CORONATION BALANCED PLUS FUND

Fund Information as at 31 October 2022

CORONATION

TRUST IS EARNED™

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 is limited to 45% 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

GENERAL FUND INFORMATION

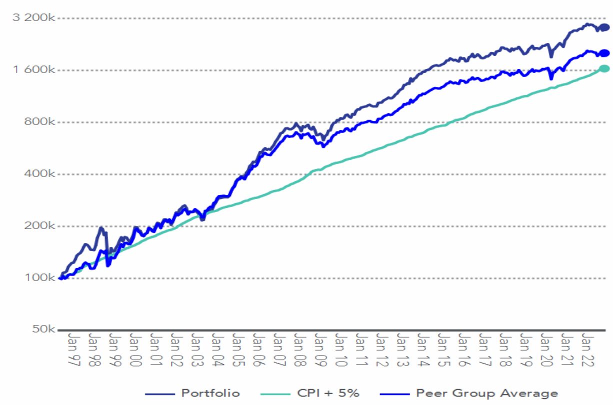
Launch Date	15 April 1996
Fund Class	A
ASISA Fund Category	South African – Multi-asset – High Equity
Benchmark	ASISA fund category average (excluding Coronation funds)
Regulation 28	Complies
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORBALN
ISIN Code	ZAE000019808
JSE Code	CORB

ASISA Fund Category	South African – Multi-asset – High Equity
Launch date	15 April 1996
Fund size	R96.89 billion
NAV	12355.45 cents
Benchmark	ASISA fund category average (excluding Coronation funds)
Portfolio manager/s	Karl Leinberger and Sarah-Jane Alexander

	1 Year	3 Year
Total Expense Ratio	1.63%	1.64%
Fund management fee	1.24%	1.24%
Fund expenses	0.20%	0.21%
VAT	0.19%	0.19%
Transaction costs (inc. VAT)	0.21%	0.20%
Total Investment Charge	1.84%	1.84%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	CPI +5%	Peer Group Average
Since Launch (unannualised)	2748.9%	1542.1%	1919.0%
Since Launch (annualised)	13.5%	11.1%	12.0%
Latest 20 years (annualised)	13.1%	10.5%	11.1%
Latest 15 years (annualised)	8.9%	10.6%	7.3%
Latest 10 years (annualised)	8.9%	10.2%	7.7%
Latest 5 years (annualised)	5.5%	9.9%	5.1%
Latest 3 years (annualised)	8.6%	10.3%	7.3%
Latest 1 year	(1.6)%	12.7%	1.3%
Year to date	(4.6)%	10.7%	(3.2)%

RISK STATISTICS SINCE LAUNCH

	Fund	Peer Group Average
Annualised Deviation	13.0%	10.3%
Sharpe Ratio	0.34	0.29
Maximum Gain	57.9%	29.5%
Maximum Drawdown	(34.3)%	(18.8)%
Positive Months	66.7%	65.4%

	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 Oct 2022
Domestic Assets	65.5%
Equities	40.1%
Basic Materials	9.3%
Industrials	1.0%
Consumer Goods	4.2%
Health Care	0.6%
Consumer Services	5.9%
Telecommunications	1.5%
Financials	10.9%
Technology	3.9%
Derivatives	2.8%
Unlisted	0.0%
Real Estate	2.8%
Bonds	16.0%
Commodities	0.0%
Cash	6.6%
International Assets	34.5%
Equities	34.6%
Preference Shares & Other Securities	0.0%
Real Estate	0.2%
Bonds	5.2%
Commodities	0.0%
Cash	(5.5)%

TOP 10 HOLDINGS

As at 30 Sep 2022	% of Fund
Prosus Nv	3.4%
Glencore Xstrata Plc	3.0%
Anglo American Plc	2.5%
Standard Bank Of SA Ltd	2.3%
FirstRand Limited	1.8%
Mtn Group Ltd	1.7%
Naspers Ltd	1.5%
Compagnie Financiere Richemont Sa	1.3%
Absa Bank Ltd	1.3%
Transaction Capital	1.2%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2022	03 Oct 2022	185.11	80.22	104.89
31 Mar 2022	01 Apr 2022	139.62	48.32	91.30
30 Sep 2021	01 Oct 2021	197.13	85.22	111.91
31 Mar 2021	01 Apr 2021	201.05	112.04	89.01

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2022	(1.9)%	0.9%	(0.3)%	(2.0)%	(0.7)%	(5.5)%	4.8%	0.1%	(4.3)%	4.5%			**(4.6)%**
Fund 2021	3.7%	4.1%	0.8%	1.7%	0.4%	(0.5)%	2.1%	0.9%	(0.6)%	4.0%	0.3%	2.9%	**21.5%**
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%**
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)%**

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

Performance

The Fund returned 1% for the quarter, resulting in a return of -2.0% over the last year. Its preference for local equities over global over the 12-month period has contributed to performance. The Fund has performed well against its peer group over all meaningful time periods.

Fund positioning

After a tough first half of the year, markets showed brief respite in the first weeks of the third quarter. However, the latter part of the quarter saw broad weakness across asset classes as worries that plagued markets during the first half of the year (high inflation, rising rates and slowing growth) resurfaced. The MSCI World Index declined -6% for the quarter (dragging year-to-date returns to -25%). The Fund started the year with very low exposure to global equities given valuation concerns. We have been adding steadily to the Fund's holdings in response to market weakness.

The commitment of central banks to contain inflation (even at the cost of rising unemployment and potential recession) surprised markets during the quarter. Higher inflation and bigger rate hikes weighed on bond yields, with the Bloomberg Barclays Global Aggregate Bond Index declining -7% in US dollars for the quarter (YTD -20%). Despite the significant sell-off in global bonds, we feel real yields remain insufficient to compensate for the risks of high inflation, slowing global growth and highly indebted sovereign balance sheets. The Fund continues to have no exposure to global sovereign bonds.

The ongoing Russian invasion of Ukraine has kept energy prices as well as geopolitical tensions high, with increasing polarisation between NATO and the rest of the world. US Speaker Nancy Pelosi's third-quarter visit to Taiwan created further unease given China's commitment to Taiwan "reunification". China continues to stick to its zero-Covid policy despite the economic cost. This weighed on the MSCI Emerging Markets Index which underperformed MSCI World Index with a -12% decline for the quarter (bringing YTD declines to -27%). The commodity basket experienced broad price declines given the ramifications of slower Chinese economic growth. Energy commodities were a notable exception and remain elevated. A recession in Europe looks increasingly likely against this backdrop. The United Kingdom, under its new prime minister, announced an aggressive fiscal response (including energy subsidies and tax cuts) to these challenges. A negative reaction to these unfunded tax cuts saw the pound weakening, the gilt market collapse and further weakness in UK equities.

South Africa's (SA) economy has benefited from a strong commodity cycle over the last few years, but a slowing China poses a meaningful headwind. Underinvested infrastructure and poorly run state entities continue to hamstring the economy. Transnet's incompetence is undermining export volumes, while record levels of loadshedding at Eskom inhibit growth and undermine confidence. Years of insufficient maintenance at Eskom mean the grid remains fragile and power supply constrained.

Despite the structural challenges facing SA, we believe South African assets are cheap, pricing in very modest expectations. SA corporates are resilient, accustomed to operating in a stagflationary environment. We are seeing this play out in recent earnings releases, which are generally in line with our expectations. This creates a sufficient margin of safety to make these attractive investments. SA bonds offer attractive yields (in both nominal and real terms) relative to emerging market peers and cash alternatives. The JSE All Bond Index delivered a return of 1% for the quarter (-1% YTD).

The FTSE/JSE Capped Swix Index declined -2% during the quarter (-7% YTD), performing ahead of the MSCI World Index in USD YTD (-18% for the Capped Swix vs -21% for the MSCI World). We believe SA equities are cheap, offering broad value across resources, global stocks listed on the JSE, and domestics.

The resource sector declined -1% in the third quarter, leaving the sector down -6% for the year. These numbers belie the divergence in performance we have seen. The scramble by European countries to replace Russian energy supply with alternatives has kept energy prices elevated. The spike in demand for ex-Russia product comes on the back of several years of limited investment in supply given decarbonisation targets. Near term, these targets have had to be compromised to secure Europe's energy needs for the winter, with heating restrictions already in place across several countries. For the year to date (YTD), the prices of oil (+13.1% YTD), gas (+116.6% YTD) and coal (+155.7% YTD) have all risen meaningfully.

Energy producers offer attractive free cash flows, given the tightness in near-term markets and are expected to return a significant portion of their market capitalisation in the form of dividends in the coming years. We have used the increased offshore capacity created by recent changes to Regulation 28 to diversify our energy holdings across a broader basket that includes cheaply priced global names. This will reduce company-specific risk while retaining exposure to a market we believe will remain tight.
The portfolio continues to hold large positions in diversified miners – Glencore and Anglo American. Both offer attractive free cash flow streams, even at more normal commodity prices. Despite looming threats of recession, we expect commodity markets to remain tight. A lack of investment in prior years will limit supply while a transition to a lower carbon future supports robust commodity demand.

The financials index returned -4% for the quarter (YTD -5%) as bank earnings delivered an ongoing recovery. Drivers of recent results included advances growth, contained credit losses, growing African operations and the endowment benefit from higher rates. The portfolio has reasonable exposure to the banks via FirstRand (+2% YTD), Standard Bank (+10% YTD), Nedbank (+22% YTD), and more recently Absa (+23% YTD). Absa has been reinvigorated post their separation from Barclays. The retail business has stabilised its market share and is writing new business at good returns. The recently appointed group CEO comes from the retail division, and we look forward to further gains as the group benefits from his leadership. Life insurers (-7% Q3-22/-16% YTD) have seen more challenging trading as the businesses face low growth and competitive pricing in risk while Covid-related mortalities have inflated claims. Weak markets are a further headwind. The Fund does not own the life insurers, preferring positions in the banks and other financials.

Industrials returned -1% for the quarter (YTD -17%), with major constituents, Naspers and Prosus down (-4%/-10% for the quarter and -8%/-27% YTD). Whilst headwinds in China continue, the open-ended buyback programme announced by Naspers and Prosus during the second quarter is well underway and should deliver considerable value. The portfolio continues to hold several global businesses listed in SA that we believe offer sizeable value. Examples include British American Tobacco, Bidcorp, and Richemont. Given increasing offshore capacity, these holdings have been supplemented with offshore names that offer comparable value. In luxury we have added Capri, which is trading on a high single-digit price earnings ratio whilst achieving strong brand traction and pricing power. In China tech we have added JD.com, a well-positioned ecommerce platform with strong logistics infrastructure.

Domestic stocks offer attractive stock picking opportunities, with low expectations and undemanding valuations. Many trade on very high dividend yields. The JSE has seen several buyouts by international bidders in the last few years, underlining the value on offer. During the current year, both Mediclinic and Massmart have received buy-out offers. Given the low valuations, buybacks are another effective way of creating value for shareholders. We have seen sizeable purchases of shares by management teams at Lewis and Motus (both held in the Fund).

Our emphasis within the portfolio has been on finding businesses that can prosper even in a low growth economy. Examples of these include RMI and Transaction Capital (TCP). RMI's core holding is OUTsurance, which offers strong growth prospects, particularly in Australia, and can pay out the bulk of its earnings while growing. With regards to TCP, we expect the WeBuyCars business to continue to gain market share given its convenient and trusted consumer offer. Management is working hard to build a new technology-led platform in the TCRS business to service global clients. We added to TCP during the quarter.

The portfolio has moderate property exposure, preferring to use its risk budget in equities and bonds. The property sector has lagged equities both YTD (-17%) and since pre-Covid (3-year compound annual growth rate of -9%). The medium-term outlook remains subdued as a weak economy and structural shift in demand from increasing digital engagement and work-from-home trends undermine rental tension.

Outlook

As always, our commitment to long-term investing and a disciplined valuation-based approach remains the bedrock of our investment process. While headwinds exist in both global markets and the domestic economy, we believe growth assets are well priced for the risks and offer attractive returns off these low starting prices.

Portfolio managers
Karl Leinberger and Sarah-Jane Alexander
as at 30 September 2022

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 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; 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 the South African – Multi-asset - High Equity ASISA fund category average (excluding Coronation funds).

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

IMPORTANT INFORMATION REGARDING TERMS OF USE