CORONATION BALANCED PLUS FUND

Fund Information as at 31 May 2020

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™

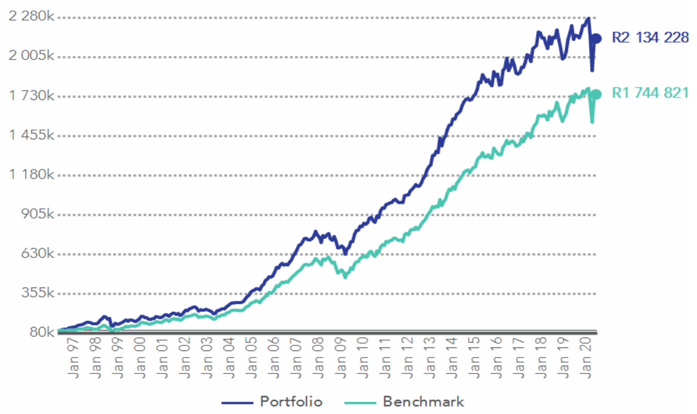
CLASS A as at 31 May 2020

Fund category	South African - Multi Asset - High Equity
Launch date	15 April 1996
Fund size	R79.00 billion
NAV	9900.45 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%	1.62%
Fund management fee	1.25%	1.25%
Fund expenses	0.20%	0.19%
VAT	0.19%	0.18%
Transaction costs (inc. VAT)	0.13%	0.14%
Total Investment Charge	1.77%	1.76%

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)	2034.2%	1644.8%	1393.5%
Since Launch (annualised)	13.6%	12.6%	11.8%
Latest 20 years (annualised)	13.3%	13.3%	12.5%
Latest 15 years (annualised)	11.6%	12.1%	10.0%
Latest 10 years (annualised)	9.5%	10.7%	8.1%
Latest 5 years (annualised)	2.8%	5.9%	2.9%
Latest 3 years (annualised)	1.9%	5.8%	2.0%
Latest 1 year	0.3%	3.2%	(0.5)%
Year to date	(5.5)%	(1.9)%	(4.7)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	13.3%	12.3%
Sharpe Ratio	0.30	0.25
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	31 May 2020
Domestic Assets	67.9%
Equities	36.0%
Basic Materials	6.7%
Industrials	0.6%
Consumer Goods	4.7%
Health Care	2.1%
Consumer Services	10.1%
Telecommunications	0.4%
Financials	6.6%
Technology	2.2%
Derivatives	2.7%
Unlisted	0.0%
Preference Shares & Other Securities	0.1%
Real Estate	3.3%
Bonds	20.4%
Commodities	4.1%
Cash	9.3%
Other (Currency Futures)	(5.3)%
International Assets	32.1%
Equities	29.0%
Real Estate	0.3%
Bonds	0.9%
Commodities	0.2%
Cash	1.8%

TOP 10 HOLDINGS

As at 31 Mar 2020	% of Fund
Naspers Ltd	6.5%
Egerton Capital Equity Fund	4.2%
British American Tobacco Plc	4.1%
Maverick Capital	3.0%
Anglo American Plc	2.5%
Lansdowne Capital	2.3%
Prosus Nv	2.3%
Quilter Plc	2.0%
Tremblant Capital	2.0%
Shoprite Holdings Ltd	1.9%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2020	01 Apr 2020	155.16	56.46	98.70
30 Sep 2019	01 Oct 2019	160.11	56.66	103.45
29 Mar 2019	01 Apr 2019	148.46	53.71	94.75
28 Sep 2018	01 Oct 2018	165.21	70.11	95.10

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2020	0.7%	(5.6)%	(11.0)%	10.1%	1.5%								(5.5)%
Fund 2019	2.2%	4.0%	2.0%	2.4%	(4.4)%	1.4%	(0.2)%	(0.7)%	1.6%	2.4%	(0.1)%	1.5%	12.8%
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)%

Issue date: 2020/06/09

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.

In a challenging environment where most asset classes experienced sharp declines, the Fund declined 15.4% for the first quarter of 2020 (Q1-20). The Fund has performed well against its peer group over longer periods.

Q1-20 provided investors with very few places to hide. Equity markets around the world experienced record declines during the quarter. Since January, the Covid-19 outbreak has overtaken our lives and transformed our world, presenting a medical, economic and human challenge that is unprecedented in our lifetime. The outbreak of this pandemic has impacted financial markets with a swiftness and ferocity normally only seen in a classic financial crisis. In a matter of weeks, global equity benchmarks fell from record highs into bear market territory. The level of volatility experienced during this market sell-off has also been unprecedented; from 19 February to 23 March, the US stock market saw the quickest meltdown in history, for a cumulative loss of 33.9% on the S&P 500. The following three trading days saw gains of 17.5%, marking the best three-day stretch since the 1930s.

With investors fleeing risk assets, the MSCI All Country World Index ended the quarter down 21.4% in US dollars, and the MSCI Emerging Markets Index was down 23.6% in US dollars. Developed market bond yields fell to record lows, with investors buying up debt as a safe haven amid fears of a Covid-19-induced recession. The FTSE World Government Bond Index appreciated by 2.0% in US dollars for the quarter. These record low yields come at a time of record levels of government indebtedness and significant monetary policy expansion by central banks around the world, which carries the risk of stoking inflation in years to come. At this point, we are very negative on the outlook for global bonds, given their unattractive risk-versus-return payoff profile.

Given the sharp sell-off and their more attractive valuation levels, we were more constructive on global equities during the quarter. While short-term news flow remains poor, once Covid-19 is behind us, corporates will be operating in an environment of unprecedented fiscal stimulus, record low interest rates and the tailwind of low energy prices. Combined with pent-up consumer demand when lockdown measures are over, we believe that corporate profitability could look very different in 12 months' time. During the quarter, we moved from an underweight to an overweight equity position as we closed out puts that protected us from the worst of the early declines before buying some equity exposure at lower levels.

The All Bond Index (ALBI) ended the quarter down 8.7%. We are cognisant of the risks around South Africa's (SA) worsening fiscal position but believe that SA government bonds remain a reasonably attractive investment opportunity, given their high yields and absence of near-term inflation pressures in the SA economy. The rand (-22% versus the US dollar) has been one of the worst-performing currencies this year as the global demand shock compounded SA's existing structural headwinds. Adding to the negative news, Moody's finally joined Fitch and S&P in downgrading SA debt to subinvestment grade, with all three ratings agencies also retaining us on a negative outlook.

Overall, the JSE experienced a very tough quarter, with the JSE Capped Shareholder Weighted Index declining 26.6%, thereby dragging five-year rolling returns for the overall market into negative territory. No asset class was left unscathed, but the economically-sensitive sectors, such as property (-47.6%) and banks (-42.7%) bore the brunt of the pain as they were sold off aggressively. Industrials (-8.5%) and resources (-25.2%) performed relatively better.

While we did not escape the brutal realities of a declining SA equity market, our large weighting in global equities, together with our bias to rand hedge stocks and low exposure to SA domestic stocks, meaningfully added to performance during the quarter. Furthermore, in an environment with such extreme price moves, individual stock selection proved critical. Our two highest conviction ideas in the Fund – Naspers/Prosus and British American Tobacco (BAT)– both came through strongly during the quarter.

Naspers (+11%) and Prosus (+17%) benefited from their exposure to Tencent, whose business proved incredibly resilient during the economic disruption caused by Covid-19. Demand for digital services, such as communication tools, social networking, mobile games, online video and food and grocery delivery, exploded during the lockdown period. Outside of China, we are very encouraged by Tencent's growing international gaming business, which now makes up 23% of its total gaming revenues. Tencent has stakes in four of the top game developers in the world (TiMi Studios, Quantum, Riot Games and Supercell) and currently have five of the top 10 daily active user games in the world in their portfolio. We believe Tencent is very well positioned to build a dominant global gaming franchise. However, the most exciting area within Tencent at present is undoubtedly digital payments and financial services. We think this business will contribute significantly to group profits over the next three to five years. Similarly, Tencent is rolling out other financial services products such as banking, wealth management and insurance. Given Tencent's distribution capabilities, together with their treasure trove of user data, we think they are very well positioned to build substantial and very profitable businesses. Outside of Tencent, Prosus is primarily investing in three key areas (online classifieds, food delivery, and payments/fintech), all of which are growing very rapidly. Prosus is currently trading at a c.35% discount to its underlying intrinsic net asset value, while Naspers in turn is trading at a c.25% discount to the market value of its Prosus stake. Encouragingly, Naspers announced a share buyback during the quarter after it raised cash from the sale of a small part of its Prosus stake. We believe steps such as this can create meaningful value for Naspers shareholders and help narrow the discount to intrinsic value over time. We continue to believe both Naspers and Prosus are being grossly mispriced by the market at current levels.

The BAT share price (+2%) held up well during the quarter. As expected, consumer demand for cigarettes has remained remarkably defensive during this unanticipated economic shock. BAT's steady growth algorithm of high single-digit revenue growth, driven by strong pricing power, continued cost savings and deleveraging, remains intact and is once again being appreciated by investors. BAT is still trading on only 7.5 times one-year forward earnings and an 8% 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.

Stocks exposed to the domestic economy came under significant pressure during the quarter, as the announcement of SA's lockdown was another body blow for businesses already struggling in a "no-growth" economic environment. Our preference for holding the high-quality defensive food retailers (Shoprite, Spar and Pick n Pay) together with Dis-Chem, versus the more economically-sensitive clothing retailers, was well rewarded. The food and drug retail sector was down only 13.3% for the quarter while the general retailer sector was down a whopping 43.9%. Our underweight position in the banks also contributed to performance during the quarter. Although there is no doubt that their earnings will come under pressure as they struggle to grow advances and their net interest margins will contract on the back of lower interest rates, their real pain will come in the form of higher credit losses as consumers and businesses buckle under the strain of being leveraged in a very weak economy. However, we have full confidence in the stability of our banking system and, given their conservative past lending practices together with their healthy capital adequacy levels, we believe the banks are well placed to handle the economic shock we are currently experiencing. Our preferred bank holding is FirstRand, which trades on 9 times our assessment of normal earnings.

One of the big buys for the Fund during the quarter was Anheuser-Busch Inbev. Its share price collapsed on the back of poor results which were then compounded by the impact of Covid-19 (i.e. reduced beer consumption and weaker emerging market currencies), coupled with concerns around its high debt levels, which we think are easily manageable. We bought our position at a price of less than 10 times our assessment of normal earnings. This is an incredible price for one of the world's best businesses, which is engaged in a stable and long-lived industry that has fantastic economics. Other buying for the quarter was focused on adding to our existing high-conviction ideas such as Quilter, Anglo American and Shoprite on share price weakness. As funding, we sold down our Pick n Pay position and exited our Richemont position during the quarter.

Notwithstanding the uncertainties that abound, we remain focused on building diversified portfolios for the long term. We will seek to take advantage of this extreme market volatility to invest in attractive opportunities that the market may present to us and, in so doing, generate inflation-beating returns for our investors over the long term. We are satisfied with the current portfolio positioning and, given compelling valuations, we are optimistic about future return prospects.

Portfolio managers
Karl Leinberger, Sarah-Jane Alexander and Adrian Zetler
as at 31 March 2020

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 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.