

## 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 (excluding Africa) is limited to 30% each.

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

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 0.85% (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](http://www.coronation.com)

## WHO ARE THE FUND MANAGERS?



**KARL  
LEINBERGER**  
BBusSci, CA (SA),  
CFA



**SARAH-JANE  
ALEXANDER**  
BBusSc, CFA



**ADRIAN  
ZETLER**  
BCom (Hons), CA  
(SA), CFA

## GENERAL FUND INFORMATION

<b>Fund Launch Date</b>	15 April 1996
<b>Fund Class</b>	P (previously class B4)
<b>Class Launch Date</b>	2 April 2012
<b>Benchmark</b>	Composite: 52.5% equity, 22.5% bonds, 5% cash, 20% international
<b>Fund Category</b>	South African – Multi-asset – High Equity
<b>Regulation 28</b>	Complies
<b>Income Distribution</b>	Semi-annually (March & September)
<b>Bloomberg Code</b>	CBALDB4
<b>ISIN Code</b>	ZAE000165205
<b>JSE Code</b>	CBFB4

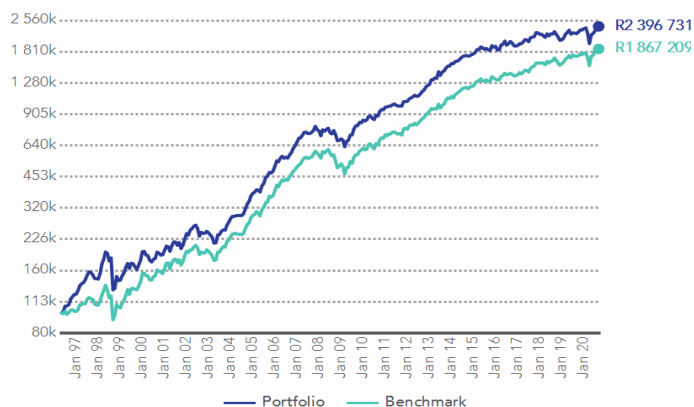
CLASS P as at 31 August 2020

<b>Fund category</b>	South African - Multi Asset - High Equity
<b>Launch date</b>	02 April 2012
<b>Fund size</b>	R83.34 billion
<b>NAV</b>	10722.47 cents
<b>Benchmark/Performance</b>	Composite (52.5% equity, 22.5% bonds, 20% international, 5% cash)
<b>Fee Hurdle</b>	
<b>Portfolio manager/s</b>	Karl Leinberger, Sarah-Jane Alexander and Adrian Zetler

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.18%	1.17%
Fund expenses	0.85%	0.85%
VAT	0.20%	0.20%
Transaction costs (inc. VAT)	0.13%	0.12%
Total Investment Charge	1.31%	1.33%

## 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)	2296.7%	1767.2%	1480.1%
Since Launch (annualised)	13.9%	12.8%	12.0%
Latest 20 years (annualised)	13.3%	13.0%	11.8%
Latest 15 years (annualised)	11.7%	12.0%	9.5%
Latest 10 years (annualised)	10.4%	11.2%	8.5%
Latest 5 years (annualised)	5.3%	7.5%	4.3%
Latest 3 years (annualised)	4.1%	6.9%	3.2%
Latest 1 year	8.4%	8.4%	4.7%
Year to date	2.5%	5.0%	1.2%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	13.2%	12.2%
Sharpe Ratio	0.34	0.27
Maximum Gain	57.9%	29.3%
Maximum Drawdown	(34.3)%	(31.9)%
Positive Months	67.1%	65.1%

	Fund	Date Range
Highest annual return	49.3%	Aug 2004 - Jul 2005
Lowest annual return	(17.4)%	Sep 1997 - Aug 1998

## MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2020	0.8%	(5.6)%	(11.0)%	10.1%	1.5%	2.9%	2.6%	2.4%					2.5%
Fund 2019	2.2%	4.1%	2.1%	2.5%	(4.3)%	1.5%	(0.2)%	(0.6)%	1.7%	2.4%	0.0%	1.5%	13.3%
Fund 2018	0.1%	(1.7)%	(1.7)%	4.1%	(2.3)%	2.2%	(0.2)%	2.7%	(3.0)%	(2.9)%	(3.5)%	0.5%	(5.9)%

## PORTFOLIO DETAIL

## EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Aug 2020
<b>Domestic Assets</b>	<b>65.6%</b>
■ Equities	33.4%
Oil & Gas	0.1%
Basic Materials	7.1%
Industrials	0.6%
Consumer Goods	3.2%
Health Care	1.3%
Consumer Services	10.3%
Telecommunications	0.0%
Financials	6.3%
Technology	0.5%
Derivatives	3.9%
Unlisted	0.0%
■ Preference Shares & Other Securities	0.1%
■ Real Estate	3.1%
■ Bonds	20.1%
■ Commodities	4.4%
■ Cash	4.5%
<b>International Assets</b>	<b>34.4%</b>
■ Equities	30.6%
■ Real Estate	0.2%
■ Bonds	0.9%
■ Commodities	0.2%
■ Cash	2.4%

## TOP 10 HOLDINGS

As at 30 Jun 2020	% of Fund
Naspers Ltd	6.1%
Egerton Capital Equity Fund	4.3%
Maverick Capital	3.3%
Anglo American Plc	3.0%
British American Tobacco Plc	2.4%
Tremblant Capital	2.3%
Lansdowne Capital	2.3%
Contrarius Global Equity Fund	2.1%
Quilter Plc	1.9%
Fortress Income Fund Ltd A	1.8%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2020	01 Apr 2020	179.19	65.18	114.02
30 Sep 2019	01 Oct 2019	184.58	65.21	119.37
29 Mar 2019	01 Apr 2019	171.69	62.17	109.52
28 Sep 2018	01 Oct 2018	189.72	80.64	109.08

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

This was a strong period for asset class returns, with the Fund returning 15.0% for the second quarter of the year (Q2-20). The Fund has performed well against its peer group over all meaningful, longer-term periods.

Following on from the record decline in equity markets during the first quarter of 2020, the second quarter saw a rapid recovery. The MSCI All Country World Index recovered 19.2% in US dollars during the quarter, reflecting the huge amounts of fiscal and monetary stimulus being injected into the global economy. The MSCI Emerging Markets Index was up 18.1% in US dollars for the quarter, but still declined (-3.4%) over twelve months. We remain concerned about the ability of lower-income emerging markets to withstand the economic shock, given their limited ability to provide financial support to businesses and households.

The FTSE World Government Bond Index rose (+2%) in US dollars for the quarter as markets remained indifferent to the risk that high and growing levels of government indebtedness present to bondholders. The very low yields offer a poor return for the rising risk and we continue to avoid global developed market sovereign bonds.

Having increased our exposure to global equities to an overweight position towards the end of the first quarter, these sharp upward moves resulted in us bringing back the position to a more neutral level. Our expectations for a faster economic rebound in more robust developed market economies and the risk diversification benefits for South African (SA) investors continue to justify a sizeable holding.

The All Bond Index (ALBI) returned 9.9% for the quarter, bringing the year-to-date number into positive territory. SA's bonds continue to offer attractive yields in a low inflation environment. However, the deteriorating fiscal position will require meaningful issuance to fund in the coming years and increases the risk of a debt trap. While June's supplementary budget acknowledged the challenge, it will take considerable political will to implement the level of structural reform required. We continue to watch this closely. The Covid-19-related demand shock provided the opportunity to add well-priced protection (in the form of Inflation-Linked Bonds) against the longer-term risks of a rise in inflation. The rand strengthened slightly against the US dollar (2.9%) but has still declined meaningfully year to date (-19.3%), reflecting the damage the Covid-19 economic shock has wrought on an already weak economy.

Along with its global counterparts, the JSE Capped Shareholder Weighted Index experienced a significant rebound during the quarter (+21.6%) but remains down (-10.7%) for the year to date. All sectors saw rising returns. Resources (+41.2%), with its high offshore exposure, outperformed industrials (+16.6), financials (+12.9%) and property (+20.4%)

The portfolio remains skewed to rand hedge stocks, which are attractive for stock-specific reasons and should also benefit from exposure to economies that are expected to rebound more rapidly. Early in the quarter we added meaningfully to positions in Bidcorp (+33.3%) and Anheuser-Busch InBev (+9.1%), as both had sold off meaningfully. Buying was largely funded by a reduction in the size of Naspers and British American Tobacco holdings, both of which have performed well and remain considerable holdings for the fund.

Bidcorp is a well-run food services business with a long-term growth opportunity. It has grown through international expansion but also in-country by expanding product ranges and getting closer to customers. Bidcorp's investments in local distribution centres and focus on small, profitable customers enable it to distinguish itself with high levels of service. While the Covid-19 pandemic has restricted out-of-home food consumption we believe the long-term aspiration remains intact. This was evident in the rapid resumption that Bidcorp has witnessed in its Chinese operations. Bidcorp is expected to continue its growth trajectory and trades on 15 times earnings three years out.

In the case of Anheuser-Busch InBev, poor results, growing concerns around Covid-19-related weaker beer consumption and high debt levels saw the share sell off markedly towards the end of the first quarter. We were able to acquire shares at a price of less than 10 times our assessment of normal earnings. Subsequent clearance by Australia's competition authority to dispose of an Australian subsidiary will assist in the de-gearing process. The stock is attractively priced for a global staples business, benefitting from the compelling economics of the brewing industry.

Domestic holdings remain concentrated in the higher-quality South African stocks such as the food retailers (Shoprite, Spar), whose more resilient business models are best placed to weather the very tough South African macroeconomic environment. Having held up well during the first quarter's sell-off, many of these underperformed during the second quarter, with the food and drug retail sector declining -2.0%.

We acknowledge that many of the more cyclical domestic businesses look cheap, but we are concerned that the long-term headwinds they face are considerable and strengthening. Weak revenue prospects due to an already weak economy are now expected to be compounded by rising retrenchments, which will ultimately feed through to consumer demand. An underweight in domestic stocks continued to benefit the Fund.

Resources rebounded strongly during the quarter (+41.2%) as the demand outlook for commodities improved due to a resurgent Chinese economy and the easing of restrictions elsewhere. Covid-19-related supply disruptions also tightened markets. This benefitted the Fund's increased exposure to resources with sizeable positions in Anglo American (+31.9%) and the platinum shares. Platinum miners rose as concerns over weak automotive demand subsided and major markets reaffirmed their commitment to a reduction in emissions. The Fund remains invested in Impala Platinum (+53.2%) and Northam Platinum (+67.4%).

The gold price continued its upward trajectory (+12.9% Q2-20 / +26.3% over twelve months) given investor concerns around building risks in the financial system and monetary debasement. While the Fund benefits from some direct exposure to gold, we do not hold a position in the producers, whose capital intensity and high-cost mines have resulted in lacklustre returns to shareholders over time.

The market correction began at a point when investors were still being bombarded daily with negative news flow on the extent of the pandemic's economic shockwave. The massive sell-off had created a value opportunity. We retain our commitment to look through the short-term noise and use valuation as our anchor point when investing; selecting assets where we believe the market is mispricing the long-term fundamentals.

**Portfolio managers**

**Karl Leinberger, Sarah-Jane Alexander and Adrian Zetler**  
as at 30 June 2020

## 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 30% (including a maximum exposure of 5% to Africa, excluding South Africa) 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 P NAV prices with income distributions reinvested. Class A NAV prices were used for the period prior to the launch of Class P. 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). Growth charts are shown in logarithmic scale (base 2).

## 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. 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 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 September 2019 (updated annually). The 3 year TER is for a rolling 36-month period to the last 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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