

2008 saw the worst year for global equity markets since the market crash of 1929, with most major global indices down 40% (in dollars), or more. In rands, the JSE All Share index ended the year down 23%, the MSCI World Index down 17% and the MSCI Emerging Markets Index down 35%. Against this backdrop, the fund had a very disappointing year, declining by 24% (its first negative year since inception ten years ago) and as such faring broadly in line with the headline indices. In hindsight, the equity exposure of the fund was too high (in the 80% to 90% range for most of the year) and the exposure to Emerging Markets and operators of the stock exchanges also detracted. We apologise for the past year's poor performance and look forward to 2009 and beyond when unit holders will hopefully be rewarded for their patience in the fund. We also look forward to see returns more in line with the fund's long-term track record and objective of compounding returns at around 15% per annum, with approximately 10% volatility.

There is no doubt that technical factors (de-leveraging by investment banks and hedge funds as well as forced selling by mutual funds) have played as large a role as fundamentals in the share price declines. As a result, there are many indicators today signalling that equity markets are cheap: lowest P/E multiples in 50 years, highest level of both dividend and earnings yields to bond yields in several decades, record amounts of cash in money market accounts, all-time lows for US Treasury yields (indicating the extent of fear). But perhaps the most important measure for us is the difference between current share prices and fair values (what businesses are worth as calculated by discounting the future free cash flows using a sensible discount rate). This gap between current share prices and fair values is as high as we have seen it and is at least 50% for all the portfolio holdings, and well over 100% in many cases.

The argument is often put forward that the 'E' in the 'P/E' is wrong and equities are therefore not cheap. In our view, this is a very common and short-term way of thinking often heard by the market commentators on TV and radio. Our counter argument to this would be twofold. Firstly, share prices have declined by so much that the 'E' would have to be very, very wrong for equities not to be cheap. Secondly, the value of a business is ultimately determined by what a company will earn over the next 20 years, not just the next 12 months. Most investors are typically fixated on the next 12 months of earnings and this fixation provides great opportunity for any investor with a longer-term time horizon. The year or two ahead are undoubtedly going to be very difficult from a global economic point of view. Is it possible that Nokia's earnings disappoint by 30% in 2009 and the P/E is actually 12 and not 9? Absolutely. However, while a 9 P/E for the leading brand in the growing global mobile handset market is a steal a 12 P/E, in our view, is still pretty attractive. In other words, a large amount of bad news has been priced into global equities. Additionally, it is our view that mobile handset sales in China, India and many other countries will be significantly higher in 3, 4 and 5 years time than they are today and as a result, so will Nokia's earnings. What Nokia will earn over the next 12 months may be relevant to the short-term share price but it isn't relevant to the share price over the longer-term. What it will earn over the next 5 and 10 years will determine what the business is worth, and ultimately the share price. Similar arguments can be made for all of the fund's large holdings.

The indiscriminate selling over the past few months (correlations between individual stocks are at 20 year highs) created a great opportunity to the long-term investor to buy some of the best companies in the world at very cheap valuation levels, and in this regard the 12 largest individual holdings (excluding holdings in other funds) of the fund today are:

- **Naspers:** Owner of some of the best Emerging Market media assets, including a dominant position in pay-TV in South Africa and Africa as well as a stake in what is arguably the dominant and highest quality internet asset in China (Tencent), trading on a single-digit normalised free cash flow multiple.
- **MTN:** Leading market positions in several African and Middle East mobile markets, all of which have low penetration rates and trading on a 5 P/E multiple based on what we believe the company will earn 3 years from today.
- **AVI:** Branded food company with leading positions in several categories including coffee, tea and biscuits; trading on a 10 P/E multiple.
- **Pfizer:** World's largest pharmaceutical company trading on an 8 P/E and 7% dividend yield.
- **America Movil:** The dominant mobile operator in Latin America with leading market positions in Mexico, Brazil and Colombia; trading on a 10 P/E and applying significant free cash flow generation to ongoing share buy-backs.
- **Nokia:** Number one player in global mobile handset market trading on a 9 P/E and 5% dividend yield.
- **Microsoft:** Dominant global software company with 15% of its current market in cash and trading on a 9 P/E excluding its \$20 billion cash pile.
- **EBay:** Leading e-commerce auction site in the US, with large growing international operations trading on a 9 P/E and 6% dividend yield.
- **Google:** World's dominant search engine trading on a 15 P/E but with superior long-term growth prospects through being the prime beneficiary of the continued switch from traditional print advertising to internet advertising.
- **Mastercard:** The second largest credit card transaction processing company in the world, trading on a 15 P/E with above average long-term growth prospects through continued growth in transaction volumes and operational gearing.
- **Carlsberg:** One of the world's largest beer brewers with a dominant position in the under-penetrated Russian beer market and trading on a 7 P/E.
- **Inditex:** Owner of the Zara brand and one of the largest global clothing retailers, trading on a 13 P/E but with above average growth prospects through continued store rollout globally, particularly in under-penetrated Asia.

It is truly rare to be able to buy this collection of assets on the multiples that one is currently able to buy them on. We are not sure if today's share prices present a once-in-a-decade buying opportunity or the more clichéd once-in-a-lifetime opportunity. However, we do believe that the opportunity is massive; when a fat person walks through a door one does not need to know exactly how much the person weighs in order to know that he or she is fat.

**Gavin Joubert**  
Portfolio Manager

# CORONATION OPTIMUM GROWTH

**Class A**  
as at 31 December 2008

**CORONATION**  
FUND MANAGERS

**Fund category** Worldwide Asset Allocation Flexible  
**Fund description** 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** R893.0 million  
**NAV** 2888.48 cents  
**Benchmark/performance fee hurdle** CPIX + 5% p.a.

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

	31 December 2008
<b>Equities</b>	<b>93.62%</b>
United States	23.61%
South Africa	22.41%
Europe	18.36%
Asia Pacific	11.22%
Latin America	7.92%
Japan	7.57%
United Kingdom	3.42%
GEM Hedge	(0.89%)
<b>Cash</b>	<b>6.38%</b>
USD	3.20%
ZAR	2.64%
Euro	0.30%
Other	0.24%

### TOP 15 HOLDINGS

As at 31 December 2008	% of Fund
MTN Group Limited	6.07%
Naspers Ltd	5.91%
CF Morant Wright Japan	4.94%
Coronation Global Emerging Markets Flexible Fund	4.72%
Edinburgh Partners European Opportunity Fund	2.93%
Nokia Corporation ADR	2.91%
Comgest Nouvelle Asia	2.79%
AVI Ltd	2.79%
Pfizer Inc	2.78%
Microsoft Corp	2.45%
America Movil ADR	2.39%
Google Inc	2.10%
EBay Inc	1.99%
Carlsberg ASB	1.87%
Mastercard Inc	1.80%
<b>Total</b>	<b>48.44%</b>

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/09/2008	01/10/2008	27.68	25.03	2.65
31/03/2008	01/04/2008	37.15	29.64	7.51
30/09/2007	01/10/2007	31.60	23.36	8.24
31/03/2007	01/04/2007	7.64	4.93	2.71

### MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	-2.37%	3.09%	-0.25%	-1.71%	2.17%	-8.50%	-6.13%	1.56%	-5.52%	-6.17%	-3.99%	0.63%
Fund 2007	5.19%	-2.06%	1.77%	1.99%	1.72%	-2.20%	-0.37%	0.41%	1.81%	2.22%	-0.89%	0.54%
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%

### 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 (LISP's).

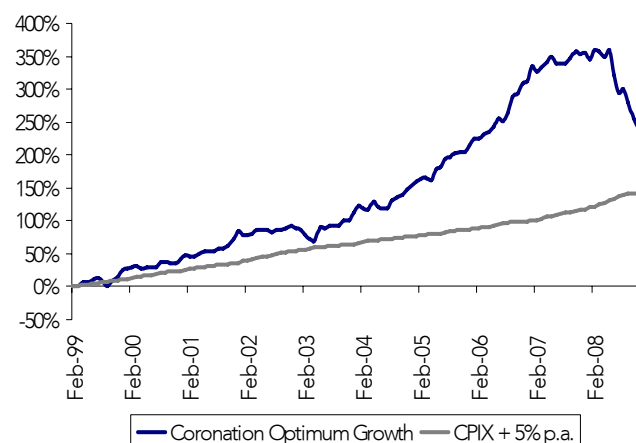
\*\* A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.

### 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	-24.67%	15.41%	-40.08%
Latest 12 months	-24.67%	15.41%	-40.08%
Latest 36 months (annualised)	2.91%	12.96%	-10.05%
Latest 60 months (annualised)	10.05%	11.42%	-1.37%
Since inception (annualised)	13.49%	11.82%	1.67%
2007	10.36%	13.57%	-3.21%
2006	31.09%	9.97%	21.12%
2005	23.91%	9.03%	14.87%
2004	19.54%	9.29%	10.25%

### RISK AND RETURN STATISTICS SINCE INCEPTION

	Fund	MSCI World (ZAR)	ALSI
Annualised average return	14.20%	5.08%	18.80%
Annualised deviation	11.32%	18.56%	19.53%
Downside deviation	7.73%	10.34%	8.92%
Sharpe ratio	0.26	-0.39	0.31
Maximum gain	28.71%	44.31%	40.25%
Maximum drawdown	-25.75%	-51.40%	-32.87%
Positive months	67.52%	48.72%	58.97%

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

1.27% per annum, which includes a performance fee of 0%

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.