CORONATION BALANCED PLUS FUND

Fund Information as at 30 November 2019

CORONATION
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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

CORONATION
TRUST IS EARNED™

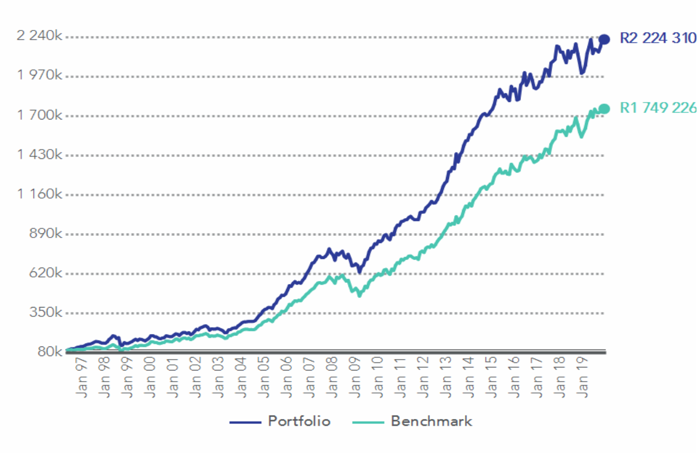
CLASS A as at 30 November 2019

Fund category	South African - Multi Asset - High Equity
Launch date	15 April 1996
Fund size	R86.66 billion
NAV	10499.66 cents
Benchmark/Performance Fee Hurdle	Composite (52.5% equity, 22.5% bonds, 20% international, 5% cash)
Portfolio manager/s	Karl Leinberger, Sarah-Jane Alexander and Adrian Zetler

	1 Year	3 Year
Total Expense Ratio	1.64%	1.61%
Fund management fee	1.25%	1.24%
Fund expenses	0.20%	0.19%
VAT	0.19%	0.18%
Transaction costs (inc. VAT)	0.13%	0.13%
Total Investment Charge	1.77%	1.74%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Peer Group Average
Since Launch (unannualised)	2124.3%	1649.2%	1385.4%
Since Launch (annualised)	14.1%	12.9%	12.1%
Latest 20 years (annualised)	13.4%	13.4%	12.8%
Latest 15 years (annualised)	12.8%	12.8%	11.2%
Latest 10 years (annualised)	10.5%	11.1%	8.9%
Latest 5 years (annualised)	5.1%	7.2%	4.9%
Latest 3 years (annualised)	5.6%	8.0%	5.0%
Latest 1 year	11.7%	12.4%	8.8%
Year to date	11.1%	10.1%	8.3%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	13.0%	12.0%
Sharpe Ratio	0.34	0.28
Maximum Gain	57.9%	29.3%
Maximum Drawdown	(34.3)%	(31.9)%
Positive Months	66.8%	64.7%

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

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Nov 2019
Domestic Assets	**73.2%**
Equities	**44.2%**
Basic Materials	8.5%
Industrials	0.9%
Consumer Goods	6.7%
Health Care	2.2%
Consumer Services	10.7%
Telecommunications	1.3%
Financials	7.8%
Technology	2.7%
Derivatives	3.4%
Unlisted	0.0%
Real Estate	**7.5%**
Bonds	**18.8%**
Commodities	**2.4%**
Cash	**1.7%**
Other (Currency Futures)	**(1.4)%**
International Assets	**26.8%**
Equities	**25.0%**
Real Estate	**0.5%**
Bonds	**0.5%**
Cash	**0.8%**

TOP 10 HOLDINGS

As at 30 Sep 2019	% of Fund
British American Tobacco Plc	4.5%
Egerton Capital Equity Fund	3.7%
Naspers Ltd	3.6%
Northam Platinum Ltd	2.8%
Contrarius Global Absolute Fund	2.8%
Fortress Income Fund Ltd A	2.8%
Maverick Capital	2.6%
Anglo American Plc	2.6%
Lansdowne Capital	2.3%
Prosus Nv	1.8%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2019	01 Oct 2019	160.10	56.66	103.44
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

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%	2.4%	(4.4)%	1.4%	(0.2)%	(0.7)%	1.6%	2.4%	(0.1)%		**11.1%**
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%**

Issue date: 2019/12/10

Please refer to page 4 of the Comprehensive Fact Sheet for important additional infomation, including change in cost disclosures.

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

The fund experienced a challenging quarter, delivering a return of 0.7% compared to its benchmark return of -1.0%, mainly due to weak domestic equity markets. The fund has performed well since inception and against its peer group over all meaningful time periods.

Against the backdrop of a slowing global economy, an escalating trade war and a revival of central bank stimulus measures, the MSCI All Country World Index ended the quarter flat in US dollar terms. Geopolitical risk in the Middle East, with escalating US-Iran tensions and a missile strike on a Saudi oil refinery - which is responsible for almost 5% of world oil supply - added to equity market volatility during the quarter. Emerging markets (EMs) continued their recent underperformance, declining 4.3% for the quarter (with returns now negative 2.0% over a rolling 12 months) relative to developed markets which were marginally positive for the quarter (+1.8% over a rolling 12 months). Notwithstanding this, the fund's exposure to EM equities performed exceptionally well on the back of some excellent stock picking and our overweight exposure has in fact contributed meaningfully to performance over the past year. We continue to maintain a relatively large exposure to global equities and believe that our EM equity exposure - in particular - still offers compelling value.

The FTSE World Government Bond Index appreciated by just under 1% in US dollars for the quarter. In September, the European Central Bank announced its biggest package of rate cuts and economic stimulus in three years as President Mario Draghi warned governments that they needed to act quickly to revive flagging eurozone growth. The stimulus included cutting interest rates further into negative territory, reviving its contentious €2.6 trillion programme of buying bonds for an unlimited period and easing lending terms for eurozone banks. Soon thereafter the US Federal Reserve Board also cut rates by a further 25 basis points (bps), although the accompanying commentary was more hawkish than the market was expecting. Negative interest rates have led to significant distortions in asset markets. Currently roughly $13 trillion of global debt trade at negative yields – meaning you are likely to lose money if you hold these instruments to maturity. Furthermore, in Denmark - where banks have been grappling with negative interest rates longer than in any other country – banks are now offering home mortgages at negative interest rates, i.e. the bank is effectively paying the borrower to take money off their hands, so they pay back less than they have been loaned. The extent to which central banks continue to distort debt markets is concerning and we remain cautious on the outlook for global bonds.

Recent economic data served to reinforce how dire the domestic underlying economic situation really is. This has flowed through to corporate earnings and we have been bombarded with company profit warnings over the past quarter. Investor and consumer sentiment continue to remain very weak and government urgently needs to deliver on much-needed structural reform in order to restore consumer and corporate confidence and kickstart the economy. During September, the South African Reserve Bank (SARB) held the policy rate unchanged at 6.5%, but the SARB's statement was more dovish than in July when it did cut rates. Although the SARB's view is that monetary policy is not the solution to South Africa's poor growth outlook, we believe that given the weak domestic economy, contained inflation and favourable global rate expectations, the SARB has room to further cut rates. Against this challenging economic backdrop, the rand weakened by almost 7% against the US dollar. The fund was well positioned for this move.

With local bond yields ticking up, the All Bond Index returned only 0.7% for the quarter. However, over the past year bonds have performed strongly (up 11.4% over the rolling 12 months). Given the attractive real yields, local bonds continue to offer reasonable value and our current bond weighting is the highest it has been for a number of years. The property stocks have been battered by the weak economy which is playing itself out through increasing vacancy levels, large rental reversions and reduced rental escalations. Much of the sector will struggle to show any distribution growth over the medium term. Our property holdings are concentrated in the A property shares, which we believe offer very attractive risk-adjusted returns and we have a small position in some of the higher-quality property stocks, whose earnings should prove to be more defensive than their peers.

Overall, the JSE experienced a disappointing quarter, with the JSE Capped Swix All Share Index declining 5.1% (and with it dragging down rolling 12-month period returns to -2.4%). The weakness was broad-based but the financial and resource sectors fared the worst – both down over 6% for the quarter. The industrial sector was down only 2.5% with the large rand-hedge stocks such as Naspers (flat), British American Tobacco (+14%), Anheuser-Busch InBev (+16%) and Bidcorp (+6%) holding up well. Notwithstanding the challenging market returns, our equity holdings performed well on a relative basis. We believe that our equity holdings are currently offering compelling value and have used the weakness during the quarter to add to our position. It should however be noted that our domestic equity holdings continue to be skewed towards the global stocks that happen to be listed on the JSE. Although many domestic-facing businesses are starting to screen as extremely cheap, given the deteriorating macro environment, there is a high probability that many of them turn out to be value traps.

On the resources front, our large exposure to the platinum-group metals (PGM) sector contributed meaningfully to fund performance during the quarter. Northam Platinum and Impala Platinum (Implats) were up 40% and 37% respectively. Deficits in PGMs have seen the three elements' (platinum, palladium and rhodium) basket price continue to rise. Despite their strong run, we still view the PGM stocks as very attractive. Northam Platinum and Implats currently trade on between six and eight times our assessment of normal earnings and still offer material upside to our fair values.

The Sasol share price has collapsed over the past 12 months (down 54%) as further cost overruns relating to the Lake Charles Chemicals Project (LCCP) emerged and management also had to announce a delay in the reporting of their full-year results in order to further investigate a breach of internal controls. Our underweight position in Sasol over this time has added to performance. We believe that the results delay is as a result of control weaknesses identified around the LCCP budgeting process and not centred around the financial statements themselves. Although further cost overruns are unlikely, our biggest remaining concern is that the budgeted profitability for LCCP disappoints on the back of ramp-up issues or pressure on commodity prices. Nevertheless, we expect the company to now shift to a phase of debt reduction and improved free cash flow generation. Sasol trades on four times 2021 earnings, which is calculated using what we feel are relatively conservative currency and oil price assumptions. This is very attractive for a business of its quality. We have used the share price weakness to increase our exposure but remain cognisant of the risks surrounding recent announcements and are managing the position size carefully.

The quarter was also characterised by corporate actions in several fund holdings. Some of those worth mentioning include:

- Prosus, the newly established corporate entity that will house Naspers' global internet portfolio, including its stake in Tencent and its interests in online classifieds, food delivery and online payments. During the quarter Naspers listed and part unbundled 26% of Prosus to its underlying shareholders. This listing is another positive step by management in their efforts to try and narrow the discount at which Naspers trades relative to its underlying intrinsic value. A foreign listing of Prosus will assist Naspers in pursuing its ambitions to become a leading global consumer internet business by giving it access to a wider pool of investors and capital. Furthermore, going forward, the two-tier corporate structure provides Naspers with more financial flexibility and the ability to more efficiently manage the discount to its underlying intrinsic value by using capital allocation tools such as share buybacks. In this corporate action, we elected to take the full allotment of Prosus shares given the value unlock opportunity that we expected.
- In July, global food and beverage conglomerate – PepsiCo – announced a takeover bid for Pioneer Foods, at a more than 50% premium to the Pioneer share price at the time. The subsequent repricing of our holdings in both Pioneer and Zeder (whose largest asset is its stake in Pioneer) contributed meaningfully to performance during the quarter. We used the rerating in Pioneer to sell out of our position and redeploy the proceeds into other more attractive investment opportunities.
- Trencor recently announced that it will be unbundling its Textainer stake to its shareholders in the coming months. Coronation has been actively pushing for this unbundling over the last few years and are extremely pleased that it is finally proceeding. The share price reacted positively - up 37% for the quarter – and this also contributed meaningfully to quarterly performance.

In this volatile and uncertain world, our objective remains to build diversified portfolios that can absorb unanticipated shocks. We will remain focused on valuation and will seek to take advantage of attractive opportunities that the market may present 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 30 September 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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