

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 (excluding Africa) is limited to 30%. 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 0.85%(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

WHO ARE THE FUND MANAGERS?



CHARLES DE KOCK
BCom (Hons), MCom
(Economics)



PALLAVI AMBEKAR
CA (SA), CFA

GENERAL FUND INFORMATION

Fund Launch Date	1 February 2007
Fund Class	P (previously class B4)
Class Launch Date	1 October 2012
Benchmark	CPI + 3% p.a.
Fund Category	South African – Multi Asset – Low Equity
Regulation 28	Complies
Income Distribution	Quarterly (March, June, September, December)
Bloomberg Code	CBALDB4
ISIN Code	ZAE000170445
JSE Code	CBDB4

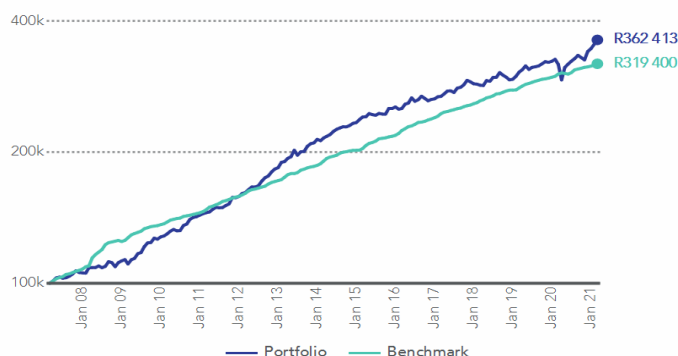
CLASS P as at 28 February 2021

Fund category	South African - Multi Asset - Low Equity
Launch date	01 October 2012
Fund size	R29.29 billion
NAV	201.64 cents
Benchmark/Performance	CPI + 3% p.a.
Fee Hurdle	
Portfolio manager/s	Charles de Kock and Pallavi Ambekar

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.12%	1.10%
Fund expenses	0.85%	0.85%
VAT	0.14%	0.13%
Transaction costs (inc. VAT)	0.13%	0.13%
Total Investment Charge	0.07%	0.06%
	1.19%	1.16%

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)	262.4%	219.4%	176.4%
Since Launch (annualised)	9.6%	8.6%	7.5%
Latest 10 years (annualised)	9.6%	8.0%	7.7%
Latest 5 years (annualised)	7.5%	7.3%	6.0%
Latest 3 years (annualised)	8.3%	6.8%	6.2%
Latest 1 year	13.8%	5.6%	9.4%
Year to date	4.7%	1.2%	3.2%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	5.2%	1.5%
Downside Deviation	4.5%	N/A
Sharpe Ratio	0.47	0.96
Maximum Gain	21.5%	26.9%
Maximum Drawdown	(10.4)%	(1.1)%
Positive Months	75.6%	92.3%
	Fund	Date Range
Highest annual return	21.5%	Jun 2012 - May 2013
Lowest annual return	(5.3)%	Apr 2019 - Mar 2020

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2021	2.4%	2.2%											4.7%
Fund 2020	1.0%	(2.7)%	(7.9)%	6.8%	1.8%	1.5%	1.4%	1.8%	(1.2)%	(1.2)%	4.6%	1.5%	6.9%
Fund 2019	1.6%	2.1%	1.4%	2.0%	(1.9)%	1.1%	0.3%	0.5%	1.0%	1.2%	(0.4)%	0.6%	10.0%
Fund 2018	(0.2)%	(0.6)%	(0.2)%	2.7%	(0.4)%	2.1%	0.1%	2.6%	(1.4)%	(1.1)%	(1.4)%	0.3%	2.4%
Fund 2017	1.1%	0.1%	1.4%	1.5%	0.1%	(0.9)%	2.4%	0.4%	1.4%	2.4%	(0.8)%	(1.1)%	8.3%
Fund 2016	(1.2)%	0.4%	2.4%	0.5%	2.9%	(1.8)%	0.8%	1.9%	(1.1)%	(1.3)%	0.7%	0.3%	4.4%
Fund 2015	1.6%	1.3%	0.1%	1.7%	(0.6)%	(0.3)%	1.0%	(0.3)%	0.0%	3.1%	(0.1)%	0.9%	8.6%
Fund 2014	(0.7)%	1.5%	0.9%	0.9%	1.7%	1.1%	0.7%	0.7%	(0.1)%	0.8%	1.1%	0.4%	9.3%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	28 Feb 2021
Domestic Assets	72.0%
■ Equities	24.6%
Basic Materials	6.6%
Industrials	0.1%
Consumer Goods	3.4%
Health Care	0.5%
Consumer Services	7.5%
Telecommunications	0.4%
Financials	5.0%
Technology	1.2%
Derivatives	0.0%
■ Preference Shares & Other Securities	0.0%
■ Real Estate	1.3%
■ Bonds	42.2%
■ Commodities	2.2%
■ Cash	2.7%
■ Other (Currency Futures)	(0.9)%
International Assets	28.0%
■ Equities	15.3%
■ Real Estate	0.1%
■ Bonds	7.6%
■ Commodities	0.3%
■ Cash	4.5%

TOP 10 HOLDINGS

As at 31 Dec 2020	% of Fund
Naspers Ltd	3.4%
Egerton Capital Equity Fund	2.6%
Anglo American Plc	2.2%
Maverick Capital	2.2%
Contrarius Global Equity Fund	1.8%
British American Tobacco Plc	1.8%
Tremblant Capital	1.7%
Lansdowne Capital	1.5%
FirstRand Limited	1.2%
Cimi Global Opp Equity Strategy	1.2%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Dec 2020	04 Jan 2021	2.09	0.75	1.33
30 Sep 2020	01 Oct 2020	2.02	0.43	1.59
30 Jun 2020	01 Jul 2020	1.88	0.31	1.57
31 Mar 2020	01 Apr 2020	2.09	0.18	1.90

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

The year 2020 was one that investors will never forget. The Covid-19 pandemic, the economic lockdowns and the immense fiscal and monetary stimulus thrown at the problem created an exceptionally volatile investment environment. Many businesses and some industries, such as those linked to hospitality, tourism and travel, suffered immense damage. The lockdowns also accelerated the already fast-growing e-commerce sector, while work from home became the norm for many who had never thought it likely. The knock-on effects of these trends affected the normally safe property sector disproportionately.

During the final quarter, encouraging news around the development of vaccines against the virus, as well as the Biden election victory in the US, was welcomed by financial markets, especially in the emerging economies, where the new US administration is expected to move away from the trade war stance of the Trump era and pursue more trade-friendly policies. South Africa (SA) was no exception and experienced a strong rand and soaring stock market. The rand gained 12.3% against the US dollar, the JSE capped SWIX rose by a whopping 11.5%, the beleaguered quoted property sector recovered some of its losses and declining yields also assisted the bond market to post a 6.7% return for the All Bond index over the quarter (Q4-20).

The Fund was well positioned to benefit from these developments and posted a 4.9% return for the quarter, which lifted the one-year return to a respectable 6.9%. It is a result that seemed unlikely at the end of the first quarter of 2020. The annualised two-year return of 8.4% is also ahead of the targeted inflation-plus-3% return. The longer-term returns are 6.4% over the past three years, 6.4% over the past 5 years and 9.2% over the 10-year period. All numbers are annualised. The Fund has exceeded inflation over all periods but has fallen short of the targeted inflation-plus-3% over the three- and five-year time horizons.

When the huge downturn came in March last year, the Fund was light in cash, especially in hard currency cash, which was the only real safe haven in that tumultuous month. We, however, stuck to our strategy and, in fact, added to equities over the rest of the year, based on the very attractive valuations we found in many listed stocks. In the low equity space, in which this Fund participates, we bumped against the upper limit of 40% in equities during the quarter for the first time since the Fund was launched nearly 14 years ago - a sure sign of the absolute and relative value we see in equities. Money market interest rates are currently at the lowest level since the 1960s and we think they are likely to remain at these low levels for at least another year. Inflation has also surprised on the downside and, although we expect it to accelerate somewhat, it should remain comfortably below the midpoint of the South African Reserve Bank's targeted range for the next year or two.

The global trend towards cleaner energy is a long-term one. This trend is favourable for many metals, including copper, cobalt, nickel and the platinum group metals. In our view, Anglo American is well positioned to benefit from this trend. In addition, its balance sheet is very strong and is expected to reward shareholders with a very strong dividend flow. Anglo American is the second largest holding in our portfolio, as we believe it still offers very good value even after its strong performance over the last year.

The top contributors to performance during 2020 was Naspers/Prosus, Anglo American, Platinum stocks Impala Platinum and Northam, as well as Altron. Detractors were the bank shares Nedbank, Standard Bank and FirstRand, Sasol and MTN. The listed property sector also detracted from performance.

In the interest-bearing category, the government yield curve is exceptionally steep, reflecting the concerns that bond investors have over the fiscal state of affairs. SA finds itself in a debt trap that has arisen due to a decade of far too high government expenditure followed by a massive loss of revenue due to the self-imposed economic lockdown. Government debt-to-GDP is rising ever higher and will approach the 100% level if not addressed drastically. The only good way out of the fiscal mess government finds itself in is for the economy to grow enough so that tax receipts rise. The low confidence levels and power supply issues of Eskom makes us cynical about our growth prospects. That leaves strict controls on government spending as the obvious route to follow in order to avert the debt trap. This is no easy task and calls for some unpopular measures around the payment of civil servants and the culling of loss-making State-owned enterprises. Bond investors are clearly concerned that the bold steps needed will not be taken. We share those concerns and are consequently not taking on excessive long duration in this low-risk portfolio. We continue to hold a diverse spread of bonds, including corporate bonds and inflation linkers.

Portfolio managers

Charles de Kock and Pallavi Ambekar

as at 31 December 2020

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 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. Growth charts are shown in logarithmic scale (base 2).

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 2020 (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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