

2025

INVESTING FOR INCOME AND GROWTH



COROLAB

Your guide to investment ideas

CORONATION

TRUST IS EARNED™

A photograph of three business professionals in a meeting. A man in a dark suit and white shirt stands in the background, looking towards the right. In the foreground, a woman with blonde hair is seated at a desk, smiling and looking towards the right. To her left, another woman is seated, looking towards the man standing. They are in a modern office with large windows in the background showing a hilly landscape.

The Coronation client charter

- + We strive to always put clients first
- + We have an unwavering commitment to the long term
- + We focus on producing top performance over all meaningful periods
- + We are uncompromising about ethics



Overview

As you move into or approach retirement, your investment needs change. You're no longer just growing a pot; you're paying yourself a reliable income, most often from a living annuity. That shift brings a new mandate for your portfolio: still deliver inflation-beating growth over decades but also cushion the ride so withdrawals can continue through tough markets.

In short, the mix that worked pre-retirement (maximise growth) isn't the same mix you need now (growth and reduced volatility, with liquidity for income).

This edition breaks down how your needs change, the new risks that come with drawing an income in retirement, and the Coronation portfolios built specifically for this purpose – **Coronation Capital Plus** and **Coronation Balanced Defensive** – with long, consistent track records of delivering on these needs across market cycles.

Why do your investment needs change in retirement?

For most of your working life you're in accumulation mode. The job is straightforward: keep contributing, stay invested, and own enough growth assets (such as equities) so your savings can outpace inflation. In that phase, the portfolio's mandate is largely to maximise long-term, tax-efficient growth.

As you approach (and enter) retirement, the job changes. You start drawing a regular income, most often from a living annuity. That pivot introduces new realities: markets can be bumpy at the same time you need cash, and the order of returns now matters more because withdrawals lock in gains or losses.

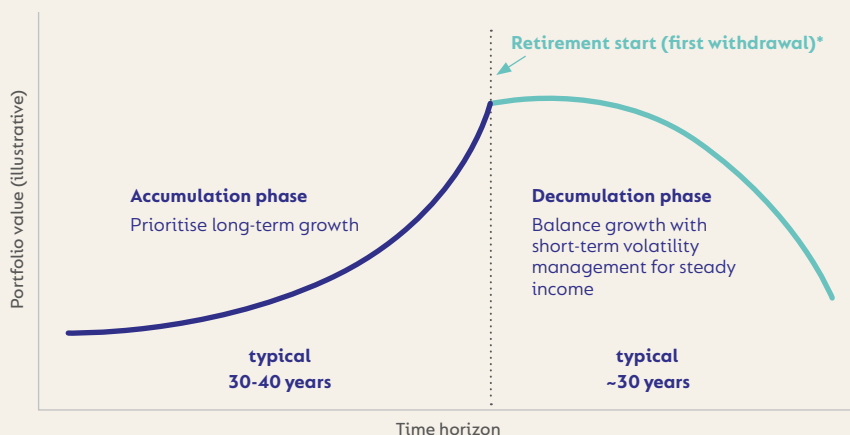
Your objectives therefore shift from a single goal to a balanced set of investor needs:

- **Keep growing above inflation for decades.** Retirement can last 25-30 years or more; your capital still needs growth engines.
- **Manage short-term ups and downs so income can continue to be drawn comfortably.** The portfolio must cushion volatility and hold enough liquid assets so you're not forced to sell growth holdings at the wrong time.

In short: the mix that worked pre-retirement isn't the same mix you need now.

Your investment needs change when you start drawing an income

Two phases of retirement investing (illustrative)



* Illustrative only. Path and duration depend on your drawdown rate, returns and inflation



What risks do you need to navigate in retirement?

A living annuity is often the most appropriate investment account from which to draw a regular income in retirement. It gives you flexibility and any unused capital can pass to your heirs.

The trade-off

Because you're drawing an income each year, you face a new set of risks that must be managed continuously inside the portfolio. The following illustration offers a quick overview of these risks and what investors often underestimate when it comes to these risks.



1. Inflation risk

The risk that **your buying power** erodes as prices rise

What helps:

Keep **growth assets** in the mix to beat inflation over time



2. Sequence of returns risk

The risk of **retiring into a downturn** – early losses **plus withdrawals** can do lasting damage

What helps:

Hold **defensive assets** (bonds, ILBs, cash) and manage **volatility**, especially in the first decade



3. Longevity risk

The risk of **outliving your money** – retirement can last **25-30+ years**

What helps:

Maintain **sufficient growth** exposure and a **sensible drawdown**

Investors often underestimate:

- ▶ How inflation **compounds** over decades
- ▶ The impact of early bad markets **without enough defensive assets**
- ▶ How long retirement can really last (**plan for ~30 years**)

At 6% inflation, R1 buys ~17c after 30 years; at 3%, ~41c.

1. Inflation risk – it's the after-inflation outcome that matters

When planning for retirement, inflation remains one of the biggest long-term risks to your purchasing power. In South Africa, long-term inflation expectations may need to be revised lower from the 5%-6% range used for long-term financial planning purposes. Using a lower assumption helps set more realistic expectations for future investment returns – since lower inflation usually means lower nominal growth. Ultimately, though, it's important to judge your investments in *real terms* (after inflation) and stay prepared for periods when inflation can rise unexpectedly. A well-diversified portfolio with exposure to growth assets remains the best defence against this risk.

Who is most exposed to inflation risk?

- Living annuity investors with too little growth exposure
- Life annuity buyers whose starting income doesn't keep pace with CPI over time

The long-run impact of inflation (why it still matters)

While policy is shifting to anchor inflation lower over time, even “low” inflation quietly erodes buying power when you're drawing an income for decades. The compounding effect is what bites.

- At 3% a year (a lower anchor): R1 today buys about 41c in 30 years
- At 6% a year (long-run planning assumption): R1 shrinks to ~17c after 30 years
- At 10% a year (a high-inflation scenario): R1 falls to ~5c over 30 years

That's why a retirement portfolio still needs growth assets (to beat inflation) alongside defensive assets (to smooth the ride), even if the headline inflation target is lower.

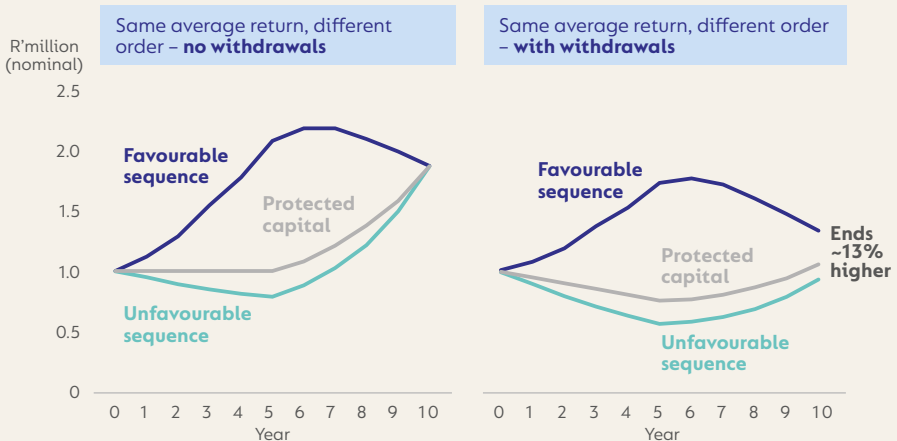


2. Sequence of returns risk – when timing hurts

Two portfolios can earn the same average return, yet end with very different outcomes once withdrawals start. Poor markets early in retirement can permanently dent capital because you're selling (when you withdraw) into weakness. Managing volatility and keeping enough liquidity for income in down markets makes a meaningful difference: in our illustration, the portfolio that cushioned early losses ends with ~13% more capital than the one that didn't.

Why early-loss protection matters (sequence of returns risk)

£1m invested at retirement: 5% constant annual income (i.e. your rand income resets annually based on portfolio value)



Limiting early losses when you start drawing an income can meaningfully lift long-term outcomes – despite the same average return. We use defensive assets and other tools (when cost-effective) to manage this risk.

Illustrative paths, not fund returns
Source: Coronation Research

3. Longevity risk – making your money last

A 60-year-old should plan for ~30 years in retirement; that requires a portfolio with sufficient growth asset exposure and a sensible starting drawdown. As the table shows, at ~10% net annual return, a 5% starting drawdown (that adjusts annually by 6% to maintain the same amount of real income) is typically sustainable for ~33 years; at 7.5% returns, the same 5% draw may last only ~19 years – a sharp drop that underlines how important return assumptions and drawdown discipline are.

It's crucial to select a prudent initial income rate

At a 10% p.a. investment rate of return, initial income drawdown rates up to 5% are sustainable

		Investment return per annum (before inflation & all fees)				
		2.5%	5.0%	7.5%	10.0%	12.5%
Annual income rate selected at inception	2.5%	21	30	50+	50+	50+
	5.0%	11	14	19	33	50+
	7.5%	6	8	10	13	22
	12.5%	2	3	3	4	5
	15.0%	1	1	2	2	2
	17.5%	1	1	1	1	1

It is important to note that the table above assumes that you will adjust your percentage income selected over time to maintain the same amount of real income (i.e. allowing for inflation of 6% per annum).
Source: ASISA Standard on Living Annuities; 2024



Investors can consider blending a life annuity later in retirement to transfer some of the longevity risk to an insurer (for a fee), alongside an appropriately invested living annuity.

What this means for your portfolio

In retirement, you need a multi-asset, valuation-led portfolio that balances growth (to beat inflation) with defensive assets (to smooth the ride) and offshore diversification. That's the design behind **Coronation Capital Plus** and **Coronation Balanced Defensive** – built for living-annuity investors to help sustain real income over decades while managing the bumps along the way.



Choosing the right fund for your living annuity

As we have explained earlier in this document, once you start drawing an income, your investor needs split into two:

- keep growing above inflation, possibly over decades; and
- keep the ride steady enough for you to withdraw a regular retirement income over the long term.

A living annuity portfolio must therefore achieve the above two objectives.

Same toolkit, different emphasis

Both **Coronation Capital Plus** and **Coronation Balanced Defensive** are multi-asset funds designed for living annuities. Each manages the three key retirement risks – inflation, sequence of returns, and longevity – but with different levels of emphasis. Both keep enough growth assets to help your money last, while holding defensive assets such as South African bonds, inflation-linked bonds, cash, and selective hedges to cushion the impact of weak markets early in retirement.

Coronation Capital Plus

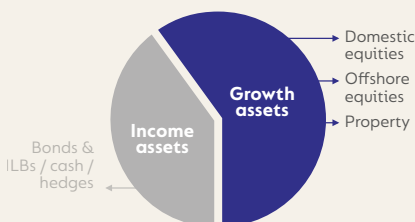
Prioritises inflation risk
& addresses longevity risk

What it does:

Leans more into growth assets to help defend purchasing power over a 20-30-year retirement

Typical growth-asset mix:

~60% through the cycle (not a fixed cap)



Coronation Balanced Defensive

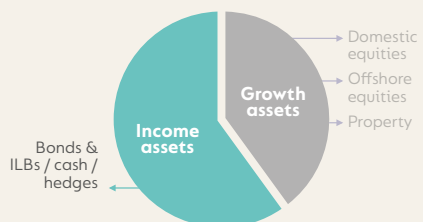
Prioritises sequence of returns risk
& addresses longevity risk

What it does:

Holds fewer growth assets and more defensive assets to keep the path steadier when you're drawing an income

Typical growth-asset mix:

~40% through the cycle (not a fixed cap)



How to use these funds?

If inflation defence is your main concern and you can handle some volatility, lean toward **Coronation Capital Plus**.

This fund is best for the first half of retirement or for investors who need higher real growth while being able to tolerate some market ups and downs.

If smoother withdrawals matter most, lean toward **Coronation Balanced Defensive**. Many retirees may choose to blend the two (for example 60/40 or 50/50) and review annually with their adviser as drawdown needs and market conditions evolve.

This fund is best for investors with lower tolerance for volatility, or who are in the second half of their retirement.

Case study: sustaining a 5% drawdown over the long term

The following case study shows how a multi-asset fund with sufficient growth assets and global diversification, such as **Coronation Capital Plus**, can support a prudent drawdown over decades.

What we tested

R1 million invested in **Coronation Capital Plus** (our flagship living-annuity portfolio) since launch in 2001, drawing a 5% constant annual income (i.e. your rand income resets annually based on the portfolio value).

What we found

Over 24 years to end-September 2025, **Coronation Capital Plus** (moderate risk, higher growth asset exposure) enabled:

- A cumulative **income** withdrawal of R3.1 million (nominal) over the period; and
- Portfolio value **growth** of R4.4 million (nominal) and R1.2 million (real), even after paying out an income.

Why it matters

Maintaining sufficient growth exposure (guided by valuation) is what protects purchasing power over the decades. Defensive assets (bonds, ILBs, cash and selective hedges) help steady the journey, so you're not forced to sell growth at the wrong time.



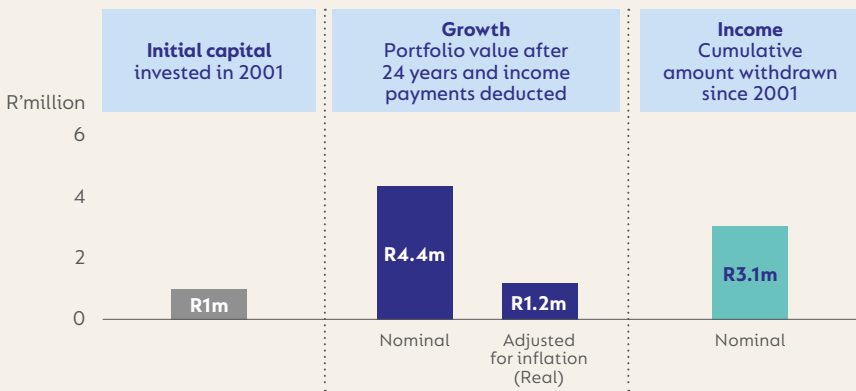
What if you didn't have growth above inflation?

If a portfolio only kept pace with inflation (~0% real return) while paying an initial 5% income each year (annually adjusted based on the portfolio value), inflation would do far more damage to both the remaining capital and the real value of income. Over long periods, real outcomes would be materially lower versus a portfolio that compounds above inflation.

Real growth is the difference between merely keeping up and moving ahead.

Capital Plus: Real growth and sustainable income from one fund

R1 million invested 24 years ago delivered R3.1 million in income (nominal) and still grew the portfolio value in nominal and real terms



Indicative returns over the period: 11.5% p.a. (based on Capital Plus' annualised returns net of fees as at 30 September 2025).

Source: Coronation, as at 30 September 2025

Why Coronation Capital Plus for living annuities?

The fund balances growth for inflation defense with defensive assets for a steadier path, helping investors keep drawing an income – calmly – through different market conditions. The fund's multi-asset approach blends local and global shares, bonds, property and cash in a single, well-diversified portfolio. It aims to smooth the ride when markets are volatile while still growing your capital over time. For investors drawing an income, that balance means a steadier experience and a better chance of your savings lasting through retirement.

Managing your income over time

Further to setting a sensible starting income and choosing a fund with appropriate growth exposure, here are some pointers that you can consider to keep your drawdown on track with a few guardrails.

Each year:

1. **Index for inflation.** Start with last year's rand income and add inflation. This is called the **modified withdrawal rule**.
2. **Loss-year stop.** If the portfolio had a negative return and the inflation increase would push today's withdrawal rate above your initial withdrawal rate (IWR), keep income flat this year. This is called the **capital preservation rule**.

Guardrails check:

Work out today's current withdrawal rate (CWR) = this year's income ÷ current portfolio value. Compare CWR with your IWR:

- **Prosperity (upside):** If CWR is more than 20% below IWR, give yourself a 10% raise this year.
- **Capital preservation (downside):** If CWR is more than 20% above IWR, cut income by 10% this year. (Apply this downside guardrail mainly in the first 10-15 years of retirement.)

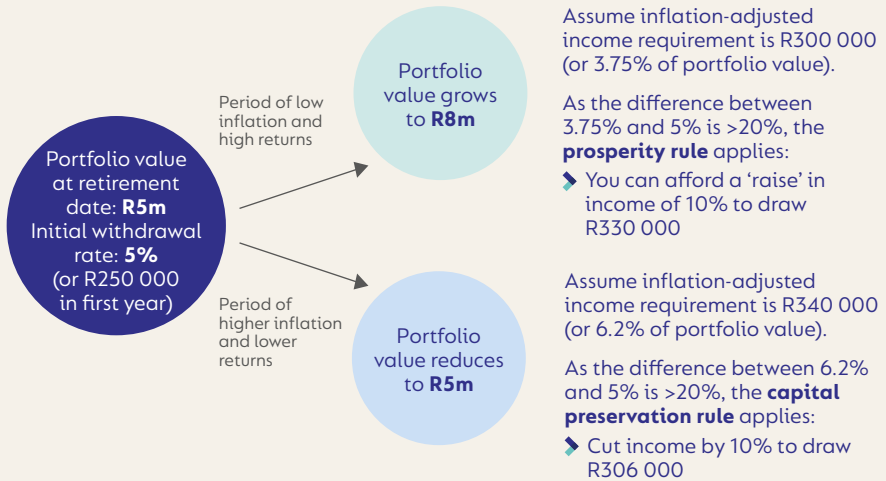
That's it: inflation as the baseline, a loss-year pause, and two simple guardrails to keep withdrawals sustainable.

Initial withdrawal rate (IWR)	Current withdrawal rate (CWR)	Guardrail band
First-year income ÷ starting portfolio (e.g., R250 000 ÷ R5 000 000 = 5%)	This year's income ÷ today's portfolio value	IWR ±20% Inside the band → just take inflation Outside → apply the 10% raise/cut



Applying the prosperity and capital preservation rules

5 years after retirement date



Conclusion

Retirement changes your investment needs. You still need growth that beats inflation, but you also need a steadier path so withdrawals can continue through rough markets. A living annuity gives you the flexibility and legacy benefits; the difference comes from the multi-asset portfolio you use to fund it.

Coronation Capital Plus and **Coronation Balanced Defensive** are built for this stage. Both manage the three big retirement risks (inflation, sequence of returns, and longevity) through one integrated, valuation-led process. The tilt differs by need: **Capital Plus** prioritises inflation defence with more growth assets and offshore diversification; **Balanced Defensive** prioritises a smoother income path with more defensive assets. Many retirees use a blend and review the split each year.

Our commitment is simple: manage to your needs. We size growth and defensive assets deliberately, trim when prices run ahead of fundamentals, add when value appears, and use protection only when it's worth paying for. The goal is the same in every market – sustain your real income and protect your plan over decades.

If you need assistance to identify the right mix that fits your drawdown and comfort with ups and downs, speak to your adviser. We'll do the rest: a disciplined, diversified portfolio managed for the realities of retirement, so your income can keep up with life, not just with prices.



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