

## 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



### Maximum growth/ minimum income exposures



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](http://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

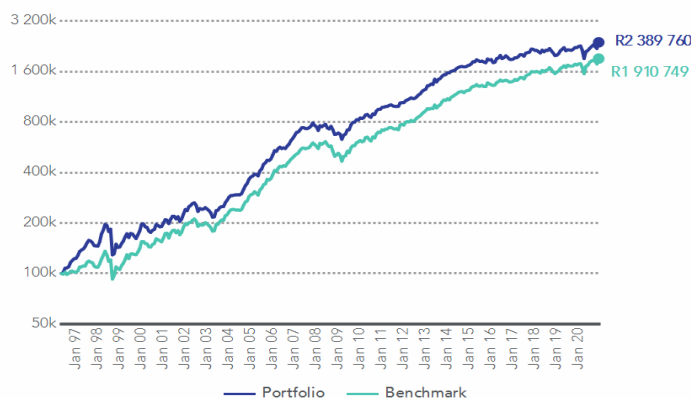
CLASS A as at 30 November 2020

<b>Fund category</b>	South African - Multi Asset - High Equity
<b>Launch date</b>	15 April 1996
<b>Fund size</b>	R83.59 billion
<b>NAV</b>	10988.41 cents
<b>Benchmark/Performance</b>	Composite (52.5% equity, 22.5% bonds, 20% international, 5% cash)
<b>Fee Hurdle</b>	
<b>Portfolio manager/s</b>	Karl Leinberger, Sarah-Jane Alexander and Adrian Zetler

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.67%	1.65%
Fund expenses	1.24%	1.25%
VAT	0.24%	0.21%
Transaction costs (inc. VAT)	0.19%	0.18%
Total Investment Charge	1.86%	1.79%

## 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)	2289.8%	1810.7%	1486.7%
Since Launch (annualised)	13.8%	12.8%	11.9%
Latest 20 years (annualised)	13.5%	13.4%	12.2%
Latest 15 years (annualised)	11.3%	11.6%	9.1%
Latest 10 years (annualised)	9.6%	10.7%	7.9%
Latest 5 years (annualised)	5.0%	7.2%	3.9%
Latest 3 years (annualised)	3.2%	6.2%	2.1%
Latest 1 year	7.4%	9.2%	3.7%
Year to date	5.8%	7.5%	2.6%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	13.3%	12.3%
Sharpe Ratio	0.33	0.27
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

## 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%	2.9%	2.6%	2.4%	(2.3)%	(2.7)%	8.9%		5.8%
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)%

## PORTFOLIO DETAIL

## EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Nov 2020
<b>Domestic Assets</b>	<b>67.6%</b>
■ Equities	44.2%
Oil & Gas	0.2%
Basic Materials	10.3%
Industrials	1.0%
Consumer Goods	3.9%
Health Care	1.2%
Consumer Services	12.4%
Telecommunications	0.1%
Financials	10.0%
Technology	0.7%
Derivatives	4.6%
Unlisted	0.0%
■ Real Estate	2.8%
■ Bonds	20.7%
■ Commodities	1.0%
■ Cash	(1.2)%
<b>International Assets</b>	<b>32.4%</b>
■ Equities	27.8%
■ Real Estate	0.3%
■ Bonds	0.8%
■ Commodities	0.2%
■ Cash	3.3%

## TOP 10 HOLDINGS

As at 30 Sep 2020	% of Fund
Naspers Ltd	5.7%
Egerton Capital Equity Fund	4.5%
Maverick Capital	3.3%
Anglo American Plc	3.0%
Tremblant Capital	2.4%
Contrarius Global Equity Fund	2.3%
FirstRand Limited	2.3%
Lansdowne Capital	2.3%
British American Tobacco Plc	2.2%
Fortress Income Fund Ltd A	1.9%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2020	01 Oct 2020	92.01	39.04	52.96
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

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

The Fund had a satisfactory quarter, with a return of 2.7%. The Fund has performed well against its peer group over all meaningful periods, which aligns to our long-term investment horizon.

Notwithstanding the lingering Covid-19 uncertainty and distressed macro conditions around the world, equity markets continued to grind higher on the back of the post Covid-19 anticipated economic recovery, aided by unprecedented fiscal stimulus and record low interest rates. During the quarter, the MSCI All Countries World Index (+8% in US dollars for the quarter) rallied to recover all of its losses for the year and US equity markets, in particular, were incredibly strong, with the S&P 500 (+8.9%) and Nasdaq (+12.6%) indices both reaching new all-time highs. Our large global equity weighting added to performance during the quarter. Although global equity markets have recovered strongly off their lows, we continue to believe that valuations look reasonable – especially relative to other asset classes.

The World Global Bond Index declined marginally (-0.6% in US dollars) during the quarter. Low yields, record levels of government indebtedness and continued monetary policy expansion by central banks around the world leave us very negative on the return prospects for global bonds. However, these factors are the exact reason we have owned a large gold position and the metal benefitted, rising almost 7% (in US dollars) during the quarter. Although we took some profits during the quarter, we believe that in a world of ongoing pressure for policymakers across the globe to print and spend, zero interest rates and heightened geopolitical risks, gold has a unique role to play in protecting the portfolio.

The ALBI (All Bond Index) ended the quarter up 1.5%. Although we are cognisant of the risks around South Africa's worsening fiscal position and the risk of a debt trap, we believe that SA government bonds remain a reasonably attractive investment opportunity given their high yields and the absence of near-term inflation pressures in the SA economy.

The rand remained volatile, but ended the quarter over 3% stronger against the US dollar on broad-based dollar weakness and improving local sentiment on the back of a relaxation in lockdown restrictions and some long-anticipated arrests by our law enforcement authorities. More arrests, and successful prosecutions, are crucial to restoring investor confidence in our governance structures and our economy.

The JSE Capped Swix All Share index appreciated 1% for the quarter, thereby pulling the rolling 12-month return back into positive territory. Positively, some good stock selection in the Fund added to these returns. The resources sector had another very strong quarter and was up 6%. Platinum stocks, in particular, were up strongly on the back of a rising PGM basket price and reporting good annual results. The industrial and the financial sectors (both down 2%) continued their recent underperformance, while the property sector had another challenging quarter and ended down 15%.

Given the compelling value on offer, we increased our domestic equity exposure during the quarter. While the portfolio remains skewed to rand hedge stocks which are attractive for stock-specific reasons, we have also been increasing our exposure to domestic-facing stocks, many of which we believe are very attractively priced.

One of the areas where we have been active in is the life insurance sector. The life companies have several appealing investment attributes:

- A 'sticky'/desirable product in retirement savings and life insurance. Covid-19 has heightened consumer awareness of the need for life cover;
- Extensive distribution networks, which are costly and time-consuming to replicate;
- c30-40% earnings exposure to equity markets, which we think offer good value;
- Large in-force books generate fees, despite lockdowns
- Diversified earnings streams (life insurance, short-term insurance, investments); and
- Strong regulatory capital positions.

Embedded value is a reasonable proxy for life insurance valuations. Life company share prices have derated meaningfully relative to embedded value over the last few years. Momentum Metropolitan has gone from a premium to embedded value back in 2015 to a 40% discount today. New management is impressive and has placed the business on a firmer footing, improving underlying operational

performance and exiting underperforming operations. This was well demonstrated in Metropolitan Life, which outperformed peers as adviser productivity and digital initiatives bore fruit. We don't think the market gives the company sufficient credit for the turnaround that is underway. Meaningful earnings pain has been taken in the form of Covid-19 provisions, which we believe will support earnings in future periods.

Sanlam is another recent addition to the fund. We have long admired the business for its strong growth profile, high calibre management team and high levels of accounting prudence. Historically, we haven't owned Sanlam, given a stretched valuation and the lack of a margin of safety. The recent selloff has allowed us to buy this quality compounder at an attractive valuation.

The Shoprite share price appreciated 30% during the quarter and contributed meaningfully to performance. After a difficult two-year period in which much work was done internally, it was particularly pleasing to see the company deliver an excellent set of full-year results in which it started regaining market share, expanded operating margins, delivered a very good cashflow performance and announced decisive action to deal with its underperforming African portfolio. Although we trimmed the position into strength, we remain positive on the prospects for this high-quality business and have maintained a sizable position in the fund.

We continue to maintain a large exposure to resources in our equity and balanced funds based on our assessment of their long-term value. Our preference for Anglo American over BHP Billiton – based on a more attractive commodity mix and valuation – continued to contribute to performance for the quarter. Our platinum exposure – mainly through Northam and Impala – also had a very strong quarter and contributed to performance. Given the positive outlook for medium-term PGM prices, above-normal free cash generation and very strong balance sheets, we expect cash returns to shareholders to increase materially going forward.

We have also been adding to our Glencore position on share price weakness. Glencore is a globally-diversified mining company. It produces copper, cobalt, nickel, coal and several other commodities. We like this commodity basket, which will benefit disproportionately from a shift to electric drivetrains. Glencore's assets are generally low cost and long life. The company's share price has been under pressure after various law enforcement agencies (including the US Department of Justice) announced that they were investigating the company's activities in the Democratic Republic of the Congo (DRC), Venezuela and Nigeria. We apply a material haircut to our fair value for the possibility of a fine and penalise the overall valuation multiple applied to the group to cater for governance risks. Despite this, we still find meaningful upside to our estimate of fair value in Glencore. Finally, we are encouraged by recent announcements from the company, all of which indicate that the company is steadily addressing our governance concerns.

Other material Fund activity for the quarter included the switching of our remaining Prosus holding into Naspers because we believe that the additional discount to intrinsic value is incredibly attractive. We also trimmed our Anheuser-Busch InBev position on share price strength and opportunistically added to our FirstRand position, along with some other domestic stocks.

In this uncertain world, our objective remains on building 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 to us. We are excited by the current portfolio and, given compelling valuations, we are excited about future return prospects.

**Portfolio managers**

Karl Leinberger, Sarah-Jane Alexander and Adrian Zetler  
as at 30 September 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](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. 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 2020 (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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