

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

Maximum growth/
minimum income exposures

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% (excl VAT) is payable.

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

WHO ARE THE FUND MANAGERS?



CHARLES DE KOCK
BCom (Hons), MCom
(Economics)



PALLAVI AMBEKAR
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

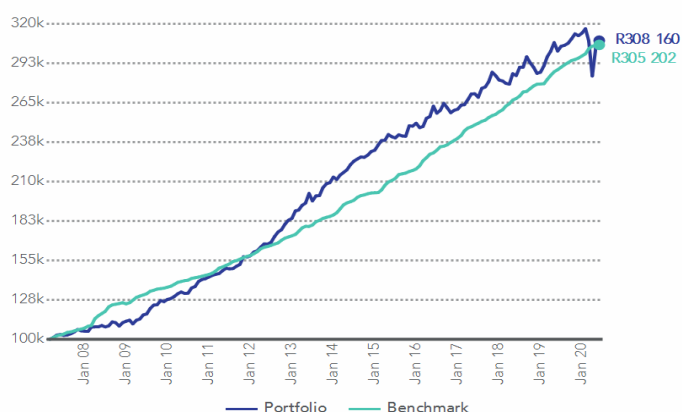
CLASS A as at 31 May 2020

Fund category	South African - Multi Asset - Low Equity
Launch date	01 February 2007
Fund size	R28.41 billion
NAV	183.06 cents
Benchmark/Performance	CPI + 3% p.a.
Fee Hurdle	
Portfolio manager/s	Charles de Kock and Pallavi Ambekar

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.55%	1.57%
Fund expenses	0.11%	0.11%
VAT	0.19%	0.19%
Transaction costs (inc. VAT)	0.05%	0.05%
Total Investment Charge	1.60%	1.62%

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)	208.2%	205.2%	155.7%
Since Launch (annualised)	8.9%	8.8%	7.3%
Latest 10 years (annualised)	8.8%	8.0%	7.6%
Latest 5 years (annualised)	5.0%	7.7%	4.7%
Latest 3 years (annualised)	4.4%	7.0%	4.4%
Latest 1 year	2.4%	6.0%	2.9%
Year to date	(1.7)%	2.6%	(1.1)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	5.2%	1.5%
Downside Deviation	4.7%	N/A
Sharpe Ratio	0.29	0.93
Maximum Gain	21.2%	26.9%
Maximum Drawdown	(10.4)%	(0.9)%
Positive Months	75.5%	92.5%
	Fund	Date Range
Highest annual return	21.2%	Jun 2012 - May 2013
Lowest annual return	(5.8)%	Apr 2019 - Mar 2020

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2020	1.0%	(2.7)%	(8.0)%	6.8%	1.8%								(1.7)%
Fund 2019	1.6%	2.1%	1.3%	2.0%	(1.9)%	1.1%	0.2%	0.5%	1.0%	1.1%	(0.4)%	0.6%	9.5%
Fund 2018	(0.2)%	(0.6)%	(0.2)%	2.6%	(0.4)%	2.0%	0.0%	2.5%	(1.4)%	(1.1)%	(1.5)%	0.3%	2.0%
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%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 May 2020
Domestic Assets	74.1%
■ Equities	21.7%
Basic Materials	3.7%
Industrials	0.1%
Consumer Goods	3.3%
Health Care	0.5%
Consumer Services	5.3%
Telecommunications	0.3%
Financials	3.4%
Technology	1.5%
Derivatives	3.6%
■ Preference Shares & Other Securities	0.0%
■ Real Estate	2.4%
■ Bonds	49.8%
■ Commodities	3.0%
■ Cash	(1.4)%
■ Other (Currency Futures)	(1.4)%
International Assets	25.9%
■ Equities	15.3%
■ Real Estate	0.2%
■ Bonds	2.7%
■ Commodities	0.3%
■ Cash	7.3%

TOP 10 HOLDINGS

As at 31 Mar 2020	% of Fund
Naspers Ltd	2.4%
British American Tobacco Plc	2.1%
Egerton Capital Equity Fund	2.0%
Maverick Capital	1.5%
Anglo American Plc	1.3%
Lansdowne Capital	1.1%
Prosus Nv	1.1%
Tremblant Capital	1.0%
Contrarius Global Equity Fund	0.9%
Cimi Global Opp Equity Strategy	0.9%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2020	01 Apr 2020	1.88	0.17	1.71
31 Dec 2019	02 Jan 2020	2.01	0.33	1.68
30 Sep 2019	01 Oct 2019	1.92	0.27	1.65
28 Jun 2019	01 Jul 2019	1.84	0.24	1.60

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

The world is in an unprecedented crisis. We now have mandatory lockdowns in many countries, global travel has been banned and social distancing has become the norm. These actions will no doubt lead to a deep global recession. The depth of the recession is likely to be severe, but we cannot know the duration. This uncertainty will weigh on investors' expectations of when a recovery might start. Investors have tried to find parallels with other global crises, such as wars and the 2008 Global Financial Crisis, but there is no easy comparison. We have never had such a long period of mandated economic inactivity.

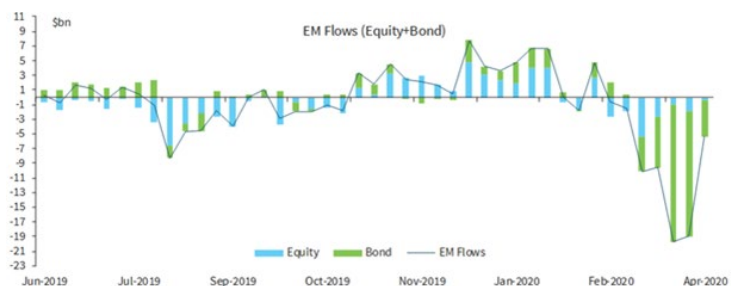
Policymakers, led by the US Federal Reserve and the European Central Bank, have responded with aggressive monetary stimulus, which has provided much-needed liquidity to panicked markets. Economies that can afford it have also introduced extraordinary fiscal measures. It is too early to say whether these measures will be successful or not, but the speed and co-ordination of global policy actions provide a small level of comfort.

Despite these measures, the economic implications of forced lockdowns are enormous. Do companies that are forced to close still pay rentals to landlords? Do they pay interest on loans to banks or rates and taxes to local authorities? Do they continue to pay employees, and for how long? The answers will be different depending on the country and the company, but it has created huge uncertainty in the minds of investors as to how to value banks and property companies, for example.

Against this backdrop, the Fund delivered a disappointing performance of -5.8% over the last year. We have not been able to protect capital, as most asset classes (except for cash) have delivered deeply negative returns. The swiftness and scale of asset price moves has been staggering - global stock markets are down 20-25%, emerging market currencies are down 10-13%, and global property is down 28-33%. Going into this crisis, the Fund was reasonably conservatively positioned. We were sitting at a 44% weighting in risk assets, which was well below our maximum weighting of 50%. We were also below our maximum 30% offshore exposure, with the Fund's weight at 22%. This was because we felt that:

- Global equity markets were expensive after a number of years of strong multiple re-rating. In February, we felt that the market was being too complacent about rising Covid-19 risks, so we bought some put options on the S&P 500.
- Global bond markets were yielding negligible to negative real returns.
- We were cautious on the earnings prospects of our domestic South African (SA) equity counters in a constrained growth environment. Within SA equity exposure, the bulk of our holdings sat in the global rand hedge shares such as Naspers/Prosus and British American Tobacco (BAT)/Reinet.
- We were concerned about the ability of SA property companies to defend and grow their distributable earnings. Consequently, we had a very small exposure to SA property, mainly focused on those counters with defensive balance sheets.
- Local fixed income bonds were offering us attractive real returns, with our carve-out yielding more than 9%. With long-term inflation expected to remain in the 4% to 5% range, this yield met our inflation plus 3% return hurdle. The lower risk asset and offshore weighting was made up with the allocation to domestic fixed income.

Unfortunately, this positioning was not nearly cautious enough and did not provide the capital protection or stability in returns we expected. Extreme global risk aversion led to a scramble for safe-haven assets and punished not only traditional risk assets but also led to wholesale outflows from emerging market bond funds (see graph below, courtesy of Barclays Capital). Foreign and local investors used relatively liquid SA fixed income assets as a source of funding. The volatility in the SA bond space can be demonstrated by the 10-year SA government bond yield swinging from a 9.5% yield at the beginning of March to a high of almost 13% on 24 March. Our fixed income selection, which includes inflation-linked bonds and floating credit, performed far better than the All Bond Index, but was still negative for the quarter.



Source: Barclays Capital Research

Within equities, our selection was also defensive. The Fund's two largest holdings, namely Naspers and BAT, held up well, as did the food retailers. However, the banks were very weak and detracted from the returns. Overall, the equity portion delivered -19.4% over the last year compared to the -24.5% of the Capped Shareholder Weighted Index benchmark.

How are we positioned now and what changes have we made?

1. We have increased our SA fixed income allocation. With the repricing in yields and by adding to our exposure, our fixed income allocation is now sitting at a yield close to 11%, which we think is extremely attractive when compared to a return from cash of c.4.25% by the end of this year. We also do not expect a material increase in inflation over the next year or two as the economy will be very weak. We acknowledge that domestic fundamentals have deteriorated with the Covid-19 crisis, but virtually every country in the world is facing a similar situation. Lower growth will contribute to an increased government debt burden and a widening fiscal deficit. We think SA bonds have more than priced in these risks. Spreads look attractive versus SA cash and real yields look compelling when compared to emerging market and developed market peers. We have a balanced mix of exposure across government and corporate nominal bonds and Inflation-Linked Bonds.
2. We have removed our S&P 500 put position as markets fell away. Other than these moves, there has been no increase in our global or local equity exposure yet. We will remain true to our investment style of adding to holdings when we see compelling long-term value. Once the contagion is brought under control, global equities could start to look past the short-term economic hit, especially with the support from large quantitative easing programmes, fiscal stimulus and low oil prices. Within local equities, equity selection will be critical. Many domestic companies will see their earnings bases severely re-set with the Covid-19-related restriction of economic activity and the slump in global trade. After struggling with a muted economy for many years, the ability to cut costs and capital expenditure even further is simply not there or will materially hamper their recovery prospects. After rebasing our internal fair values, as well as our earnings and dividend expectations for the Covid-19 shock, our current basket of SA equity holdings gives us an upside to fair value north of 60%. This is still very much skewed to the global rand hedge shares and, if valuations are compelling, we will recycle some of this into domestic companies.
3. Global bonds remain terribly unattractive and, while property stocks have suffered an enormous derating, we have not added in this uncertain climate yet. As mentioned earlier, the knock-on effects of enforced lockdowns on landlords are still unclear and one of the consequences is far lower or no dividends for a period of time.

The social distancing measures, if enforced, should lead to a slowing in Covid-19 infection rates over the next month or so. It is hoped that it will spread the burden on the healthcare system and give more time for a combination of herd immunity to build, medical treatment and finally a vaccine to be developed. At some point, a slow return to normality (although there are still likely to be some social distancing measures in place) will start. Markets are forward-looking and will anticipate a recovery. Investors should not wait for good news to be clear. By then, the markets will have already rallied. Many companies' share prices have reacted as though the current crisis is permanent and trade far below our assessment of fair value. There may well be more short-term pain, but trying to time the exact bottom is impossible.

In conclusion, the lack of capital protection from the Fund over the last year was deeply unsatisfactory, coming mainly from the adverse events over the last month. The fixed income component performance was especially disappointing. Our expectation from this point is for asset prices to normalise, which will allow the Fund to recover materially. It has been a volatile time in markets, but attractive valuations and yields cannot be ignored. We remain committed to only adding assets to our clients' portfolios that we believe offer a sufficient margin of safety and are adequately priced for the underlying risk.

Portfolio managers
Charles de Kock and Pallavi Ambekar
as at 31 March 2020

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 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 2019 (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

This document is for information purposes only and does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase any particular investment. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance upon the information.