

2008 saw the worst year for global equity markets since the market crash of 1929, with most major global indices declining by 40% or more in dollars. The depreciation of the rand shielded the South African market somewhat and the All Share index ended the year down 23.2%. Against this backdrop, the fund ended the year down 12.2%, generating compounded annualised returns of 8% over the past 3 years and 16.5% over the past 5 years. For the 6 years since inception the fund returned 18.3%. Its returns were therefore close to that of the All Share index over both 3 and 5 years, but with significantly less volatility (11% for the fund vs. 18% for the index).

The fund's performance during 2008 was really a tale of two halves. During the first half, the fund had a torrid time as the commodity and construction bubbles reached frenzied levels and go-go 'investors' threw out local industrial and financial stocks to fund their purchases of these two feel-good stories. Remember, oil was heading towards \$200 a barrel and construction earnings were invincible, whilst there was no end in sight to interest rate increases. As a result, we found very little value in commodity and construction shares and had negligible exposure in these areas, while we were finding plenty of value in local industrials (like Truworths, Mr Price, AVI and Tiger Brands) and were adding to these positions. As a result, the fund declined by 8% during the 1st six months of the year (a period during which the All Share index actually increased by around 5%) and experienced two of its worst months ever. The 2nd half of the year sketched a totally different picture; the commodity bubble started bursting in July, construction companies' invincible earnings started looking not so invincible, and the end of the interest rate cycle started becoming apparent. As a result, the All Share index declined by 28%, while the fund declined marginally by just over 3%. This was driven by low commodities and construction exposure as well as strong share price appreciation of the four afore-mentioned stocks (Truworths, Mr Price, AVI and Tiger Brands), amongst others.

As momentum investors start piling into interest rate sensitive shares again (the cycle has turned of course), these shares are moving closer to what we believe they are worth, and we have resultantly been reducing our exposure in this area. At the same time, it is typically these same investors who are now selling their commodity shares at any price (oil is now going to \$ 35). We have therefore been finding some selected value in this area and have been a net buyer of commodities, including the purchase of Anglo American for the first time in many years.

The largest purchase over the past few months has been that of MTN. The fund has held MTN for the past year or so but we substantially increased the position as the share fell to the R 75 to R100 level over the past few months. We are attracted by the company's dominant position (largest or 2nd largest operator) in several African and Middle East markets where penetration rates are low and hence have many years of growth ahead in our view. After having done extensive research on mobile markets in emerging markets across the world, we are of the view that MTN's prospects are amongst the best within its global peer group and that its valuation is by far the most attractive. More importantly, in absolute terms, we also find its valuation very attractive. The company is now trading on a PE of 5 on what we believe it will earn three years from today.

We are finding very good value in selected equities and, as a result, the fund's South African equity exposure is just over 60%. The fund has also utilised its full foreign exposure of 20% and has the bulk of this invested in global equities, which we believe are very cheap. We are still finding selected value in listed property stocks and the fund has a total of around 4% invested in property, with a concentrated focus on the higher quality companies. In contrast, we feel that bonds are currently expensive and have zero exposure in this area.

The year or two ahead will be very difficult, both in South Africa and globally, from an economic point of view. Additionally, South Africa has the challenge of political uncertainty, particularly as we approach the election. However, with our careful stock selection we believe the fund is well placed to start moving towards achieving double-digit returns again.

**Edwin Schultz and Gavin Joubert**  
**Portfolio Managers**

# CORONATION ABSOLUTE

**Class A**  
as at 31 December 2008

**CORONATION**  
FUND MANAGERS

**Fund category** Domestic Asset Allocation Flexible  
**Fund description** Aims to maintain a real growth rate of 6% per annum, and preserve capital over any rolling 36-month period.  
**Launch date** 2 December 2002

**Portfolio manager/s** Edwin Schultz and Gavin Joubert  
**Fund size** R1.4 billion  
**NAV** 2463.85 cents  
**Benchmark/performance fee hurdle** CPIX + 6% p.a.

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 December 2008
<b>Domestic Assets</b>	<b>79.33%</b>
<b>Equity</b>	<b>61.23%</b>
Basic Materials	12.78%
Industrials	3.49%
Consumer Goods	16.50%
Consumer Services	18.99%
Telecommunications	9.50%
Technology	0.26%
Financials	5.76%
Derivatives	(6.05%)
<b>Real Estate</b>	<b>4.16%</b>
<b>Cash</b>	<b>13.94%</b>
<b>International Assets</b>	<b>20.67%</b>
<b>Equity</b>	<b>20.56%</b>
<b>Cash</b>	<b>0.11%</b>

### TOP 10 HOLDINGS

As at 31 December 2008	% of Fund
MTN Group Ltd	6.80%
Naspers Ltd	6.64%
Coronation World Wide Equity Fund	4.80%
Tiger Brands Ltd	4.68%
SAB Miller Plc	4.34%
AVI Ltd	4.26%
BHP Billiton Plc	3.49%
British American Tobacco Plc	3.15%
Compagnie Financiere Richmont SA	3.06%
Impala Platinum Holdings Ltd	3.04%
<b>Total</b>	<b>44.26%</b>

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/09/2008	01/10/2008	43.93	34.71	9.22
31/03/2008	01/04/2008	17.62	11.30	6.32
30/09/2007	01/10/2007	28.56	19.38	9.18
31/03/2007	01/04/2007	15.85	9.15	6.70

### MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	-7.07%	4.12%	-2.33%	1.17%	1.82%	-6.22%	-0.05%	3.14%	-4.45%	-4.94%	0.08%	2.62%
Fund 2007	5.31%	-0.61%	3.00%	3.57%	0.43%	-1.97%	-1.43%	1.09%	1.65%	4.12%	-2.90%	-1.33%
Fund 2006	4.95%	-0.12%	2.28%	1.00%	-0.84%	-0.11%	0.26%	3.10%	3.11%	4.55%	4.04%	3.88%

### FEES (excl. VAT)

<b>Initial Fee*</b>	Coronation: 0.00% (Direct)
<b>Annual Management Fee - performance related**</b>	Minimum - standard: 1.25% Minimum - discounted: 0.75% Maximum: 3.75% Sharing rate: 20%

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

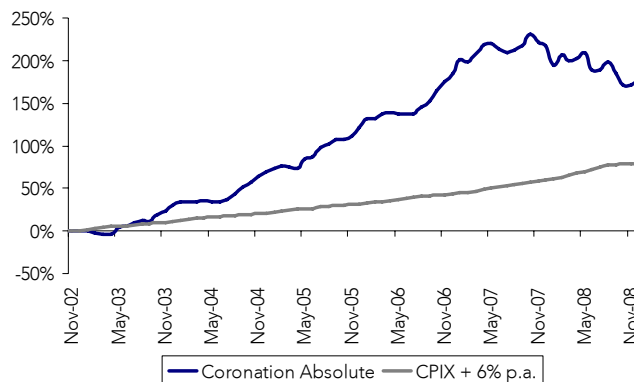
\*\* A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.

### 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



### PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	-12.21%	16.41%	-28.61%
Latest 12 months	-12.21%	16.41%	-28.61%
Latest 36 months (annualised)	8.00%	13.96%	-5.96%
Latest 60 months (annualised)	16.50%	12.42%	4.07%
Since inception (annualised)	18.32%	11.97%	6.36%
2007	11.07%	14.57%	-3.50%
2006	29.17%	10.97%	18.20%
2005	30.13%	10.03%	20.09%
2004	30.91%	10.29%	20.62%

### RISK STATISTICS SINCE INCEPTION

	Fund	CPIX
Annualised deviation	10.35%	1.79%
Downside deviation	7.05%	N/A
Sharpe ratio	0.82	N/A
Maximum gain	31.34%	N/A
Maximum drawdown	-18.10%	N/A
Positive months	65.75%	N/A

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

1.78% per annum, which includes a performance fee of 0.42%

When applicable, Coronation shares in the fund performance above the benchmark. This performance fee is accrued daily, based on performance over a rolling 12-month period, and paid to Coronation monthly. If the fund produces a positive return in line with or below the benchmark, the standard minimum fee will be levied. If the fund produces a negative return over a rolling 36-month period, the discounted minimum fee applies.

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