CORONATION BALANCED PLUS FUND

Fund Information as at 31 October 2018

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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

CLASS P as at 31 October 2018

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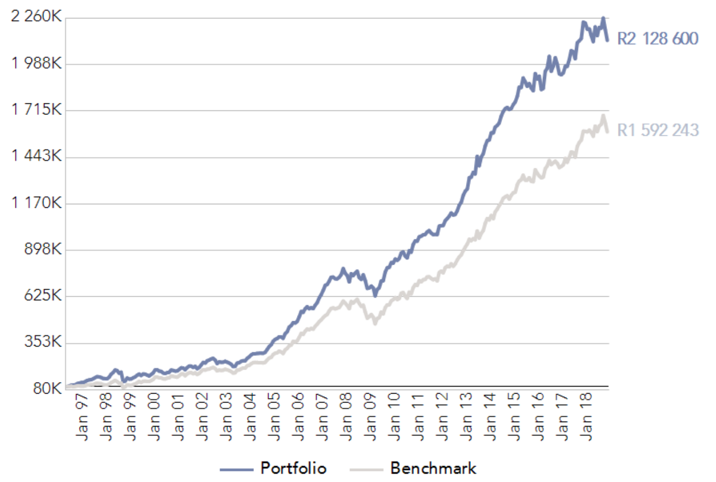
Fund category	South African - Multi Asset - High Equity
Launch date	02 April 2012
Fund size	R86.34 billion
NAV	10052.76 cents
Benchmark/Performance Fee Hurdle	Composite (52.5% equity, 22.5% bonds, 20% international, 5% cash)
Portfolio manager/s	Karl Leinberger, Sarah-Jane Alexander and Adrian Zetler

	1 Year	3 Year
Total Expense Ratio	1.19%	1.15%
Fund management fee	0.84%	0.85%
Fund expenses	0.23%	0.19%
VAT	0.12%	0.12%
Transaction costs (inc. VAT)	0.13%	0.14%
Total Investment Charge	1.32%	1.29%

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)	2028.6%	1492.2%	1286.7%
Since Launch (annualised)	14.6%	13.1%	12.4%
Latest 20 years (annualised)	14.2%	14.3%	13.2%
Latest 15 years (annualised)	14.9%	14.1%	12.8%
Latest 10 years (annualised)	12.2%	12.3%	9.8%
Latest 5 years (annualised)	6.7%	8.0%	5.8%
Latest 3 years (annualised)	3.2%	5.1%	2.7%
Latest 1 year	(4.8)%	(0.3)%	(3.6)%
Year to date	(3.0)%	0.0%	(2.1)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	13.2%	12.2%
Sharpe Ratio	0.37	0.28
Maximum Gain	57.9%	29.3%
Maximum Drawdown	(34.3)%	(31.9)%
Positive Months	67.0%	64.8%

	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 Oct 2018
Domestic Assets	**74.7%**
Equities	46.0%
Basic Materials	10.6%
Industrials	0.6%
Consumer Goods	7.0%
Health Care	2.7%
Consumer Services	8.8%
Telecommunications	2.7%
Financials	7.8%
Technology	0.3%
Derivatives	5.5%
Unlisted	0.0%
Real Estate	10.5%
Bonds	16.1%
Commodities	0.2%
Cash	3.8%
Other (Currency Futures)	(1.9)%
International Assets	**25.3%**
Equities	23.8%
Real Estate	0.7%
Bonds	0.3%
Cash	0.5%

TOP 10 HOLDINGS

As at 30 Sep 2018	% of Fund
Naspers Ltd	5.5%
British American Tobacco Plc	4.3%
Anglo American Plc	3.8%
Egerton Capital Equity Fund	3.3%
Contrarius Gbl Abs Fund	3.3%
MTN Group Ltd	2.6%
Maverick Capital	2.4%
Lansdowne Capital	2.3%
Fortress Income Fund Ltd A	2.2%
Nedbank Ltd	1.9%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
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
31 Mar 2017	03 Apr 2017	125.51	38.26	87.25

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2018	0.1%	(1.7)%	(1.7)%	4.1%	(2.3)%	2.2%	(0.2)%	2.7%	(3.0)%	(2.9)%			(3.0)%
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%
Fund 2016	(4.1)%	0.3%	5.4%	0.9%	3.6%	(4.3)%	1.5%	2.5%	(1.9)%	(2.8)%	(0.3)%	0.6%	1.0%

Issue date: 2018/11/12

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

CORONATION BALANCED PLUS FUND

Quarterly Portfolio Manager Commentary

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

The fund experienced a challenging quarter, with a return of -0.7%, mainly due to weak domestic equity markets. The fund has performed well against its peer group over meaningful time periods.

The MSCI All Country World Index ended the quarter up 4.3% in US dollars despite continued monetary policy tightening, trade war escalation and emerging markets jitters – primarily focused around Argentina and Turkey. The fund continues to take advantage of this heightened volatility across markets to invest where attractive return opportunities exist. Emerging markets continued their recent underperformance, returning 1% for the quarter (with returns now flat over a rolling 12 months) relative to developed markets, which returned 5.6% for the quarter (+12.3% over a rolling 12 months). Although the fund has benefited from its exposure to global equities, our overweight position in emerging market equities has detracted from performance. Notwithstanding this underperformance, we believe that our emerging market equity exposure currently offers compelling value.

In the US, on the back of continued robust economic growth and rising short-term rates, the US 10-year government bond yield ended above 3.0% at quarter-end (its highest level in almost seven years), lifting most developed market bond yields along with it. The Citi World Government Bond Index (WGBI) declined by 1.6% in US dollars for the quarter. The two-year rolling returns for the WGBI are now negative 2.2% per annum – a stark reminder that bond investments are not riskless. The fund has benefited from being underweight in global bonds. The US economy is notably strong (the unemployment rate just hit a 50-year low) and other advanced economies are still growing faster than long-term sustainable rates. This coupled with central bank policy rates that we believe are still too low for a non-crisis global economy, make it appear almost inevitable that interest rates will rise. We therefore continue to remain cautious on the outlook for global bonds.

The impact of tightening global financial conditions and US dollar strength has already been felt across a number of asset classes – especially in emerging markets, where domestic and external vulnerabilities have been exposed, and a number of emerging market currencies have demonstrated extreme volatility and depreciated significantly. The rand has not gone unscathed and depreciated a further 3% against the US dollar over the quarter, bringing the total depreciation to almost 13% for the year to date. Given the unfolding global macroeconomic environment, coupled with weak domestic economic fundamentals, the currency continues to look vulnerable.

Domestically, things remain very tough. The local economy dipped into recession with the second-quarter GDP number of -0.7% being well below the consensus expectations of +0.6% growth. Recent reporting by domestic consumer-facing businesses reflects this harsh economic reality, with numerous companies reporting results below expectations. In September, President Cyril Ramaphosa announced a new economic stimulus package which included several supply and demand side reforms aimed at both raising productivity and public sector-driven investment projects. These reforms comprise infrastructure spend projects, easing of work and travel visa requirements, employment tax incentives and market-friendly revisions to Mining Charter 3. Sadly, the local economy has many structural challenges and improvements are likely to take a long time to gain traction. Nonetheless, these initiatives are a step in the right direction. Against the backdrop of a very weak economy, the South African Reserve Bank was still able to leave the repo rate unchanged at 6.5%, as the inflation outlook continues to look relatively benign.

Overall, the JSE experienced a difficult quarter, with the JSE Capped Swix All Share Index declining by 1.7% (and with it dragging down rolling 12-month period returns to a paltry 0.4%). The poor returns for the quarter were driven by a weak performance from the industrial sector (-8%). The financial sector performed strongly – mainly driven by the life and non-life sectors which were up 12% and 17% respectively. The resources sector had another good quarter and was up 5% with platinum stocks (+26%) having a very strong three-month period on the back of a rising platinum group metals basket price.

With local bond yields ticking up, the All Bond Index returned only 0.8% for the quarter. We continue to maintain our very low exposure to fixed-rate bonds, with this position partly offset by our overweight position in listed property – especially the A property shares, which we believe offer very attractive risk-adjusted returns.

We continue to maintain reasonable exposure to resources based on our assessment of their long-term value. Our preference for Anglo American (+6%) over BHP Billiton (+2%) – based on a more attractive commodity mix and valuation – continued to contribute to performance for the quarter. Our platinum exposure – mainly through Northam (+9%) – also added to performance during the period under review. We took advantage of market volatility and opportunistically added to our Anglo American holdings during the period.

Naspers' share price declined on the back of a pullback in the Tencent share price. Tencent's recent quarterly earnings were disappointing and short-term earnings expectations have been revised downwards due to the restructuring of certain Chinese government departments and the subsequent delays in the licensing of new online games. Chinese authorities have also proposed new regulations around protecting minors from the adverse effects of online games, which has created uncertainty in the Chinese gaming sector. We believe the licensing delays will be a temporary disruption to the business. Furthermore, our interpretation of the new proposed gaming regulations is that they will favour strong, responsible incumbents like Tencent. As such we remain optimistic on the longer-term prospects for its online gaming business and are still very encouraged by the opportunities in growing its advertising, financial services and cloud businesses. In addition, Tencent has an outstanding investment portfolio, the value of which we believe is still very underappreciated by the market. In the case of Naspers itself, we are very encouraged by its management team's actions around portfolio optimisation and the steps taken to reduce the discount to its underlying intrinsic value. In this regard, management announced they would proceed with the unbundling of Multichoice – most likely to be completed in the first quarter of 2019.

The MTN share price declined after the surprise announcements by the Central Bank of Nigeria (CBN) and Nigerian Attorney General that MTN was in violation of certain foreign exchange control regulations and that MTN should repatriate $8 billion to the country and pay an additional $2 billion in back-taxes. These actions have created widespread uncertainty and is undermining the investment case for foreign investment in Nigeria. As the pressure of market forces has come to bear, the tone of more recent public announcements by the CBN has been less aggressive and more constructive. While these events were extremely disappointing, we believe a worst-case scenario is more than reflected in the current MTN share price (even with Nigeria at a zero value, we still see upside from current share price levels). Furthermore, we remain hopeful that rationality prevails and an amicable resolution can be found.

During the quarter, we continued to build a position in Quilter following its recent unbundling from Old Mutual. Quilter is a UK- focused integrated wealth manager. The UK savings market is substantial and the need for financial advice has increased dramatically given recent pension reforms which gives individuals more control over their retirement savings. This should act as a structural tailwind for the business. Quilter is very well placed with the second largest advice force and platform in the UK. It currently trades on around 13x one-year forward earnings and around 10x our assessment of normal earnings. This is a significant discount to its listed peers and we believe particularly attractive.

The fund's UK property holdings – primarily Intu (-13%) and Hammerson (-8%) - had another disappointing quarter mainly due to the economic uncertainty surrounding Brexit and, specifically in the case of Intu, concerns around its gearing levels. We are cognisant of the risks surrounding their investment cases, but nevertheless believe that these stocks are incredibly cheap. At quarter end, Intu was trading at a discount of more than 50% to its most recently reported NAV and offered investors a dividend yield of about 8% in pounds. Needless to say, this valuation dislocation has not gone unnoticed and after the failed offer by Hammerson for Intu earlier this year, it appears that Intu is once again in play after a consortium of investors - led by the Peel Group (Intu's largest shareholder) - confirmed that it is considering making an offer for Intu.
Some of our consumer-facing domestic holdings faced a very challenging quarter and experienced double-digit share price declines. At this point, we are asking ourselves whether the weakness is a cyclical or structural phenomenon. Has the earnings quality of food producers and retailers structurally changed? We don't believe this to be the case. In an economy with high structural inflation, it is extremely challenging for management to navigate a low volume growth environment. Only a small recovery in economic growth will significantly ease this burden. This issue has been exacerbated by the current low food inflation environment and, for producers, by additional imports on shelves because of a strong rand at the beginning of the year. As such, we believe some of these pressures will abate and continue to selectively add to the consumer stocks.

This has certainly been a testing quarter, but in this volatile and uncertain world, our objective remains on building diversified portfolios that can absorb unanticipated shocks. We will remain focused on valuation and will seek to take advantage of attractive opportunities that the market may present to us and, in so doing generate inflation-beating returns for our investors over the long term.

Portfolio managers
Karl Leinberger, Sarah-Jane Alexander and Adrian Zetler
as at 30 September 2018

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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 2017 (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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