CORONATION BALANCED PLUS FUND

Fund Information as at 31 January 2021

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

Portfolio manager change: Please note that from 1 February 2021 Adrian Zetler is no longer a co-manager on the fund.

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™

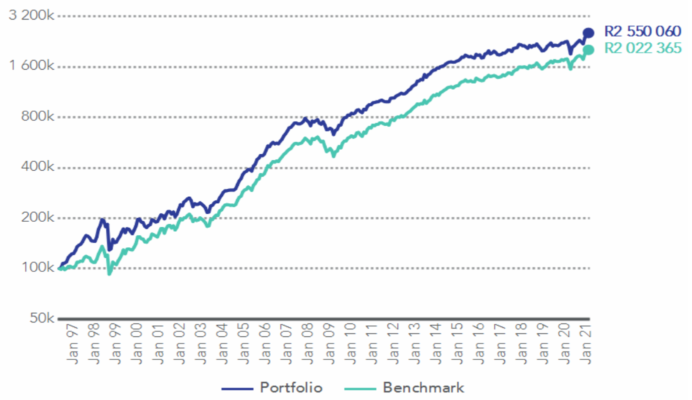
CLASS A as at 31 January 2021

Fund category	South African - Multi Asset - High Equity
Launch date	15 April 1996
Fund size	R88.55 billion
NAV	11725.49 cents
Benchmark/Performance Fee Hurdle	Composite (52.5% equity, 22.5% bonds, 20% international, 5% cash)
Portfolio manager/s	Karl Leinberger and Sarah-Jane Alexander

	1 Year	3 Year
Total Expense Ratio	1.67%	1.64%
Fund management fee	1.24%	1.24%
Fund expenses	0.24%	0.21%
VAT	0.19%	0.18%
Transaction costs (inc. VAT)	0.19%	0.16%
Total Investment Charge	1.86%	1.80%

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)	2450.1%	1922.4%	1571.8%
Since Launch (annualised)	14.0%	12.9%	12.0%
Latest 20 years (annualised)	13.3%	13.1%	11.9%
Latest 15 years (annualised)	10.9%	11.2%	8.6%
Latest 10 years (annualised)	10.0%	11.0%	8.2%
Latest 5 years (annualised)	7.1%	8.9%	5.5%
Latest 3 years (annualised)	6.0%	8.1%	4.4%
Latest 1 year	12.1%	13.2%	7.2%
Year to date	3.7%	2.9%	2.7%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	13.3%	12.3%
Sharpe Ratio	0.35	0.29
Maximum Gain	57.9%	29.3%
Maximum Drawdown	(34.3)%	(31.9)%
Positive Months	67.0%	65.0%

	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 Jan 2021
Domestic Assets	69.6%
Equities	43.2%
Basic Materials	11.7%
Industrials	0.9%
Consumer Goods	3.1%
Health Care	1.3%
Consumer Services	12.8%
Telecommunications	0.0%
Financials	9.4%
Technology	0.3%
Derivatives	3.3%
Unlisted	0.0%
Utilities	0.5%
Real Estate	2.7%
Bonds	19.0%
Commodities	3.0%
Cash	1.7%
International Assets	30.4%
Equities	26.0%
Real Estate	0.3%
Bonds	0.8%
Commodities	0.2%
Cash	3.2%

TOP 10 HOLDINGS

As at 31 Dec 2020	% of Fund
Naspers Ltd	6.7%
Anglo American Plc	4.6%
Egerton Capital Equity Fund	3.8%
FirstRand Limited	3.6%
Maverick Capital	3.3%
Contrarius Global Equity Fund	2.7%
British American Tobacco Plc	2.5%
Tremblant Capital	2.5%
Quilter Plc	2.4%
Lansdowne Capital	2.3%

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

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2021	3.7%												3.7%
Fund 2020	0.7%	(5.6)%	(11.0)%	10.1%	1.5%	2.9%	2.6%	2.4%	(2.3)%	(2.7)%	8.9%	2.9%	8.9%
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%

Issue date: 2021/02/09

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.

The Fund delivered a return of 8.9% for 2020, benefitting from both value-adding asset allocation decisions and strong alpha in the domestic equity building block. For the fourth quarter (Q4-20), the Fund returned 9.0%. The Fund has performed well against its peer group over all meaningful time periods.

The Covid-19 pandemic had a dramatic effect on markets during 2020 and resulted in high levels of uncertainty. Markets initially fell rapidly as the virus spread, with the S&P losing a third of its value during the first quarter of 2020, before recovering sharply through the rest of the year. Sentiment recovered strongly as the market benefitted from record amounts of stimulus and economic activity levels rebounded. The S&P returned 18.4% in US dollars (12.1% for the quarter) to end the year at a record high. Notwithstanding a second wave across most of the world, a fast-tracked vaccine roll-out is now in place across most developed nations. Anticipation of a return to more normal levels of economic activity in the second half of 2021 has further supported market sentiment.

The MSCI All Country World index returned 16.3% for 2020, also ending the year at a record high. European markets were weaker (+5.3% for the year, +15.6% for Q4-20), with the UK market (FTSE 100 -9.0% for the year, albeit +17.2% for Q4-20) again dominated by politics as the UK negotiated its exit from the single European market. Biden's victory in the US election should ease political tensions with trading partners. Gold (+25.1% in US dollars) had its strongest year in a decade, reflecting concern at the ongoing expansion of central bank balance sheets as countries print unprecedented amounts of money. The Fund benefitted from exposure to gold in the year.

Emerging markets (EMs) also performed strongly, up 18.7% for the year in US dollars and 19.8% in Q4-20. Asian markets outperformed as they were better able to control the spread of the virus and their economies recovered faster (China +29.7%, South Korea +41.8%, both in US dollars for the year). The portfolio benefitted from its exposure to EM equities with strong market returns and good stock picking.

The Barclays Global Aggregate Bond Index was up 9.2% in US dollars for the year and 3.3% for Q4-20. We remain cautious on global bonds, given the very low yields at which they currently trade, high (and rising) levels of government indebtedness and the risk of inflation. In South Africa (SA), the All Bond index returned 6.7% for the quarter, bringing annual performance to 8.7% (in rand). This compares favourably to other domestic asset classes.

Although Covid-19-related economic shutdowns and fiscal stimulus resulted in deteriorating fiscal metrics around the world, the SA situation was compounded by a weak balance sheet at the onset. The October Medium-Term Budget Policy Statement proposed a plan to cut levels of government expenditure by reducing the wage bill, but this will require union support and a willingness to endure sustained austerity. Without these cuts, SA's debt-to-GDP levels will continue deteriorating and debt restructuring will be required. This tenuous situation is reflected in bonds yielding well above cash returns. We see better value at the long end of the curve, where lower bond prices offer more protection. Despite the attractive yields, we continue to reassess the Fund's exposure to bonds given the risk.

The rand ended the year 5% weaker versus the US dollar, but this number belies the volatility seen during the year. At its weakest, the rand lost almost a third of its value relative to the US dollar before strengthening on globally recovering sentiment as well as supportive news out of SA. Third-quarter GDP exceeded expectations, with the rebound in export activity resulting in a sizeable trade surplus. However, weak import demand reflects poor investment confidence.

The JSE All Share Index returned 7.0% for the year and 9.8% for the quarter. This performance is inflated by the performance of a few mega caps. The market has been extremely narrow, with only 20% of stocks outperforming the ALSI over the last three and five years.

PERCENTAGE OF STOCKS OUTPERFORMING THE ALSI OVER A 3 & 5 YEAR PERIOD

The average domestic share has collapsed and trades at roughly half its peak. This is reflected in the performance of domestically-concentrated sectors with a decline in the financials and property indices for the year (Financials -19.7%, SA-listed Property -34.5%), even after a Q4-20 bounce (Financials 19.5%, Property 22.2%). The industrial sector performed better, returning 7.4% for Q4-20 to end the year up 12.0%. This was driven by a handful of large shares such as Naspers (+32%), Prosus (+52.6) and Richemont (+21.5%), which benefitted from exposure to more resilient sectors and offshore economies. Resources, with their significant exposure to a resurgent Chinese economy and tight commodity markets, did well (+21.2% for the year). The portfolio was well positioned for this environment with a high exposure to the rand hedge names as well as resources.

In our Fund, we meaningfully increased our exposure to SA equities after the sell-off, given the breadth and attractiveness of the value on offer. The rand hedge stocks remain attractive for a variety of stock-specific reasons. Major holdings include Naspers (+32%), British American Tobacco (-1.5%), Quilter (9.1%), Bidcorp (-19%), Textainer (104.9%) and Aspen (+5.2%). Despite slashing our expectations for domestic shares, their meaningful underperformance during the year means that many of these names now look undervalued, with investor concerns reflected in single-digit PEs. Over the last few quarters, we increased our weighting in the banks (predominantly FirstRand), life insurers (Momentum Metropolitan Holdings and Sanlam) and several others. Results from domestic businesses have exceeded our expectations thus far, with more top line resilience and better cost control than we had anticipated. We remain concerned about headwinds into 2021 as a weak macroeconomic environment persists and cost-cutting efforts result in another round of retrenchments, which will further erode consumer confidence and spending power. Banks have also exceeded our expectations as borrowers resume debt repayments and low interest rates improve affordability. Sizeable provisions offer near-term protection to bank earnings in a weaker economic environment. The Fund remains underweight domestic businesses. Despite the selloff in property shares, we have not built up the position, given concerns over the long-term outlook for rentals and weak balance sheets.

Notwithstanding the outperformance by the resource shares, they remain a meaningful part of equity exposure, given undemanding valuations and solid free cash flow (FCF). The diversified miners are benefitting from tight markets, given the resilience of Chinese demand and a limited supply response due to disciplined capital expenditure over the last few years. The Fund continues to hold a sizeable position in Anglo American, which, despite its performance (+25.9% for the year, +19.1% for Q4-20), still trades on an attractive PE rating at less than 10x one year forward. The Fund also holds a position in Glencore (+8.0% for the year, +33.3% for Q4-20) with its attractive commodity basket that should benefit meaningfully from decarbonisation. We see material upside even after applying environmental, social and governance penalties.

The platinum group metals holdings in the portfolio (Northam +69.5% for the year and +23.1% for Q4-20, Impala Platinum +47.7% for the year and +38.8% for Q4-20) performed very well. They are expected to deliver material returns to shareholders as earnings growth is underpinned by tight markets on the back of mounting emissions regulations and a decade of underinvestment by the sector. Strong balance sheets and bounteous FCF generation enable high levels of cash return.

With the strong movement in the gold price, our underweight position in the gold equities hurt performance, given the leveraged nature of earnings for their high-cost, short-life assets. We used the sell-off in Q4-20 to start buying AngloGold Ashanti.

Throughout the volatility experienced during 2020, we retained our commitment to investing for the long term. We have used the uncertainty created by the pandemic to build a robust portfolio of assets where we believe the market is mispricing the long-term fundamentals. We believe that this will continue to deliver compelling returns for clients in the coming years.

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

IMPORTANT INFORMATION REGARDING TERMS OF USE

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