CORONATION BALANCED PLUS FUND

Fund Information as at 31 July 2019

CORONATION
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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

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 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

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

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

CORONATION BALANCED PLUS FUND

CORONATION
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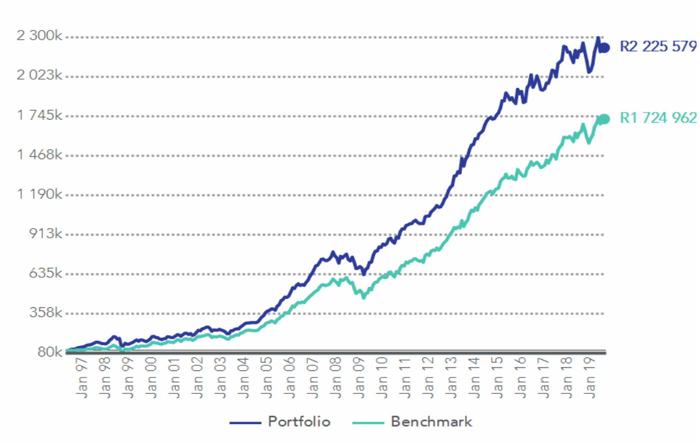
CLASS P as at 31 July 2019

Fund category	South African - Multi Asset - High Equity
Launch date	02 April 2012
Fund size	R88.28 billion
NAV	10340.70 cents
Benchmark/Performance Fee Hurdle	Composite (52.5% equity, 22.5% bonds, 20% international, 5% cash)
Portfolio manager/s	Karl Leinberger, Sarah-Jane Alexander and Adrian Zetler

	1 Year	3 Year
Total Expense Ratio	1.14%	1.15%
Fund management fee	0.84%	0.84%
Fund expenses	0.18%	0.19%
VAT	0.12%	0.12%
Transaction costs (inc. VAT)	0.14%	0.13%
Total Investment Charge	1.28%	1.28%

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)	2125.6%	1625.0%	1370.2%
Since Launch (annualised)	14.3%	13.0%	12.2%
Latest 20 years (annualised)	13.6%	13.7%	12.5%
Latest 15 years (annualised)	14.3%	14.0%	12.3%
Latest 10 years (annualised)	11.2%	11.9%	9.4%
Latest 5 years (annualised)	5.2%	7.3%	4.8%
Latest 3 years (annualised)	4.0%	6.9%	3.4%
Latest 1 year	1.1%	5.4%	2.3%
Year to date	7.8%	8.6%	6.1%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	13.1%	12.1%
Sharpe Ratio	0.36	0.28
Maximum Gain	57.9%	29.3%
Maximum Drawdown	(34.3)%	(31.9)%
Positive Months	67.0%	64.9%

	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 Jul 2019
Domestic Assets	**74.8%**
Equities	**45.4%**
Basic Materials	9.6%
Industrials	0.5%
Consumer Goods	7.9%
Health Care	2.0%
Consumer Services	11.3%
Telecommunications	2.4%
Financials	7.1%
Technology	0.5%
Derivatives	4.0%
Unlisted	0.0%
Preference Shares & Other Securities	**0.0%**
Real Estate	**7.5%**
Bonds	**18.6%**
Commodities	**1.4%**
Cash	**1.9%**
Other (Currency Futures)	**0.1%**
International Assets	**25.2%**
Equities	**24.2%**
Real Estate	**0.5%**
Bonds	**0.4%**
Cash	**0.1%**

TOP 10 HOLDINGS

As at 30 Jun 2019	% of Fund
Naspers Ltd	4.6%
British American Tobacco Plc	3.7%
Egerton Capital Equity Fund	3.3%
Fortress Income Fund Ltd A	2.9%
Anglo American Plc	2.8%
Contrarius Global Absolute Fund	2.4%
Maverick Capital	2.4%
Mtn Group Ltd	2.3%
Northam Platinum Ltd	2.1%
Lansdowne Capital	2.0%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Mar 2019	01 Apr 2019	171.69	62.17	109.52
28 Sep 2018	01 Oct 2018	189.72	80.64	109.08
29 Mar 2018	03 Apr 2018	138.32	44.95	93.38
29 Sep 2017	02 Oct 2017	146.09	52.04	94.05

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2019	2.2%	4.1%	2.1%	2.5%	(4.3)%	1.5%	(0.2)%						**7.8%**
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)%**
Fund 2017	2.1%	(0.1)%	2.0%	2.6%	(0.3)%	(2.0)%	4.6%	0.6%	0.6%	4.5%	(0.2)%	(1.6)%	**13.2%**

Issue date: 2019/08/12

Please refer to page 4 of the Comprehensive Fact Sheet for important additional infomation, including change in cost disclosures.

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

The fund returned 7.8% year to date. Over meaningful periods, the fund continues to perform well against its peer group.

Equity markets continued to rise in the second quarter of 2019 (Q2-19) as central banks communicated a strong likelihood of rate cuts and US-China trade war tensions eased towards the end of the period. The MSCI All Country World Index rose 3.6% in US dollar terms in Q2-19, despite signs of slowing growth across many developed markets. Developed market equity markets rose 4.0% over the quarter, outperforming emerging markets, which grew by a more subdued 0.6%. The fund has benefited from its large exposure to global equities.

The Barclays Global Aggregate Bond Index appreciated by 3.3% in US dollars for the quarter. Global bond yields continued to rally in response to increasing evidence of a slowdown in global growth and rising expectations of interest rate cuts in the US and Europe. US 10-year bond yields have now traded down more than 100 basis points (bps) since November 2018 and the debt of several European sovereigns is trading at negative rates. Although global bonds have performed well, we remain of the view that yields are too low and the risk of capital loss to investors is considerable.

The All Bond Index (ALBI) ended the quarter strongly (+3.7%). The fund has a meaningful exposure to local bonds, taking advantage of the high real yields the asset class is offering. A low growth environment is impeding the ability of domestic businesses to grow earnings, increasing the relative attractiveness of bonds to equity. The weak local economy and contained inflation increase the likelihood of domestic interest rate cuts. This is further supported by anticipated US interest rate cuts. While a Moody's downgrade is likely, given muted economic growth and the precarious position of South Africa's large state -owned enterprises, bond yields appear sufficiently generous. Local bond yields already trade in line with sub-investment grade peers and at generous spreads relative to developed markets.

The outlook for local property remains constrained in a very weak economy with negative reversions and lower distribution growth. The fund retains selective domestic exposure via A shares (with their unique distribution structure) and high-quality property stocks. These assets should be better able to withstand challenging conditions. UK property stocks have disappointed, as Brexit and tenant failures undermine their prospects. We have retained a small exposure here given the significant discounts at which they trade relative to conservative valuations.

The JSE extended its first-quarter gains, albeit at a slower rate. The JSE Capped Shareholder Weighted All Share Index appreciated by 2.9% during Q2-19. Resources were up 2.4%, despite signs of slowing global growth, but lagged the stronger quarterly performances from the industrial (+4.0%) and financial (+5.4%) sectors. The outperformance of resources over one- and three-year periods remains considerable.

Despite the conclusion of the much-awaited South African election, domestic sentiment deteriorated during the quarter. The election result was broadly in line with expectations, with the ANC maintaining its majority rule despite a slight decline in support. The appointment of a new smaller cabinet was a positive development, reinforcing the message of fiscal discipline. However, the ruling party remains plagued by factional tensions, frustrating the ability of the president to deliver on much-needed reform. Policy uncertainty lingers, as reflected in divisive debate on land issues and South African Reserve Bank reform. Eskom's balance sheet problems remain an overhang. The government has signalled its commitment to support Eskom financially, though the underlying state of the utility's generation and transmission assets remain unclear. These factors combined to weigh on consumer and corporate confidence levels and were reflected in a very weak first-quarter GDP print of -3.2% (released during Q2-19), dragged down by manufacturing and mining in particular. Results released during the quarter and the accompanying subdued rhetoric of management reinforced how challenging the underlying economic situation is. The weak domestic economy, contained inflation and favourable global interest rate expectations have increased the likelihood of future local interest rate cuts.

In this environment, domestic stocks reported weak results, with even defensive stocks struggling to defy the pressures of several years of weak domestic economic conditions and high structural cost inflation. We expect these headwinds to persist and remain cautious on businesses heavily exposed to the local economy. Our exposure to domestic stocks is mostly through banks and defensive counters such as food retailers. The fund remains underweight domestically-focused local stocks. We continue to debate whether these depressed conditions (and earnings bases) provide an opportunity to add meaningfully to domestic holdings, but have made no material changes to the fund to date. The fund continues to hold high weightings in the JSE-listed global stocks (British American Tobacco, Naspers, Mondi, Quilter, MTN, Bidcorp and AB Inbev), all of which have attractive valuations for specific bottom-up reasons.

The British American Tobacco share price declined during the period (-15.7%) as fears relating to low nicotine regulation in the US market resurfaced. British American Tobacco has faced a slew of potential regulatory headwinds in its US business, exacerbated by volume declines in traditional tobacco. However, new generation products are gaining traction. We believe the underlying fundamentals of the business remain intact, with strong pricing power, improving cost controls and de-gearing continuing to drive earnings. In addition, new generation products offer an opportunity to grow the overall market, as they ostensibly offer less harmful nicotine delivery. British American Tobacco trades on 9.1 times one-year forward earnings and a 7.3% dividend yield. We believe this to be very attractive for a stock of this quality and it remains a large position in the fund.

The resources sector (+2.4%) showed mixed performances, with Sasol's underperformance (-22.2%), offset by a strong performance from gold miners (+29.6%) and platinum (+9.45%). Iron ore (+32.9%) has been particularly strong, as supply disruptions have driven up near-term prices, supporting the fund's large holding in Anglo American. This position was trimmed during the quarter. The Sasol share price declined meaningfully when the company announced that its Lake Charles Chemicals Project (LCCP) would a) cost more to deliver and b) produce a lower normalised level of profitability. Disappointments in the delivery of the LCCP have meant a further reduction in the already muted returns offered by the initial projections, which carried significant risk (a fact Coronation highlighted to the board in a letter sent in 2013). The fund has been underweight Sasol, but has added to the position on the back of the price weakness. As the project nears completion, execution risk should reduce and the group's earnings base is anticipated to increase by between 20% and 30%. However, given the heightened risks (operational and financial), we have limited Sasol's overall position size within the fund.

We remain meaningfully invested in platinum counters. We reduced our Anglo American Platinum position in response to its strong share price rise, reinvesting proceeds into names that have underperformed on a relative basis. The demand outlook for platinum group metals (PGMs) remains strong, buoyed by increasingly stringent emissions regulations. While we expect electric vehicles to play a role in future mobility solutions, we see a structural deficit in PGM markets over the next decade as supply remains tight after years of underinvestment. Despite the upwards move in the metals' price, PGM producers are not yet earning fair returns on their invested capital. We believe prices need to rise further to incentivise sufficient ounces.

The financial sector (+5.44%) performed strongly during Q2-19, as local banks (+9.7%) have defied domestic market headwinds and are expected to deliver underlying earnings growth. This growth reflects prudent management through the cycle, with limited credit extension resulting in low credit loss ratios. The fund has holdings in several of the large banks, including FirstRand, Nedbank and Standard Bank.

Political turmoil continued to reign in the UK with the resignation of Prime Minister Theresa May during the quarter. The Labour Party's indecisiveness on several key issues reduced the strength of the opposition's position. High levels of uncertainty in the UK undermine the economic outlook. Despite this, compelling valuation-driven opportunities exist. Quilter remains the fund's largest single holding in the UK. This is a business with a structural growth opportunity stemming from pension reform in the UK market. The fund has built up its position in Bidcorp, a food services company that continues to benefit from consumers' desire for eating out of home and its diverse operations across many markets. While we see exciting investment opportunity in the UK market, the fund continues to tightly manage overall UK exposure, given the uncertainty.

Markets have remained challenging this year, with several companies reporting material earnings disappointments that have put these businesses at risk. A rigorous research process and heightened balance sheet scrutiny have protected the fund from several of these examples. We remain committed to building robust, diversified portfolios with a focus on risk management. We believe these efforts will protect the portfolio against unexpected outcomes and position the fund well to deliver inflation-beating returns over the long run.

Portfolio managers
Karl Leinberger, Sarah-Jane Alexander and Adrian Zetler

as at 30 June 2019

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; 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).

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 2018 (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

IMPORTANT INFORMATION REGARDING TERMS OF USE

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