

The fund appreciated by 8.4% during the first nine months of 2007 taking its one year return to 15.4%. Over the past three years the fund has generated an annualised return of 23.8% and in the eight years since inception has generated an annualised return of 19.3% per annum, compared to the 8.4% annualised return of the MSCI World Index and the 25.5% annualised return of the FTSE/JSE All Share Index over this same period. Importantly, the returns of Optimum Growth have been generated with half the volatility of both the JSE All Share Equity Index and the MSCI World Index (10.5% volatility in the case of Optimum Growth compared with around 19% in both the indices).

This year (and indeed the past few years) has been characterised by high risk appetites amongst investors, with commodity shares, emerging markets (in particular China and India) and small cap shares being the main beneficiaries of this risk-taking. There was a brief pause in the appetite for these risky assets during August as a result of the US sub-prime fallout, but subsequently they have continued their upward surge. Whilst the fund does hold a few commodity shares (Impala Platinum and Sasol), selected emerging market shares (but only one Chinese share and no Indian shares) and a few small cap shares, the portfolio is dominated by large cap non-commodity shares in South Africa and the developed markets, in particular Europe, the UK and the US. As a result the fund's performance, whilst satisfactory and well ahead of its target of inflation+5%, has been more subdued than would have been the case had the fund been invested in some of these more risky assets. We prefer to make sure that we have reasonable downside protection in each and every asset held, even if that means sacrificing some 'potential' return. Moreover, we are comfortable that the fund's current holdings will generate attractive returns over time.

Over the past few months we have added a few new positions, both in South Africa and internationally. One of the largest new purchases in South Africa was a position in Ellerines (now 1.5% of fund). During August ABIL (African Bank) announced a take-out offer for the entire share capital of Ellerines and it was in the weeks subsequent to this announcement that we bought the shares. We believe that the deal is very positive for ABIL (and Ellerines shareholders, as the tender consideration is ABIL shares) and by buying Ellerines at R74 a share we were effectively buying ABIL at R29 a share compared with the share price of ABIL at the time of R31.50. We believe that the deal will go through, and if it doesn't we believe that our downside in Ellerines is marginal over the longer term. Whilst the credit furniture industry is currently under pressure (due to the NCA and rising interest rates) and is arguably undergoing structural change, we hold the view that there is significant potential in a combined ABIL/Ellerines unit with the opportunity for market share gains from the other furniture retailers, cost savings due to current duplication of the credit function and the potential to release excess capital. We also rate ABIL management very highly and believe that this management team can execute the transaction in a way that creates significant value for shareholders.

Internationally the fund's largest new purchase was a 1.5% position in Coca-Cola Femsa, the world's 2nd largest Coke bottler and distributor. Whilst being based in Mexico, the company has operations all over Latin America including in Mexico, Brazil, Argentina, Colombia and all of the Central American countries. The company has generated revenue growth of 24% per annum compounded over the past 15 years, earnings growth of 24% over this same period, free cash flow growth of 37% and dividend growth of 15%. At the time of purchase (during August) the company was trading on a 2007 free cash flow multiple of 10 which we believe is very attractive for a company with this track record and opportunity for continued strong growth into the future.

The fund also bought a basket of South Korean stockbrokers (Shinyoung Securities, Hanyang Securities and Dongbu Securities totalling 3.2% of the fund) during the August global market sell-off. The primary reason for buying these shares was not because of their stockbroking businesses but rather due to the fact that all three hold a stake in a very valuable unlisted asset, the Korean Stock Exchange. We have written before about the very attractive long-term fundamentals for stock exchange businesses all around the world and the Korean Stock Exchange is no exception. This exchange however is still privately owned (by the stockbroking community, just as was the case in South Africa) and as such there is no tangible value for this asset. Based on our calculations of what we believe this asset is worth, it makes up a substantial part of the market capitalisation of the Korean stockbrokers, in particular Hanyang Securities and Dongbu Securities. We have no idea when this asset will be listed, but it is only a matter of time (the listing has been announced and then postponed on two occasions already) and are prepared to wait patiently until this happens, at which point we believe that the extremely cheap implied valuations of some of the Korean stockbrokers will become apparent.

We continue to hold the view that the equities, both international and South African, held by the fund are undervalued and continue to grow their business values. We also hold the view that the rand will depreciate over longer time periods and with almost 70% of the fund invested internationally this will benefit the fund. As a result, we expect the fund to continue to generate attractive real returns over longer time periods.

**Gavin Joubert**  
Portfolio Manager

# CORONATION OPTIMUM GROWTH

**Class A**  
as at 30 September 2007

**CORONATION**  
FUND MANAGERS

**Fund category**  
**Fund description**

Worldwide Asset Allocation Flexible  
Aims to deliver long-term growth by investing in a combination of local and international investments across all asset classes.

**Launch date**

15 March 1999

**Portfolio manager**

Gavin Joubert

**Fund size**

R1.3 billion

**NAV**

3865.62 cents

**Benchmark/performance fee hurdle**

CPIX + 5%

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

	30 Sep 2007
<b>Equities</b>	<b>80.31%</b>
South Africa	29.20%
Europe	20.94%
Asia Pacific	9.60%
United States	9.21%
Latin America	7.99%
United Kingdom	1.93%
Japan	1.43%
<b>Cash</b>	<b>19.69%</b>
ZAR	8.52%
USD	8.47%
Other currencies	1.84%
Euro	0.86%

### TOP 15 HOLDINGS

As at 30 September 2007	% of Fund
Naspers Ltd – N ordinary shares	5.31%
Impala Platinum Holdings Ltd	3.39%
Sasol Ltd – ADR	3.26%
Woolworths Ltd	3.22%
Network Healthcare Holdings Ltd	3.04%
Comgest Nouvelle Asie	3.02%
Limited Brands Inc.	2.86%
Remgro Ltd	2.50%
Edinburgh Partners Opportunity Fund	2.30%
Tiger Brands Limited	1.93%
Ultrashort Russel 2000	1.93%
China Telecom	1.89%
Nasdaq Stock Market Inc	1.88%
JSE Ltd	1.85%
UBS AG	1.74%
<b>Total</b>	<b>40.12%</b>

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/09/2007	01/10/2007	31.60	23.36	8.24
31/03/2007	01/04/2007	7.64	4.93	2.71
30/09/2006	01/10/2006	66.66	51.02	15.64
31/03/2006	01/04/2006	38.44	36.19	2.25

### MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2007	5.19%	-2.06%	1.77%	1.99%	1.72%	-2.20%	-0.37%	0.41%	1.81%			
Fund 2006	3.19%	-0.07%	2.05%	0.99%	2.17%	3.60%	-0.96%	3.63%	6.62%	1.37%	3.69%	1.32%
Fund 2005	2.48%	1.20%	0.77%	-1.62%	6.58%	1.02%	4.34%	1.14%	1.84%	0.80%	0.15%	3.17%

### FEES (excl. VAT)

<b>Initial Fee*</b>	Coronation: 0.00% (Direct)
<b>Annual Management Fee - performance related**</b>	Minimum: 1.00% Maximum: 3.50% Sharing rate: 15%

\*An initial fee of 0.25% will be charged on all investments placed via administration platforms like Linked Investment Service Providers (LISPs).

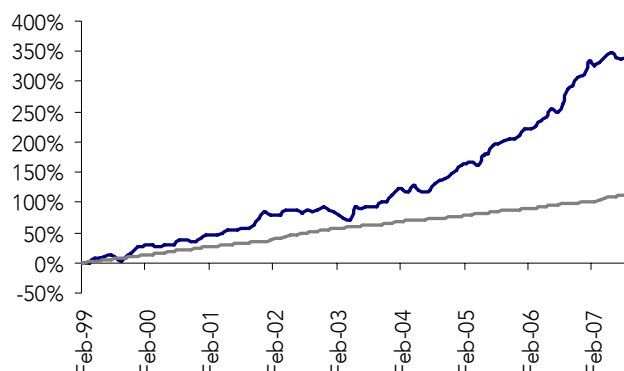
\*\*A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.

### Advice Costs (excluding VAT)

- Initial and ongoing advice fees may be facilitated on agreement between the Client and Financial Advisor.
- An Initial advice fee may be negotiated to a maximum of 3% and is applied to each contribution and deducted before investment is made.
- Ongoing advice fees may be negotiated to a maximum of 1% per annum (if initial advice fee greater than 1.5% is selected, then the maximum annual advice fee is 0.5%), charged by way of unit reduction and paid to the Financial Advisor monthly in arrears. This annual advice fee is not part of the normal annual management fee as disclosed above.
- Where commission and incentives are paid, these are included in the overall costs.

## PERFORMANCE AND RISK STATISTICS<sup>1</sup>

### CUMULATIVE PERFORMANCE SINCE INCEPTION



— Coronation Optimum Growth — CPIX

### PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	8.35%	10.03%	-1.68%
Latest 12 months (annualised)	15.39%	11.43%	3.96%
Latest 36 months (annualised)	23.82%	10.39%	13.43%
Latest 60 months (annualised)	19.24%	10.05%	9.19%
Since inception (annualised)	19.29%	11.35%	7.94%
2006	31.09%	8.31%	22.79%
2005	23.91%	9.03%	14.87%
2004	19.54%	9.29%	10.25%
2003	13.37%	9.05%	4.32%

### RISK AND RETURN STATISTICS SINCE INCEPTION

	Fund	MSCI World (ZAR)	ALSI
Annualised average return	19.91%	8.37%	25.52%
Annualised deviation	10.46%	19.15%	18.46%
Downside deviation	5.39%	10.25%	10.38%
Sharpe ratio	0.86	-0.20	0.72
Maximum gain	28.71%	44.31%	40.25%
Maximum drawdown	-11.72%	-51.40%	-30.43%
Positive months	71.57%	50.98%	60.78%

### Total Expense Ratio (TER)<sup>2</sup>

2.24% per annum, which includes a performance fee of 0.82%

When applicable, Coronation shares in the fund performance above the benchmark. This performance fee is accrued daily, based on the fund's financial year to date performance, and paid to Coronation annually. If the fund produces a return in line with or below the benchmark for the relevant financial year to date, the minimum fee of 1.00% applies.

For further information regarding our fee structure please contact us or visit our website.