

## 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 is limited to 45%. The fund is mandated to use derivative instruments for efficient portfolio management purposes.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS



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 1.15% (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



**NEILL YOUNG**  
BBusSc (Hons Fin), CA  
(SA), CFA

## GENERAL FUND INFORMATION

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

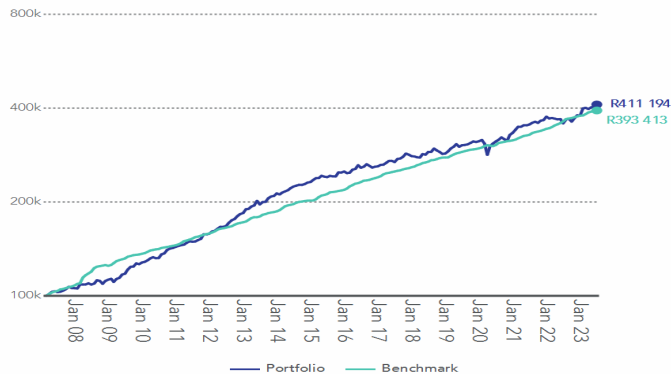
CLASS A as at 30 June 2023

ASISA Fund Category	South African - Multi Asset - Low Equity
Launch date	01 February 2007
Fund size	R31.09 billion
NAV	217.86 cents
Benchmark	CPI + 3% p.a.
Portfolio manager/s	Charles de Kock, Pallavi Ambekar and Neill Young

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.45%	1.50%
Fund expenses	0.14%	0.15%
VAT	0.17%	0.18%
Transaction costs (inc. VAT)	0.07%	0.07%
Total Investment Charge	1.52%	1.57%

## 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)	311.2%	293.4%	233.1%
Since Launch (annualised)	9.0%	8.7%	7.6%
Latest 15 years (annualised)	9.3%	8.3%	7.8%
Latest 10 years (annualised)	7.7%	8.2%	7.1%
Latest 5 years (annualised)	7.3%	7.9%	6.7%
Latest 3 years (annualised)	9.6%	8.9%	8.4%
Latest 1 year	15.0%	8.4%	11.4%
Year to date	8.6%	4.0%	5.8%

## RISK STATISTICS SINCE LAUNCH

	Fund	Peer Group Average
Annualised Deviation	5.3%	4.4%
Downside Deviation	4.3%	3.5%
Sharpe Ratio	0.40	0.17
Maximum Gain	21.2%	20.9%
Maximum Drawdown	(10.4)%	(8.1)%
Positive Months	74.0%	74.5%
	Fund	Date Range
Highest annual return	23.1%	Apr 2020 - Mar 2021
Lowest annual return	(5.8)%	Apr 2019 - Mar 2020

## MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2023	5.5%	0.4%	(0.9)%	1.2%	0.4%	1.8%							8.6%
Fund 2022	(1.3)%	0.4%	(0.5)%	(0.5)%	0.2%	(3.2)%	2.9%	0.7%	(2.2)%	2.6%	2.1%	(0.3)%	0.8%
Fund 2021	2.4%	2.2%	0.0%	1.1%	(0.1)%	0.6%	1.3%	0.8%	(0.8)%	1.7%	0.4%	2.5%	12.7%
Fund 2020	1.0%	(2.7)%	(8.0)%	6.8%	1.8%	1.5%	1.3%	1.7%	(1.2)%	(1.3)%	4.5%	1.5%	6.4%
Fund 2019	1.6%	2.1%	1.3%	2.0%	(1.9)%	1.1%	0.2%	0.5%	1.0%	1.1%	(0.4)%	0.6%	9.5%
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%

## PORTFOLIO DETAIL

## EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2023
<b>Domestic Assets</b>	<b>67.1%</b>
■ Equities	14.0%
Basic Materials	2.5%
Industrials	0.3%
Consumer Goods	1.3%
Health Care	0.2%
Consumer Services	2.9%
Telecommunications	0.7%
Financials	4.2%
Technology	2.2%
Derivatives	(0.3)%
■ Real Estate	1.3%
■ Bonds	43.0%
■ Commodities	2.1%
■ Cash	6.8%
<b>International Assets</b>	<b>32.9%</b>
■ Equities	23.6%
■ Real Estate	0.0%
■ Bonds	11.5%
■ Commodities	0.1%
■ Cash	(2.2)%

## TOP 10 HOLDINGS

As at 30 Jun 2023	% of Fund
Prosus Nv	2.1%
FirstRand Limited	1.2%
Standard Bank Of SA Ltd	1.1%
Cie Financiere Richemont Ag	1.0%
British American Tobacco Plc	0.8%
Nedbank Ltd	0.7%
Bhp Group Ltd	0.7%
Glencore Plc	0.7%
Mtn Group Ltd	0.7%
Anheuser-busch Inbev Sa/nv	0.5%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Jun 2023	03 Jul 2023	2.43	0.34	2.09
31 Mar 2023	03 Apr 2023	2.22	0.19	2.03
30 Dec 2022	03 Jan 2023	1.99	0.25	1.74
30 Sep 2022	03 Oct 2022	2.56	0.59	1.97

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

### Performance and fund positioning

Despite widespread pessimism and developed market central banks' stubborn persistence to quell inflation with restrictive interest rates, global growth continues to be surprisingly resilient. The hiking cycle in interest rates has left them at levels last seen during the Global Financial Crisis. The widely anticipated US recession has not occurred, although many investors fear it may still come. In our view, growth will slow down as the interest rate hikes of the past year take effect, but a full-blown recession may be avoided.

In emerging markets, China's post-pandemic economic recovery has been slower than anticipated and the People's Bank of China has had to step in with incremental support. Financial markets have nimbly dealt with concerns around US banking frailties, worries around commercial real estate, and apprehensions about US debt ceiling negotiations. The result has been that risk assets have delivered strong returns in the first half of this year.

In US dollars year to date, the MSCI All Country World Index came in with a positive 14%, the MSCI Emerging Markets Index was up 5% and the World Government Bond Index was up 1.4%. In South Africa (SA), rand investors fared better, assisted by an almost 10% weakening of the rand against the US dollar. This reflected the very negative investor sentiment against SA, particularly in the second quarter. This was caused by higher levels of loadshedding and the potential for secondary sanctions to be imposed on the country following accusations by the US that the local government had loaded weapons onto a US-sanctioned vessel.

Domestically, currency weakness also benefited the performance of rand hedge counters on the JSE, with the result that equity markets outperformed bond and property markets. In rands year to date, the FTSE/JSE Capped Shareholder Weighted Index was up 4%, with the FTSE/JSE All Bond Index up almost 2% and listed property (FTSE/JSE Africa All Property Index) coming in with a disappointing return of -4%.

Against this backdrop, the Fund has delivered a very pleasing performance, with a positive top-quartile return of 15.0% for the year (12 months), which places it ahead of its inflation + 3% target over one and three years and since inception. The Fund has delivered healthy real returns over five and ten years.

The Fund's allocation to global assets was the largest contributor to performance for the six months to June. Our global equity allocation and bond selection delivered strong returns, partially offset by the cost of our put protection against global equities. We continue to think that there are select attractive investment opportunities in global equity and bond markets, hence we have kept a healthy offshore exposure at 33%. We do, however recognise that, overall, global equity indices have performed very strongly and that the air for further gains from this point starts to get thinner. We have thus increased our put protection against global equities as the cost of the protection has also become cheaper. In the global bond space, we continue to pick up our allocation to specific global corporate bonds where yields are appealing. We have a well-diversified basket of holdings, limiting the risk of single-name exposure.

Domestic assets have contributed positively to Fund performance over the past six months, with the exposure taken primarily through equities and bonds. Good equity and bond selection delivered returns ahead of their respective indices. Within domestic equities, Richemont, Naspers, FirstRand, and Nedbank were the largest contributors to returns, while holdings in Anglo American, Impala Platinum, Exxaro Resources and Dis-Chem were detractors.

Richemont stands out as a top equity contributor to the Fund, not only over one year, but also over three and five years. Its ownership of the heritage jewellery brands (Cartier and Van Cleef & Arpels), as well as prestigious watch brands, gives the business a desirable product with strong pricing power that is difficult to disrupt. With these well-managed brands, the business is set up to compound hard currency revenue and earnings well ahead of inflation over the long term. This growth outlook, combined with a fortress balance sheet, means that Richemont continues to have a meaningful exposure in the Fund.

In domestic fixed income, we continue to see attractive real yields on offer from SA government bonds. However, we are more concerned about the increasing structural challenges faced by the domestic economy from our deteriorating infrastructure. We continue to manage the risk in our government fixed income allocation by curtailing the duration of the Fund's bond carve-out.

We have reduced the Fund's risk asset exposure since the beginning of the year in favour of interesting opportunities in the global income space and higher cash balances. Higher domestic interest rates have meant that near-dated cash instruments generate an appealing income yield. These instruments are attractive to us as they allow the Fund to increase its liquid resources and manage downside risk.

### Outlook

Looking forward, we expect global investors to continue to focus on inflation, interest rates, and growth as they have in the first half of the year. Headline inflation has rolled over, but core inflation continues to be sticky in developed markets. As a result, interest rates are likely to remain at elevated levels for the rest of the year and growth trends will become more muted. Geopolitical risks will remain elevated as the war in Ukraine continues and tensions between the US and China persist.

Domestically, the rapid deterioration in rail and power infrastructure present real headwinds to our industrial, retail, and export businesses. Lack of adequate fixed investment spend and proper policy reform, means that these problems will be difficult to address quickly. Low economic growth will impact the earnings power of domestic-facing businesses, but also has implications for Government's ability to manage its debt burden.

The Fund will navigate the rest of the year by continuing to stick to its process of making asset allocation and instrument selection decisions based on valuations. Notwithstanding the Fund's robust performance thus far this year, the portfolio remains resilient and is well set up to deliver on its targeted returns for clients.

### Portfolio managers

**Pallavi Ambekar, Charles de Kock and Neill Young**  
as at 30 June 2023

**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 45% 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).

**BENCHMARK DETAILS**

The benchmark used for performance purposes is CPI + 3%.

**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 over the period referenced. 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 underlying 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 the previous financial year (updated annually). The 3 year TER is for a rolling 36-month period to the last available 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**

This document is for information purposes only and does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase any particular investment. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance upon the information.