

## 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

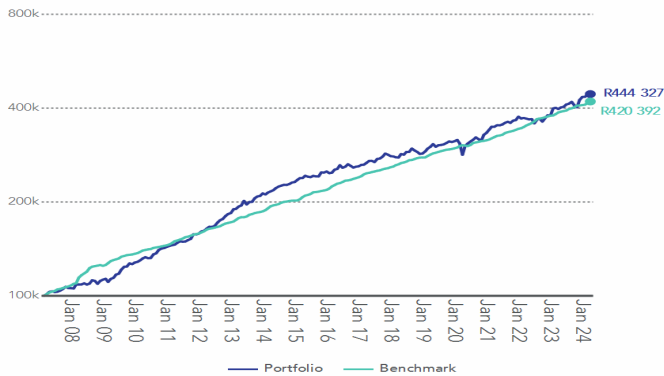
CLASS A as at 31 March 2024

ASISA Fund Category	South African - Multi Asset - Low Equity
Launch date	01 February 2007
Fund size	R31.04 billion
NAV	227.80 cents
Benchmark	CPI + 3% p.a.
Portfolio manager/s	Charles de Kock, Pallavi Ambekar and Neill Young

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.50%	1.48%
Fund expenses	1.14%	1.15%
VAT	0.19%	0.16%
Transaction costs (inc. VAT)	0.17%	0.17%
Total Investment Charge	0.08%	0.07%
	1.57%	1.55%

## 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)	344.3%	320.4%	254.4%
Since Launch (annualised)	9.1%	8.8%	7.7%
Latest 15 years (annualised)	9.5%	8.2%	8.2%
Latest 10 years (annualised)	7.5%	8.1%	6.9%
Latest 5 years (annualised)	8.1%	8.2%	7.2%
Latest 3 years (annualised)	8.4%	9.2%	7.8%
Latest 1 year	11.7%	8.4%	8.6%
Year to date	2.2%	2.7%	1.3%

## RISK STATISTICS SINCE LAUNCH

	Fund	Peer Group Average
Annualised Deviation	5.4%	4.4%
Downside Deviation	4.3%	3.5%
Sharpe Ratio	0.40	0.16
Maximum Gain	21.2%	20.9%
Maximum Drawdown	(10.4)%	(8.1)%
Positive Months	74.1%	74.6%
	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 2024	0.1%	1.6%	0.5%										2.2%
Fund 2023	5.5%	0.4%	(0.9)%	1.2%	0.4%	1.8%	0.6%	1.3%	(2.5)%	(1.4)%	5.7%	2.1%	14.9%
Fund 2022	(1.3)%	0.4%	(0.5)%	(0.5)%	0.2%	(3.2)%	2.9%	0.7%	(2.2)%	2.6%	2.1%	(0.3)%	0.8%
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 Mar 2024
<b>Domestic Assets</b>	<b>62.5%</b>
■ Equities	14.0%
Basic Materials	1.6%
Industrials	0.0%
Consumer Goods	1.2%
Health Care	0.2%
Consumer Services	3.4%
Telecommunications	0.5%
Financials	3.8%
Technology	2.1%
Derivatives	1.2%
■ Real Estate	1.1%
■ Bonds	37.5%
■ Commodities	2.3%
■ Cash	9.0%
■ Other (Currency Futures)	(1.3)%
<b>International Assets</b>	<b>37.5%</b>
■ Equities	25.8%
■ Preference Shares & Other Securities	0.0%
■ Real Estate	0.1%
■ Bonds	13.4%
■ Cash	(1.8)%

## TOP 10 HOLDINGS

As at 31 Mar 2024	% of Fund
Prosus Nv	1.9%
Cie Financiere Richemont Ag	1.2%
FirstRand Limited	1.0%
British American Tobacco Plc	0.8%
Standard Bank Of SA Ltd	0.6%
Dis-chem Pharmacies Ltd	0.6%
Mtn Group Ltd	0.5%
Nedbank Ltd	0.5%
Psg Group	0.4%
Anheuser-busch Inbev Sa/nv	0.4%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
28 Mar 2024	02 Apr 2024	1.98	0.24	1.74
29 Dec 2023	02 Jan 2024	2.14	0.17	1.97
29 Sep 2023	02 Oct 2023	2.58	0.41	2.17
30 Jun 2023	03 Jul 2023	2.43	0.34	2.09

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

## Performance

Global equity markets posted a strong start to the year, with the MSCI ACWI returning 8% in Q1-24. The performance was broad-based across developed markets, with the S&P 500 Index up 11%, the Dow Jones Euro Stoxx 50 up 10% and Japan's Nikkei 225 rising 21%, finally surpassing its previous high (in 1989!).

Much of this performance has been driven by the growing conviction that the US economy will achieve a soft landing despite an extremely sharp 525 basis points rise in the fed funds rate over 18 months. Economic growth remains strong, unemployment is remarkably low, and inflation has moderated from a peak in the high single digits in 2022 to the low three percents, albeit above the US Federal Reserve's 2% target. While expectations for the extent and timing of rate cuts have moderated, absent any unforeseen shocks, it seems clear that the next move in rates is down.

Emerging markets fared less well, returning 2% for the quarter. Much of the attention is focused on weak economic growth in China, which has disappointed since its reopening after Covid lockdowns due to high debt levels and a distressed property market. Global bond markets returned -2% for the quarter, lagging equities as yields rose from their recent lows at the end of December 2023.

South Africa faces ongoing challenges as the key enablers of a functioning economy continue to falter – power, ports and logistics and, increasingly, water infrastructure. This backdrop was reflected in local market returns: the FTSE/JSE Capped SWIX Index was down -2% for the quarter (with domestic-facing sectors such as banks and retailers declining by more), and the FTSE/JSE All Bond Index -2%, despite high attractive real yields on offer. The rand lost 2% against the US dollar over the quarter.

The Fund returned 2.2% for the quarter and 11.7% over the past 12 months, comfortably ahead of the CPI + 3% target. Positive real returns have been generated over all meaningful longer-term periods, and returns are in excess of the Fund's return target over 15 years and since inception.

## Portfolio actions and fund positioning

The Fund continues to benefit from a high weighting in global assets, particularly global equities. At the quarter end, gross exposure to global assets was sitting slightly above 40%. We consider a weighting in global assets that is close to the permissible maximum a prudent allocation of investor capital. This is simply because of the much greater choice on offer in global markets, allowing diversification away from the idiosyncratic risks of exposure to the SA economy. However, we are cognisant of the potential volatility introduced by currency movements to rand investors, so a portion of this exposure (currently c.3%) is locked by making use of currency futures. While we continue to see attractive stock picking opportunities in the global universe, we are mindful of the strong performance of these markets over the past six months in particular and retain 30% put protection over this portion of the portfolio. In addition to global equity exposure, we continue to hold a global fixed income position consisting of a basket of high-quality global credits as well as both long- and short-dated US Treasuries offering what we consider to be attractive yields.

Exposure to domestic assets detracted slightly from returns for the quarter, although good instrument selection resulted in both SA equities and bonds outperforming their respective benchmark indices. Over the past 12 months, the contribution from domestic assets has been far more meaningful. Real yields on SA government bonds continue to look attractive, but as always, we remain aware of the fiscal challenges faced by the National Treasury and the longer-term risks to debt sustainability. For this reason, we continue to limit the duration of the domestic fixed income portion of the portfolio and include meaningful exposure to both corporate credit and inflation-linked bonds, which should provide some protection in a low-road/high-inflation scenario.

During the quarter, we made no significant changes to asset allocation. However, exposure to global assets (both equities and fixed income) increased in large part due to relative price and currency moves.

## Outlook

While the anticipated declining rate cycle in developed markets should be supportive of asset prices, we are mindful of the strong run in equity markets over the past six months and the high valuations implied in headline index levels. Geopolitical tensions remain high in both Ukraine and the Middle East – perhaps reflected in gold trading at an all-time high of around \$2 300/oz (at the time of writing). Domestically, the national elections in May are likely to attract much attention. Polls suggest that the ANC will likely drop below a 50% majority and will need to enter a coalition to remain in power. The extent of the shortfall will determine their likely partner. A significant shortfall will require a coalition with a larger party, and the options here will probably produce very divergent market reactions. We are not in a position to predict the outcome any more accurately than the polls. But regardless of any favourable policy changes that may result, it will take many years to correct the structural problems that beset the SA economy.

We aim to construct a portfolio that is resilient under a variety of scenarios rather than any single outcome or event, mindful of the need to protect capital and to generate positive real returns ahead of the target. We retain a high exposure to global assets in the Fund, and within the SA equity allocation a significant exposure to global businesses that happen to be listed in South Africa. Risk assets currently sit at 43% of the Fund, balanced with exposure to fixed income assets and cash offering attractive real yields.

Our bottom-up assessment of expected returns by asset class gives us confidence in being able to deliver targeted returns over the medium and long term.

## Portfolio managers

**Pallavi Ambekar, Charles de Kock and Neill Young**  
 as at 31 March 2024

**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) Ltd (FSP 548), 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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