CORONATION FINANCIAL

Class A
as at 31 December 2008

CORONATION FUND MANAGERS

For reasons now well documented, 2008 will be remembered as one of the great bear markets in financial history. The fund was unable to achieve positive returns in a period in which the financials index returned -26.2. However, it managed to outperform the index with a return of -18.7%. The final quarter of 2008 saw the fund generating -5.4% versus -11.4% for the index. The outperformance can be attributed to an overweight banks position and an underweight Old Mutual position in the fund. The various holdings in small cap financials also had a positive effect on performance. Over the longer term, the fund has managed to generate positive returns and outperform the index, returning 18.2% versus 16.2% for the index over 5 years.

As we move into 2009, one can only pause to reflect on the significance of the year gone by in terms of shaping financial markets into the future. Many lessons will be drawn from the financial crisis that escalated during 2008 and the manner in which business is done globally will without doubt change. The impact of the crisis on the earnings of developed market banks was far more severe when compared to our own banks, indicating that the earnings base of these developed market banks had been significantly boosted by unsustainable profits, most of which are not likely to recur. As discussed in earlier commentary, South African banks were not significantly exposed to subprime assets and generally remain well capitalised. Despite this, our financial stocks were not spared in the sell-off and priced no differently to those of developed markets undergoing structural change. This, we believe, presents opportunities in our universe.

The banking index did better for the year at -10.4% than the life insurance index return of -46.9%. The life sector underperformance was mainly as a consequence of the large fall in Old Mutual's share price (down 64% for the year). The developments in global equity and credit markets exposed significant risks in Old Mutual's US life operations and reduced its attractiveness as an investment. We were therefore sellers of our holding earlier in the year. A change in CEO brings with it the potential for a good, hard look at the group. At its current price, we believe, there is value in the share assuming the US life exposure can be ringfenced, and no large additional capital injections are required. This is the key uncertainty, and given the attractive valuations of other financial stocks on offer in our market, we do not currently view the risk/return trade-off associated with Old Mutual sufficiently attractive to warrant holding the share in the portfolio. Liberty and Sanlam are companies that are owned by the fund, and the operational fundamentals of these businesses have fared well in a tough environment (e.g. new business numbers have been reasonably strong in a tough environment and lapses have not come in as high as we expected.) Our valuations of the domestic life companies also give us conviction that they are intrinsically undervalued, trading at discounts to embedded value of between 20% and 35%.

The banks showed earnings growth ranging from +10% to -10% which is acceptable for this point in the cycle. The major drivers were rising bad debt charges associated with the increasing stress on the consumer, brought about by the higher interest rates and high inflation. What is encouraging to see, though, is that within the banks' portfolios arrear levels for the shorter term assets (e.g. credit cards, vehicle finance and personal loans) are showing signs of flattening out and may even improve with the prospects of lower inflation and hence lower interest rates going forward. Home loan portfolios have, however, showed continued deterioration during the year and may take longer to cure and improve. All these are cyclical factors which will abate, and on our through-the-cycle valuations, banks trade at attractive price to book ratios at 1.5x and forward PE multiples of between 6.5x and 8.5x. We therefore believe the banks still offer value and continue to hold Standard Bank, FirstRand, Absa, Investec and African Bank in the fund.

The other financials arena is an area we believe the fund can continue to add value over time. Many of the businesses in this area tend to be entrepreneurially driven and focussed on niche areas of the financial services market. Many have sold off this year and now offer attractive valuations compared to their intrinsic worth. Currently we favour and hold positions in Peregrine Holdings, Coronation Fund Managers and JSE Limited. We believe asset managers may experience short-term earnings disappointments in tougher markets but have maintained franchise value and therefore retained both their funds under management and key managers. These businesses should improve their earnings base over time as asset levels grow from depressed levels and the potential for performance fee related revenues returns. The JSE is very cash generative and continues to grow trading volumes and still has a long way to go in terms of product innovation and additional sources of revenue when compared to developed market exchanges. We expect superior earnings growth over time, yet one is only paying a fair multiple on current profits.

What does 2009 have in store? We are cautiously optimistic about the outlook for financials. At the December MPC meeting, the SA Reserve Bank cut interest rates by 50 basis points in what we believe is the first of more rate cuts into 2009. The inflation outlook has improved and this too should improve the disposable incomes of South African consumers and have a positive effect on bad debt levels within banks as well as lowering lapse rates within insurers. Our caution is really a question over the extent to which the global slowdown will impact employment in South Africa. Already certain sectors (e.g. mining) have announced retrenchments and we expect more to come. The severity of the slowdown may also impact corporate defaults resulting in higher than expected impairment charges in the banks. We, however, remain confident in the financial strength and franchise value of the local financial institutions we are invested in and take comfort in the margin of safety afforded by the intrinsic values of all our holdings compared to their current prices.

Neill Young and Godwill Chahwahwa
Portfolio Managers

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CORONATION FUND MANAGERS

Fund category	Domestic Equity Financial	Portfolio manager/s	Neill Young and Godwill Chahwahwa
Fund description	Invests in a broad range of financial shares, including banks, insurance and investment companies.	Fund size	R169.5 million
		NAV	2096.45 cents
		Benchmark	FTSE/JSE Africa Financial Index
Launch date	1 July 1998		

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 December 2008
Domestic Assets	100.00%
Equity	97.92%
Industrials	4.45%
Financials	93.47%
Real Estate	0.84%
Cash	1.24%
International Assets	0.00%

TOP 10 HOLDINGS

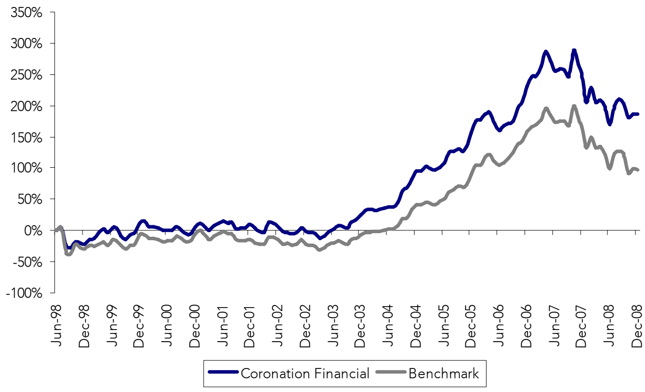
As at 31 December 2008	% of Fund
Standard Bank Group Ltd	20.65%
FirstRand/RMB Holdings Ltd	17.02%
Discovery Holdings Ltd	9.67%
Absa Group Ltd	9.42%
Investec Ltd	7.74%
Liberty International Plc	7.26%
African Bank Investments Ltd	7.11%
JSE Limited	4.08%
Sanlam Ltd	4.01%
Peregrine Holdings Ltd	3.31%
Total	90.27%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/09/2008	01/10/2008	64.50	62.40	2.10
31/03/2008	01/04/2008	38.10	37.03	1.07
30/09/2007	01/10/2007	10.40	9.58	0.82
31/03/2007	01/04/2007	48.55	47.47	1.08

PERFORMANCE AND RISK STATISTICS[1]

CUMULATIVE PERFORMANCE SINCE INCEPTION



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	-18.71%	-26.17%	7.46%
Latest 12 months	-18.71%	-26.17%	7.46%
Latest 36 months (annualised)	3.56%	1.10%	2.47%
Latest 60 months (annualised)	18.16%	16.22%	1.94%
Since inception (annualised)	10.52%	6.66%	3.86%
2007	6.06%	3.03%	3.03%
2006	28.83%	35.83%	-7.00%
2005	32.02%	34.69%	-2.67%
2004	57.09%	52.38%	4.71%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	21.97%	24.46%
Sharpe ratio	-0.03	-0.19
Maximum gain	53.63%	80.40%
Maximum drawdown	-30.89%	-39.78%
Positive months	59.52%	60.32%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	-13.50%	8.09%	-7.43%	1.55%	-3.55%	-9.49%	11.09%	3.79%	-2.84%	-7.04%	1.70%	0.04%
Fund 2007	4.43%	0.27%	4.47%	6.87%	-3.85%	-4.77%	1.00%	-0.47%	-2.73%	12.21%	-5.75%	-4.19%
Fund 2006	7.01%	0.60%	3.69%	0.43%	-5.96%	-4.35%	2.94%	1.45%	1.68%	7.56%	3.63%	7.94%

FEES (excl. VAT)

Initial Fee*	Coronation: 0.00% (Direct)
Annual Management Fee**	1.25%

*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.

Total Expense Ratio (TER)[2]	1.44% per annum

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.

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