

## 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?

From 1 April 2021, an annual fee of 1.15% (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](http://www.coronation.com)

## WHO ARE THE FUND MANAGERS?



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



**PALLAVI AMBEKAR**  
CA (SA), CFA

## GENERAL FUND INFORMATION

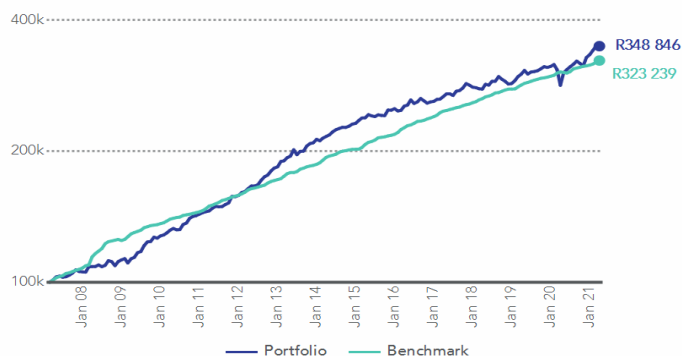
Launch Date	1 February 2007
Fund Class	A
Benchmark	CPI + 3% p.a.
Fund Category	South African – Multi Asset – Low Equity
Regulation 28	Complies
Income Distribution	Quarterly (March, June, September, December)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CBALDFA
ISIN Code	ZAE000090627
JSE Code	COBA

CLASS A as at 31 March 2021

Fund category	South African - Multi Asset - Low Equity
Launch date	01 February 2007
Fund size	R29.30 billion
NAV	201.43 cents
Benchmark/Performance	CPI + 3% p.a.
Fee Hurdle	
Portfolio manager/s	Charles de Kock and Pallavi Ambekar

## 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)	248.9%	223.2%	178.3%
Since Launch (annualised)	9.3%	8.7%	7.5%
Latest 10 years (annualised)	9.1%	8.0%	7.7%
Latest 5 years (annualised)	6.5%	7.4%	5.7%
Latest 3 years (annualised)	7.9%	7.0%	6.6%
Latest 1 year	23.1%	6.2%	17.2%
Year to date	4.6%	2.5%	3.5%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	5.2%	1.5%
Downside Deviation	4.5%	N/A
Sharpe Ratio	0.41	1.00
Maximum Gain	21.2%	26.9%
Maximum Drawdown	(10.4)%	(1.1)%
Positive Months	75.1%	92.3%
	Fund	Date Range
Highest annual return	23.1%	Apr 2020 - Mar 2021
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 2021	2.4%	2.2%	0.0%										4.6%
Fund 2020	1.0%	(2.7)%	(8.0)%	6.8%	1.8%	1.5%	1.3%	1.7%	(1.2)%	(1.3)%	4.5%	1.5%	6.4%
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%

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.57%	1.56%
Fund expenses	1.24%	1.25%
VAT	0.14%	0.13%
Transaction costs (inc. VAT)	0.19%	0.19%
Total Investment Charge	0.07%	0.06%
	1.64%	1.62%

## PORTFOLIO DETAIL

## EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2021
<b>Domestic Assets</b>	<b>72.7%</b>
■ <b>Equities</b>	<b>24.9%</b>
Basic Materials	6.0%
Industrials	0.1%
Consumer Goods	2.9%
Health Care	0.5%
Consumer Services	7.9%
Telecommunications	0.5%
Financials	5.1%
Technology	1.0%
Derivatives	(0.7)%
Consumer Staples	0.8%
Energy	0.7%
■ <b>Preference Shares &amp; Other Securities</b>	<b>0.0%</b>
■ <b>Real Estate</b>	<b>1.3%</b>
■ <b>Bonds</b>	<b>41.3%</b>
■ <b>Commodities</b>	<b>2.1%</b>
■ <b>Cash</b>	<b>3.1%</b>
<b>International Assets</b>	<b>27.3%</b>
■ <b>Equities</b>	<b>15.8%</b>
■ <b>Real Estate</b>	<b>0.1%</b>
■ <b>Bonds</b>	<b>6.8%</b>
■ <b>Commodities</b>	<b>0.3%</b>
■ <b>Cash</b>	<b>4.2%</b>

## TOP 10 HOLDINGS

As at 31 Mar 2021	% of Fund
Naspers Ltd	3.8%
Anglo American Plc	2.7%
Egerton Capital Equity Fund	2.5%
British American Tobacco Plc	1.9%
Lansdowne Capital	1.6%
Tremblant Capital	1.6%
Contrarius Global Equity Fund	1.5%
Select Equity Group	1.4%
FirstRand Limited	1.2%
Cimi Global Opp Equity Strategy	1.2%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2021	01 Apr 2021	1.22	0.20	1.02
31 Dec 2020	04 Jan 2021	1.86	0.67	1.19
30 Sep 2020	01 Oct 2020	1.80	0.37	1.44
30 Jun 2020	01 Jul 2020	1.68	0.28	1.40

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

The Fund has had a successful start to 2021, delivering a one-year return of 23% net of fees, far exceeding its benchmark return of inflation (CPI) + 3%. The strong showing over the last 12 months to end-March has lifted the Fund's medium-term performance, resulting in a return of 6.5% over the five-year period. While still slightly behind the benchmark return, this is a respectable return and comfortably ahead of CPI.

Risk assets have had a significant rebound, off a very low base this time last year, and have been the main contributor to the Fund's performance. We used the Covid-19 sell-off to judiciously step up our risk asset exposure within the Fund, starting with global and emerging market equities and followed by South African (SA) equities. For the quarter, both global and local equity asset classes delivered good alpha over and above robust underlying market performances.

In our local equity markets, we saw compelling long-term valuations across many counters even after incorporating severe near-term earnings cuts due to Covid-19 and a slow path to earnings normalisation. While this gave us the confidence to increase our SA equity exposure, we were very selective in the counters we bought. Our focus was on building positions in businesses that not only offered a large margin of safety but also had robust balance sheets and the ability to generate good cash flows. Given these criteria, we did not add to our domestic property exposure as we found better risk-adjusted return potential in equities.

Consider Quilter, one of the largest integrated wealth managers in the UK and a share we have been buying. The UK is an attractive wealth management market due to increasing regulatory compliance burdens on advisers and a growing defined contribution market. Quilter is well placed within this market, with an integrated value chain from a large, owned adviser force and a well-invested platform offering its own, as well as third-party asset management solutions. The business is shareholder-friendly and trades on 13 times our assessment of normal earnings.

There are still many uncertainties and risks as to how the world will emerge from this Covid-19 crisis. However, large amounts of stimulus, relatively low interest rates and lifting of lockdowns will all lead to a positive backdrop of increased economic activity. With this in mind, we still see attractive investment opportunities in equity markets, with our bottom-up valuations indicating healthy inflation-beating potential returns over the next three years. Given the strength of market performance, we have trimmed some equity exposure in the first quarter of this year but still maintain an allocation of 40% to local and global equities. There are tail risks to this expected economic recovery, and as the Fund also has a capital protection mandate, we have increased our protection on our equity exposure by buying local and global equity puts.

Our overall risk asset exposure is prudently balanced, with a 44% exposure to SA fixed income instruments. The Budget presented by National Treasury in February was broadly better than expected, with higher tax receipts and conservative expenditure allocation. Government still has a high and increasing debt burden, and a combination of growth initiatives and continued fiscal constraint will be necessary to keep this in check.

Many investors are sceptical that this can be delivered, and hence our far-dated domestic bond yields continue to trade at a premium to other emerging markets. We have exposure to these attractive yielding SA government bonds but are also managing risk by spreading exposure across corporate and inflation-linked bonds. Our fixed income carve-out delivered a small positive return for the quarter, outperforming the All Bond Index.

While the overall Fund returns over the past 12 months have been pleasing, we would not expect a repeat of this strong performance. The past year has demonstrated the value that can be added by employing active asset and instrument selection to take advantage of investment opportunities. We think our current asset selection can still deliver on the CPI + 3% mandate over the medium term, with a sensible mix of growth and income assets to meet both the return and capital protection mandate of the Fund.

**Portfolio managers**

**Charles de Kock and Pallavi Ambekar**

as at 31 March 2021

**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](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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