

## 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



3/10

Conservative

### Maximum growth/ minimum income exposures



■ Growth Assets: 50%

□ Income Assets: 50%

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 1.25%(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

## GENERAL FUND INFORMATION

<b>Launch Date</b>	1 February 2007
<b>Fund Class</b>	A
<b>Benchmark</b>	CPI + 3% p.a.
<b>Fund Category</b>	South African – Multi Asset – Low Equity
<b>Regulation 28</b>	Complies
<b>Income Distribution</b>	Quarterly (March, June, September, December)
<b>Investment minimum</b>	R5 000 or R500/m debit order
<b>Bloomberg Code</b>	CBALDFA
<b>ISIN Code</b>	ZAE000090627
<b>JSE Code</b>	COBA

# CORONATION BALANCED DEFENSIVE FUND

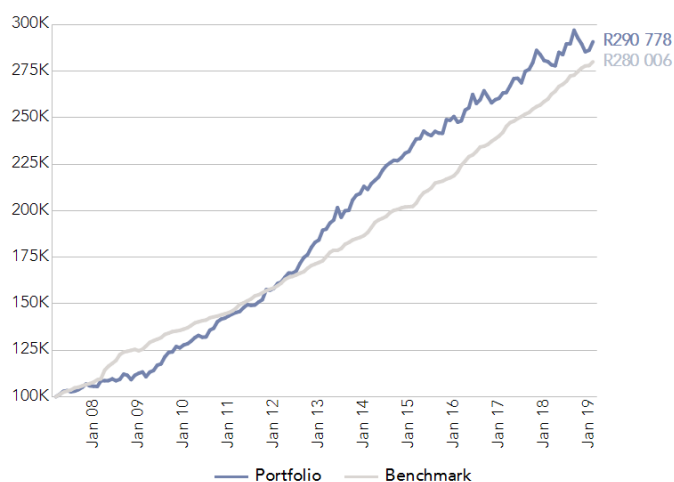
CLASS A as at 31 January 2019

Fund category	South African - Multi Asset - Low Equity
Launch date	01 February 2007
Fund size	R33.18 billion
NAV	181.92 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	1.53%	1.65%
Fund expenses	1.24%	1.34%
VAT	0.11%	0.12%
Transaction costs (inc. VAT)	0.18%	0.19%
Total Investment Charge	0.06%	0.05%
	1.59%	1.70%

## 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)	190.8%	180.0%	140.0%
Since Launch (annualised)	9.4%	9.0%	7.6%
Latest 10 years (annualised)	9.9%	8.4%	8.3%
Latest 5 years (annualised)	6.6%	8.3%	6.3%
Latest 3 years (annualised)	5.5%	8.2%	5.1%
Latest 1 year	3.8%	7.7%	2.6%
Year to date	1.6%	0.7%	1.2%

### RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	4.2%	1.5%
Downside Deviation	2.3%	N/A
Sharpe Ratio	0.46	1.05
Maximum Gain	21.2%	26.9%
Maximum Drawdown	(3.9)%	(0.9)%
Positive Months	75.5%	94.4%

	Fund	Date Range
Highest annual return	21.2%	Jun 2012 - May 2013
Lowest annual return	0.5%	Dec 2017 - Nov 2018

### MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2019	1.6%												1.6%
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%
Fund 2017	1.1%	0.1%	1.4%	1.5%	0.1%	(0.9)%	2.3%	0.4%	1.3%	2.4%	(0.8)%	(1.1)%	7.8%
Fund 2016	(1.2)%	0.3%	2.3%	0.5%	2.8%	(1.9)%	0.8%	1.9%	(1.2)%	(1.3)%	0.7%	0.3%	3.9%
Fund 2015	1.6%	1.3%	0.1%	1.7%	(0.6)%	(0.3)%	0.9%	(0.4)%	(0.1)%	3.0%	(0.1)%	0.8%	8.1%
Fund 2014	(0.8)%	1.4%	0.9%	0.8%	1.6%	1.1%	0.7%	0.6%	(0.1)%	0.7%	1.1%	0.4%	8.8%
Fund 2013	2.9%	0.3%	1.7%	0.8%	3.5%	(2.6)%	1.8%	0.1%	2.7%	1.3%	0.4%	1.9%	15.7%
Fund 2012	1.7%	0.5%	1.6%	1.4%	(0.1)%	0.7%	2.4%	1.8%	0.9%	2.2%	1.5%	0.7%	16.4%

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Jan 2019
<b>Domestic Assets</b>	<b>78.5%</b>
<b>Equities</b>	<b>19.8%</b>
Basic Materials	3.3%
Industrials	0.6%
Consumer Goods	3.0%
Health Care	0.4%
Consumer Services	5.0%
Telecommunications	0.7%
Financials	4.9%
Technology	0.0%
Derivatives	2.0%
<b>Preference Shares &amp; Other Securities</b>	<b>0.6%</b>
<b>Real Estate</b>	<b>6.8%</b>
<b>Bonds</b>	<b>45.5%</b>
<b>Commodities</b>	<b>0.9%</b>
<b>Cash</b>	<b>7.6%</b>
<b>Other (Currency Futures)</b>	<b>(2.7)%</b>
<b>International Assets</b>	<b>21.5%</b>
Equities	11.6%
Real Estate	0.9%
Bonds	6.3%
Commodities	0.3%
Cash	2.4%

### TOP 10 HOLDINGS

As at 31 Dec 2018	% of Fund
Naspers Ltd	2.0%
Egerton Capital Equity Fund	1.5%
British American Tobacco Plc	1.4%
Contrarius Global Absolute Fund	1.3%
Standard Bank of SA Ltd	1.2%
Anglo American Plc	1.1%
Maverick Capital	1.1%
Lansdowne Capital	1.0%
RMB Holdings	0.8%
Fortress Income Fund Ltd A	0.8%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Dec 2018	02 Jan 2019	2.16	0.24	1.92
28 Sep 2018	01 Oct 2018	2.04	0.32	1.72
29 Jun 2018	02 Jul 2018	2.12	0.25	1.87
29 Mar 2018	03 Apr 2018	1.76	0.28	1.48

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

#### Macro overview

The final quarter of 2018 unfortunately saw the downtrend already prevailing in most stock markets accelerate to even bigger losses. Where emerging markets suffered the most in the first half of the year, the developed world and specifically the US suffered the sharpest declines in the final months of 2018. The S&P 500 lost 13.5% in the quarter, resulting in a negative 4.4% return for the year. The FTSE 100, weighed down by the Brexit uncertainty, lost 11.7% in the quarter and was down 14.0% over the full year.

Although the global economy performed reasonably well, stock markets were negatively affected by the unpredictability of US President Donald Trump and his tweets relating to Federal Reserve policy, the trade war with China, the US government shutdown over the issue of funding the Mexican border wall and, of course, the Brexit debacle drawing inevitably closer in the UK.

The negative investor sentiment spilled over to South Africa, where the mood was already bleak as a result of a very weak economy, major problems exposed in the SOEs as well as the uncertainty around the land issue. The rate hike by the Reserve Bank further dulled investor sentiment.

The JSE SWIX declined by 4.0% over the quarter, taking the year's loss to 11.6%. The property index suffered another 4.0% decline in the final quarter, resulting in a substantial 25.3% loss for the full year. Bonds were the best-performing asset class, returning a positive 2.7% for the quarter and 7.7% for the year.

The fund's relatively high exposure to bonds helped to offset the negative returns from risky assets, resulting in a positive return of 2.0% for the year. The five-year return of 6.1% per annum (p.a.) is slightly ahead of inflation but failed to meet the target of exceeding inflation by 3%. Over the past 10 years, the fund has returned a commendable 9.8% p.a. - significantly ahead of inflation, which ran at 5.4% p.a. over the period and has therefore exceeded its targeted return.

Looking forward to 2019, we are certainly more optimistic about the potential stock market returns. The ratings of many stocks have adjusted downward and the earnings base for domestic companies is particularly low. A little good news and some top-line growth can lead to strong earnings growth and improved ratings for many of the shares we are invested in.

We have consequently been adding to JSE-listed equities, taking the fund's exposure to 19.5% at year-end - the highest level it has been all year. We added to a range of stocks, including British American Tobacco, Standard Bank, FirstRand, Shoprite and others. As far as Naspers is concerned, we used the extreme volatility in the share price to trade it actively, resulting in it being both one of our bigger buys and sells for the quarter.

An interesting feature of our fund is that the effective exposure to global assets was reduced during the year to end the 12-month period with a relatively low exposure of 21.8% (including a 4.9% currency future, which reduces the effective global currency exposure to just shy of 16.9%), of which 11.6% was in equities. The rand is a very volatile currency and also very difficult to predict. Our investment stance of adding to domestic assets while reducing global exposure was therefore driven by the fact that we see better value in the local market (stocks and bonds) and was not based on a rand currency view. We expect our bond holdings, with a yield of close to 10%, to be a key building block in the coming year to help us achieve our targeted return.

Cash has now outperformed this fund, and most balanced funds, even over a five-year period. It is therefore understandable that investors will question the relevance of staying invested in balanced funds. In our view, cash will not deliver inflation plus 3% in the long term. One therefore requires exposure to some risk assets where the potential return is far higher. Returns from the equity sector has, however, been poor and, on top of that, we have failed to add alpha over the past number of years. It is the low earnings base, combined with low ratings, that makes us much more optimistic about future returns from our equity investments and is the reason we have increased our exposure recently.

In summary, the portfolio carries an almost 50% exposure to domestic bonds, including inflation-linked bonds, at an expected real yield of close to 5%. The fund's weighting to domestic equities has been increased into price weakness and we are finding many stocks that now offer very good value. The fund's global exposure has been trimmed to make space for the more attractive local assets.

#### **Portfolio managers**

**Charles de Kock and Pallavi Ambekar**  
as at 31 December 2018

### 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](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).

### 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](http://www.coronation.com)

### IMPORTANT INFORMATION REGARDING TERMS OF USE

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