66%), as well as our position in the Palladium ETF (+12% in US dollars) all contributing meaningfully to returns for the quarter. We feel that this is a vindication of our disciplined, long-term approach to investing, where we aim to assess information objectively and dispassionately avoid being swayed by the news and sentiment of the day. Subsequent to 'Dieselgate', negative headlines called for the death of the internal combustion engine and platinum demand along with it. PGM prices dropped below marginal costs of production. At the same time, electric vehicle commodities such as lithium and cobalt were rallying strongly (up three times). Tesla's share price rose seven-fold in the last seven years and its market capitalisation is comparable to traditional automakers such as General Motors (GM) and Ford, despite the fact that the company has struggled to turn a profit and produces only 3% of the vehicles that GM produces. While we are long-term believers in battery electric vehicles, we expect the process to be evolutionary rather than revolutionary. In the medium term, we also expect PGM demand to surprise positively as a consequence of tightening emissions standards globally. In addition to this, material underinvestment in mine supply over the last decade means it will take many years before a sufficient

supply can respond to current market deficits. We therefore expect structural PGM market deficits to persist for at least the next decade.

After a challenging 2018, it was also particularly encouraging to see that a number of the fund's other high-conviction ideas contributed meaningfully to returns during the quarter. These included Naspers, British American Tobacco and Quilter.

Naspers (+19%) benefited from a strong recovery in the Tencent share price as sentiment towards China shifted positively on the back of a reduction in trade war fears and a resumption in the licensing approval process of online games by the Chinese authorities. Naspers also surprised the market in March by announcing the offshore listing and part unbundling of its offshore internet portfolio (i.e. Tencent, Mail.ru, OLX, Food Delivery, et al.) in an effort to reduce the discount at which it trades relative to its underlying intrinsic value. While this is certainly no 'silver bullet' that will immediately remove the entire discount, we nevertheless view it as a marginally positive step in the evolution of the group into a global consumer internet powerhouse and will allow it access to a wider investor base.

The British American Tobacco share price (+27%) recovered strongly during the quarter on the back of reporting good results which allayed market fears around US volume declines, its debt levels, and the outlook for its next-generation products. It also appears that investor fears about the regulatory headwinds faced by the US business are abating and sentiment is finally starting to turn positive on the stock. Even after this short-term price rally, British American Tobacco is still trading on only 9.5 times one-year forward earnings and a 7% dividend yield. We still believe this to be very attractive for a stock of this quality and it remains the second biggest position in the fund.

Quilter (+28%) performed very well over the period. Its maiden full-year results materially exceeded market expectations. Quilter provided medium-term guidance on their profit-before-tax-margin aspirations. At 34%, this too exceeded expectations. The long-term outlook for integrated wealth managers with advice forces at scale remains very attractive. This positive outlook is driven by a decline in advisers following the UK's adoption of the Retail Distribution Review, 'pension freedom' boosting demand for advice, and opening up the post-retirement market to wealth managers; as well as a shift away from defined benefit funds to defined contribution funds.

Stocks exposed to the domestic economy came under significant pressure during the quarter as the realities of operating in a 'no-growth' economic environment filtered through into corporate earnings. The quarter kicked off with a string of profit warnings from the domestic retailers, and the likes of Mr Price (-23%), Massmart (-22%), Truworths (-18.5%) and Dischem (-16%) all ended the period materially lower. Fortunately, the fund had no exposure to any of these stocks. Eskom remained in the headlines as it hit Stage 4 load shedding in the middle of March. Years of mismanagement, corruption and underinvestment are finally coming home to roost. Although, for now we appear to have received a temporary reprieve from the worst of load shedding, it has become clear that we are only starting to understand the true extent of the power utility's problems and that its numerous issues could indeed take years to rectify. Unfortunately, if persistent load shedding becomes the norm over the next few years, the impact on consumer sentiment, business confidence and GDP growth will be devastating. We therefore continue to remain cautious on stocks that are heavily exposed to the domestic economy and our preferred exposures are through high-quality domestic defensive businesses that should weather the challenging environment better than their weaker, economically sensitive peers.

Notwithstanding the uncertainties that abound, our objective remains on building diversified portfolios that can absorb unanticipated shocks. We are happy with the current portfolio positioning and are excited about future return prospects. 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 inflation-beating returns for our investors over the long term.

Portfolio managers

Karl Leinberger, Sarah-Jane Alexander and Adrian Zetler
 as at 31 March 2019

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 and top 10 holdings are 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; 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. The peer group average is calculated as the average return of all the funds in the respective ASISA category (excluding Coronation Funds in that category).

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 2018 (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

IMPORTANT INFORMATION REGARDING TERMS OF USE

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