

## 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 is limited to 45%. 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 1.15% (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



**NEILL YOUNG**  
BBusSc (Hons Fin), CA  
(SA), CFA

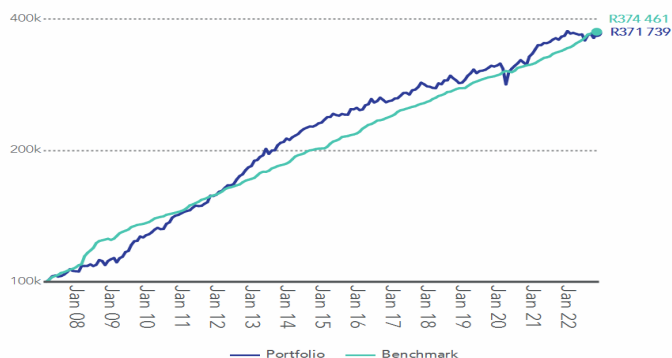
## GENERAL FUND INFORMATION

|                     |  |
|---------------------|--|
| Launch Date         | 1 February 2007                              |
| Fund Class          | A  |
| Benchmark           | CPI + 3% p.a.                                |
| ASISA 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 October 2022

|                            |  |
|----------------------------|--|
| <b>ASISA Fund Category</b> | South African - Multi Asset - Low Equity         |
| <b>Launch date</b>         | 01 February 2007                                 |
| <b>Fund size</b>           | R29.64 billion                                   |
| <b>NAV</b>                 | 200.96 cents                                     |
| <b>Benchmark</b>           | CPI + 3% p.a.                                    |
| <b>Portfolio manager/s</b> | Charles de Kock, Pallavi Ambekar and Neill Young |

|                              |        |        |
|------------------------------|--------|--------|
| Total Expense Ratio          | 1 Year | 3 Year |
| Fund management fee          | 1.52%  | 1.51%  |
| Fund expenses                | 0.14%  | 0.14%  |
| VAT                          | 0.18%  | 0.18%  |
| Transaction costs (inc. VAT) | 0.07%  | 0.07%  |
| Total Investment Charge      | 1.59%  | 1.58%  |

**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)  | 271.7% | 274.5%    | 208.3%             |
| Since Launch (annualised)    | 8.7%   | 8.8%      | 7.5%               |
| Latest 15 years (annualised) | 8.7%   | 8.6%      | 7.3%               |
| Latest 10 years (annualised) | 7.5%   | 8.2%      | 7.0%               |
| Latest 5 years (annualised)  | 5.4%   | 7.9%      | 5.3%               |
| Latest 3 years (annualised)  | 5.9%   | 8.3%      | 5.9%               |
| Latest 1 year                | 1.9%   | 10.7%     | 2.7%               |
| Year to date                 | (1.1)% | 9.0%      | (0.8)%             |

**RISK STATISTICS SINCE LAUNCH**

|                       | Fund    | Benchmark           |
|-----------------------|---------|---------------------|
| Annualised Deviation  | 5.2%    | 1.5%                |
| Downside Deviation    | 4.4%    | N/A                 |
| Sharpe Ratio          | 0.36    | 1.27                |
| Maximum Gain          | 21.2%   | 26.9%               |
| Maximum Drawdown      | (10.4)% | (1.1)%              |
| Positive Months       | 73.9%   | 93.1%               |
|                       | 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 2022 | (1.3)% | 0.4%   | (0.5)% | (0.5)% | 0.2%   | (3.2)% | 2.9% | 0.7% | (2.2)% | 2.6%   |        |      | (1.1)% |
| Fund 2021 | 2.4%   | 2.2%   | 0.0%   | 1.1%   | (0.1)% | 0.6%   | 1.3% | 0.8% | (0.8)% | 1.7%   | 0.4%   | 2.5% | 12.7%  |
| 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%   |

**PORTFOLIO DETAIL****EFFECTIVE ASSET ALLOCATION EXPOSURE**

| Sector                      | 31 Oct 2022   |
|-----------------------------|---------------|
| <b>Domestic Assets</b>      | <b>73.0%</b>  |
| ■ <b>Equities</b>           | <b>20.7%</b>  |
| Basic Materials             | 4.5%          |
| Industrials                 | 0.2%          |
| Consumer Goods              | 3.4%          |
| Health Care                 | 0.3%          |
| Consumer Services           | 3.3%          |
| Telecommunications          | 0.7%          |
| Financials                  | 5.7%          |
| Technology                  | 2.1%          |
| Derivatives                 | 0.4%          |
| ■ <b>Real Estate</b>        | <b>1.8%</b>   |
| ■ <b>Bonds</b>              | <b>47.0%</b>  |
| ■ <b>Commodities</b>        | <b>1.9%</b>   |
| ■ <b>Cash</b>               | <b>1.6%</b>   |
| <b>International Assets</b> | <b>27.0%</b>  |
| ■ <b>Equities</b>           | <b>18.9%</b>  |
| ■ <b>Real Estate</b>        | <b>0.1%</b>   |
| ■ <b>Bonds</b>              | <b>7.9%</b>   |
| ■ <b>Commodities</b>        | <b>0.2%</b>   |
| ■ <b>Cash</b>               | <b>(0.1)%</b> |

**TOP 10 HOLDINGS**

| As at 30 Sep 2022                 | % of Fund |
|-----------------------------------|-----------|
| British American Tobacco Plc      | 1.5%      |
| Prosus Nv                         | 1.5%      |
| Anglo American Plc                | 1.4%      |
| FirstRand Limited                 | 1.3%      |
| Compagnie Financiere Richemont Sa | 1.1%      |
| Glencore Xstrata Plc              | 1.0%      |
| Nedbank Ltd                       | 0.9%      |
| Standard Bank Of SA Ltd           | 0.9%      |
| Mtn Group Ltd                     | 0.7%      |
| Naspers Ltd                       | 0.7%      |

**INCOME DISTRIBUTIONS**

| Declaration | Payment     | Amount | Dividend | Interest |
|-------------|-------------|--------|----------|----------|
| 30 Sep 2022 | 03 Oct 2022 | 2.56   | 0.59     | 1.97     |
| 30 Jun 2022 | 01 Jul 2022 | 2.23   | 0.36     | 1.87     |
| 31 Mar 2022 | 01 Apr 2022 | 1.62   | 0.29     | 1.33     |
| 31 Dec 2021 | 03 Jan 2022 | 1.86   | 0.22     | 1.64     |

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

### Performance

The third quarter began with asset prices rallying off a depressed base as markets looked out towards a peak in both inflation and central bank tightening. However, the promising start could not be sustained, and the rally faltered as central banks raised policy rates more aggressively than expected to quash inflation that remains persistently high amidst unemployment levels that remain persistently low. Risk aversion returned once again, pushing bond yields to levels not seen since before the Global Financial Crisis and returning equity indices to levels below those experienced in June.

The quarter ended with the domestic Capped SWIX Index 2.4% lower, listed property down 4.1% and the All Bond Index marginally positive. Global markets fared worse than this with the MSCI All Country World Index 6.8% lower, the MSCI Emerging Markets Index down 11.6% and the World Government Bond Index down 7.6%. Ongoing dollar strength was a feature of the quarter, resulting in a rand that was 10% weaker against the USD, cushioning the impact of the declines in offshore markets. Taking into consideration the impact of the negative moves of the first half of the year, over the past 12 months no asset class has delivered returns in excess of South African inflation, which is itself elevated at 7.4% but below levels currently being experienced in most developed markets. As a consequence, the 0.9% return generated by the Fund was not sufficient to achieve its inflation + 3% target for the past year. However, the Fund has achieved its primary mandate of protecting capital over 12 months, and has delivered positive real returns over three, five and 10 years. Over the very long term and since inception the Fund has exceeded target returns.

### Fund positioning

The Fund's allocation to global assets continues to be the largest detractor from performance over the past year. Exposure to the Coronation Global Opportunities Equity Fund (15% of Fund, delivering -13.5% for the year) and the Coronation Global Emerging Markets Fund (2% of Fund, delivering -30.8% for the year) has contributed negatively to Fund performance, although rand weakness resulted in positive contributions from both funds for Q3-22. We retain exposure to the Coronation Global Capital Plus Fund (2% of Fund, delivering 7.7% for the year) and this, along with put protection (currently covering 20% of global equity exposure), has provided some offset to the negative returns.

Domestic assets have contributed positively to Fund performance over the past 12 months, with good equity and bond selection delivering returns ahead of their respective indices. Within domestic equities, holdings in British American Tobacco, Anglo American, RMI Holdings, Glencore and Exxaro were the largest contributors to returns, while holdings in Aspen, Quilter, Spar and Richemont detracted.

RMI has been one of the top performing shares on the SA market over the past year. Following the announcement in September 2021 of the unbundling of its stakes in Discovery and Momentum Metropolitan Holdings as well as the disposal of its stake in the UK property and casualty insurer Hastings, RMI has continued to perform strongly. Proceeds from the disposal have been applied to paying down debt and returning excess capital to shareholders. We consider the remaining business OUTsurance to be one of the more attractive growth businesses in our market as it expands beyond the domestic personal lines insurance core business into adjacent insurance markets and other territories. The company is run by a highly entrepreneurial and energised management team that is closely aligned with shareholders by virtue of their 10% shareholding in the business. The share currently trades at a small discount to the valuation disclosed by management in the latest NAV stack-up, which following the group restructure will likely not be disclosed again. We believe the market anchors off this number, which fundamentally undervalues the business. RMI represents 2% of the SA equity carve-out or 0.4% of Fund.

Within domestic fixed income, the biggest contribution came from holdings in inflation-linked bonds (ILBs), currently 16% of Fund. We continue to see real yields on offer from SA government bonds as attractive, in part due to the benefits of an improved fiscal position, following a period of high commodity prices. This notwithstanding the structural challenges faced by the domestic economy and an ongoing rise in global bond yields. Risk is managed by keeping the duration of the Fund's bond carve-out lower than that of the ALBI but at a real yield that remains compelling.

During the quarter we were net sellers of SA equity, and buyers of SA fixed income including ILBs. Allocation to domestic equity sits at 20% of Fund, down from 23% in June, and domestic bonds at 48% of Fund, up slightly from 45% in June. In addition, we have added exposure to global equities as they continue to sell off and we see the opportunity set as increasingly attractive. This included reducing some exposure to the Coronation Global Capital Plus Fund in favour of the Coronation Global Equity Select Fund. At the end of September, total offshore exposure was 28% of Fund, well below the maximum 45% allowed, but up from 26% in June. Although it is difficult to call currency moves with great conviction, we will take active views when we feel that these moves are extreme, using currency derivatives (the derivatives position will benefit from rand strength and detract if the rand weakens). Towards the middle of the quarter, we closed out a position as the rand strengthened towards R16 to the USD, but at end of the quarter, as the rand breached R18 to the USD, we once again hedged a portion of the currency exposure.

The global economy continues to face an unprecedented number of challenges simultaneously: an energy crisis, particularly in Europe; growing concern about Chinese policymaking and growth, including the impact of sporadic Covid lockdowns and a troubled property market, as well as its intentions towards Taiwan; the ongoing war in Ukraine, in which tensions appear to be escalating further as Russian President Vladimir Putin threatens the nuclear option; as well as significant global inflation and monetary policy tightening. To top this off, at the end of the quarter the debacle around a poorly thought through and unfunded fiscal stimulus package from the new leadership in the UK, forcing intervention by the Bank of England, has contributed to further nervousness in global markets. While this is currently a crisis specific to the UK, there is risk of contagion as fears emerge (rightly or wrongly) about something similar happening in other markets.

### Outlook

These numerous challenges are likely to remain with us in the near future, and recessionary pressures are increasingly evident, especially in Europe. However, towards the end of Q1-23 prices will start to lap a high base, reducing the upward pressure on inflation and providing space for an end to monetary policy tightening. Valuation remains our anchor in allocating capital and although there is clearly downside risk to future earnings expectations, we believe that much of the bad news is discounted in asset prices. After a challenging past 12 months, we see very attractive opportunities in the returns currently on offer in both domestic and global markets, with the notable exception of developed market government bonds. Domestic equities are trading on inexpensive multiples and high dividend yields, domestic bonds offer very attractive real yields, and while global equity indices are not necessarily cheap, pockets of global equities are very attractively priced following a relatively indiscriminate sell-off. While the near term is fraught with uncertainty, we continue to be of the view that the Fund remains well placed to achieve its CPI + 3% mandate in the medium term while protecting capital over rolling 12-month periods.

### Portfolio managers

**Charles de Kock, Pallavi Ambekar and Neill Young**  
as at 30 September 2022

**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 45% 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).

**BENCHMARK DETAILS**

The benchmark used for performance purposes is CPI + 3%.

**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 over the period referenced. 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 underlying 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 the previous financial year (updated annually). The 3 year TER is for a rolling 36-month period to the last available 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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