CORONATION BALANCED PLUS FUND

Fund Information as at 28 February 2023

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

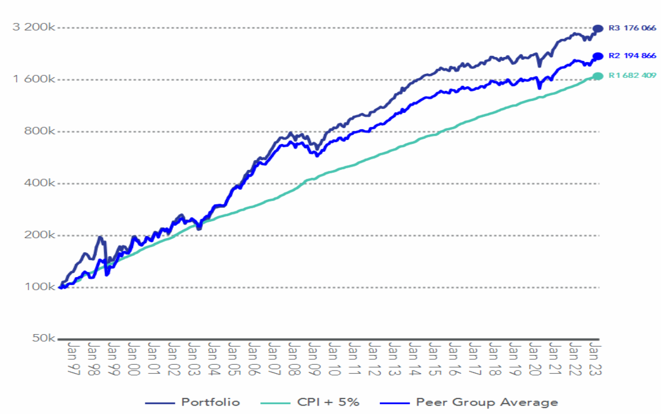
Launch Date	15 April 1996
Fund Class	A
ASISA Fund Category	South African – Multi-asset – High Equity
Benchmark	ASISA fund category average (excluding Coronation funds)
Regulation 28	Complies
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg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

ASISA Fund Category	South African – Multi-asset – High Equity
Launch date	15 April 1996
Fund size	R107.82 billion
NAV	13774.39 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	1.62%	1.64%
Fund management fee	1.24%	1.24%
Fund expenses	0.19%	0.21%
VAT	0.19%	0.19%
Transaction costs (inc. VAT)	0.19%	0.20%
Total Investment Charge	1.81%	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)	3076.1%	1582.4%	2094.9%
Since Launch (annualised)	13.8%	11.1%	12.2%
Latest 20 years (annualised)	14.0%	10.4%	11.8%
Latest 15 years (annualised)	10.0%	10.5%	8.1%
Latest 10 years (annualised)	9.2%	10.1%	8.0%
Latest 5 years (annualised)	8.6%	9.7%	7.5%
Latest 3 years (annualised)	13.9%	10.0%	11.6%
Latest 1 year	7.4%	11.6%	6.1%
Year to date	8.5%	1.0%	5.9%

RISK STATISTICS SINCE LAUNCH

	Fund	Peer Group Average
Annualised Deviation	13.1%	10.3%
Sharpe Ratio	0.36	0.31
Maximum Gain	57.9%	29.5%
Maximum Drawdown	(34.3)%	(18.8)%
Positive Months	66.8%	65.2%

	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	28 Feb 2023
Domestic Assets	55.1%
Equities	35.2%
Basic Materials	5.5%
Industrials	0.7%
Consumer Goods	4.6%
Health Care	0.4%
Consumer Services	5.0%
Telecommunications	1.3%
Financials	9.9%
Technology	4.3%
Derivatives	3.5%
Unlisted	0.0%
Real Estate	2.4%
Bonds	16.6%
Cash	0.9%
International Assets	44.9%
Equities	37.5%
Preference Shares & Other Securities	0.0%
Real Estate	0.2%
Bonds	4.9%
Cash	2.3%

TOP 10 HOLDINGS

As at 31 Dec 2022	% of Fund
Prosus Nv	3.4%
Standard Bank Of SA Ltd	3.3%
Anglo American Plc	3.1%
Anheuser-busch Inbev Sa/nv	1.7%
Naspers Ltd	1.6%
FirstRand Limited	1.5%
Compagnie Financiere Richemont Sa	1.5%
Glencore Xstrata Plc	1.4%
Mtn Group Ltd	1.3%
Absa Bank Ltd	1.3%

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 2023	8.4%	0.1%											**8.5%**
Fund 2022	(1.9)%	0.9%	(0.3)%	(2.0)%	(0.7)%	(5.5)%	4.8%	0.1%	(4.3)%	4.5%	4.3%	(1.5)%	**(2.0)%**
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%**

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

Performance

The Fund returned 7.4% for the quarter, resulting in a return of -2.0% over the last year. The Fund has taken advantage of falling global markets to build its holding in global equities at what we believe are attractive prices. The Fund has performed well against its peer group over all meaningful time periods.

Fund positioning

2022 was a year of broad weakness across asset classes. Markets retreated off their January highs in the face of high inflation, rising interest rates, and slowing growth. The MSCI All Country World Index (ACWI) ended the year -18% (after strengthening +10% in the fourth quarter [Q4-22]). Europe has been particularly hard hit by rocketing energy prices. A recession is widely forecast across Europe and for the US in 2023. The Fund started the year with very low exposure to global equities given valuation concerns. We have added steadily to the Fund's holdings in response to market weakness, with easing Regulation 28 restrictions enabling a larger allocation than previously. The Fund now has a healthy exposure to global equity where we believe the asset class presents significant stock picking opportunities.

Geopolitical tensions remained high throughout 2022. Almost a year after Russia's surprising invasion of Ukraine, the outcome remains uncertain. Escalation by a desperate Russia continues to be a risk. NATO and the European Union have emerged more united in the face of an increasingly polarised world order. China stuck doggedly to its zero-Covid policy for most of 2022, constraining mobility and economic growth. A sudden easing of Covid restrictions in the final weeks of 2022 should support economic growth in the year ahead, albeit raging infections in a population with limited immunity are a threat. The risks of investing in China remain heightened. President Xi Jinping tightened his control further in 2022: centralising power and decision making, enhancing state overview of everyday life, and increasing interference in the economy. However, notwithstanding the Q4-22 rebound (MSCI China +14% in USD), assets remain cheap (FY decline -22%). Many good businesses with strong growth prospects and healthy balance sheets trade on low multiples. Fund holdings include names like Naspers/Prosus and JD.com.

Bond yields rose rapidly through most of the year (Bloomberg Barclays Global Aggregate Bond Index [BBGAB] -16% for 2022). This was in response to high inflation and aggressive interest rate hiking cycles. Fourth quarter BBGAB Index performance was better (+5%), as inflation appeared to have peaked. Bond yields now sit closer to normal levels, but still offer inadequate compensation given highly indebted sovereign balance sheets. The UK's aggressive third quarter plan to cut taxes and increase energy subsidies showed how quickly the market can lose confidence in fiscal sustainability. The Fund continues to have no exposure to developed market sovereign bonds. Unlike the narrow credit spreads in South Africa (SA), global credit bonds offer more attractive pricing. We have been building up a basket of credit names trading on high single-digit and low double-digit yields.

Having rebounded off its Covid lows, the SA economy continues to struggle with low growth. Aging, underinvested infrastructure and poorly run state entities hamstring the economy. High levels of power outages render Eskom unable to increase planned maintenance sufficiently to bring down the high levels of loadshedding experienced during the second half of 2022. The resignations of Eskom's CEO and COO during Q4-22 add further uncertainty. The Phala Phala fiasco was a reminder of just how fragile the political situation is. The rand weakened on the back of this but then recovered on the more positive outcomes of December's ANC elective conference to end the year -6.4% versus the USD. President Cyril Ramaphosa's re-election, alongside several of his allies should enable ongoing, albeit slow, reform. We believe the attractive real yields at which SA bonds trade (relative to emerging market peers and cash alternatives) offer a sufficient margin of safety to merit their inclusion in the portfolio. The JSE All Bond Index delivered a return of +4% for the year (+6% for the quarter).

In US dollar terms, the FTSE/JSE Capped Shareholder Weighted Index (SWIX) outperformed the global benchmark to end the year -4% versus -18% for the MSCI ACWI. When measured in local currency terms, the Capped SWIX returns were up +4% for the year and +12% for the quarter. We believe SA equities are cheap and continue to deserve a place in our portfolios alongside global equities. They offer broad value across resources, global stocks listed on the JSE, and domestics.

The resource sector rose 9% for the year, helped by a strong Q4-22 (+16%). Energy prices spiked earlier in 2022 in the face of Russia's invasion of Ukraine, with a broader surge in commodities in Q4-22 as markets anticipated strong demand into 2023 on the back of China's reopening. We expect energy markets to be tight over the medium term as demand remains robust during the transition to lower carbon energy sources and due to the lack of investment in new capacity over the last few years constraining supply. We have diversified our energy holdings across a broader basket of local (Sasol and Exxaro) and global names to reduce company-specific risk. All are expected to benefit from elevated cash flows that will support high levels of dividends and buybacks. Despite slowing global growth into 2023, we expect broader commodity prices to remain resilient as constrained capital expenditure from major diversified miners since 2015 keeps markets tight. We hold positions in diversified miners such as Glencore and Anglo American. Both offer attractive free cash flow streams, even at more normal commodity prices. The Fund started the year with a sizeable holding in gold equities which was sold down in Q1-22 as gold stocks outperformed. The Fund is underweight both gold and PGMs today, preferring diversified miners and the energy plays.

The Financials Index returned +7% for 2022 and +13% for Q4-22. The banks (+18% for the year, +15% for the quarter) continued their strong earnings recovery and are all expected to have surpassed their pre-Covid earnings during 2022. While costs and credit losses are normalising off low bases, good revenue growth (advances and rising rates) enabled the banks to deliver healthy profit growth. The portfolio has reasonable exposure to the banks via FirstRand, Standard Bank, and more recently Absa. Absa has shown strong growth off its pre-Covid earnings base, driven by market share gains and good operating leverage. While the share price has risen, multiples remain low in absolute terms and versus the other banks. With board and management succession issues resolved, and the Barclays separation complete, we expect Absa to continue delivering against its long-term targets. Life insurers underperformed their bank counterparts (-13% for 2022, +4% for Q4-22) as they faced Covid-inflated mortality claims, weak equity markets, low growth, and competitive pricing in risk insurance. The Fund does not own the life insurers, preferring positions in the banks and other financials. OUTsurance (+9%), Transaction Capital (+9%) and PSG Konsult (+14%) are sizeable holdings in the portfolio. All are expected to continue growing robustly.

The Industrials Index returned -4% for the year but was up strongly in Q4-22 (+16%) as major constituents Naspers and Prosus delivered a whopping +25% and +24% respectively in the final quarter of 2022.

China stocks have experienced a volatile year – declining as political risk was perceived to be increasing and then rebounding as the economic outlook improved due to the easing of Covid restrictions. The large Tencent holding in Naspers/Prosus was similarly impacted. In addition, Naspers/Prosus have created value at the holding company level through an accretive buyback programme. The discount narrowed by a third in recognition of both the value this transaction creates and the positive message it sends about management's commitment to narrow the discount through optimal capital allocation.

Domestic stocks continue to offer attractive stock picking opportunities. Many trade on high dividend yields too. The JSE has seen several buyouts by international bidders in the last few years, underpinning the value on offer. 2022 was no exception, with Mediclinic and Massmart receiving buy-out offers. Our emphasis within the portfolio has been on finding businesses that can prosper even in a low-growth economy. Managers in these businesses are investing behind their expanding franchises, taking market share, and strengthening their moats. Examples include ADvTECH, Dis-Chem and Motus.

The portfolio continues to hold several global businesses listed in SA, all of which are attractive versus global peers. Examples include Richemont, British American Tobacco, Bidcorp, and an increased holding in Anheuser-Busch InBev (ANH) built up in Q4-22. Near-term inflationary pressures have weighed on ANH's share price, but its long-term prospects remain solid. ANH has leading market positions, strong brands, scale benefits, healthy margins, and strong free cash flow conversion.

Outlook

Having entered 2022 with limited exposure to global assets, we used the sell-off to increase our global holdings. A diversified portfolio of global equity, supplemented with some global credit should provide attractive risk-return benefits. While headwinds exist in both global and domestic markets, 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 31 December 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

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