

# CORONATION BALANCED PLUS

## Class A

as at 30 September 2008

The fund had an excellent quarter, now returning 15.0% p.a. over a rolling 3-year period (compared to 13.8% from the benchmark). Over a rolling 5-year period the fund outperformed its benchmark by 2.6% p.a. (23.6% vs. 21.0%). The fund remains one of the best performing funds in its sector over all longer-term periods.

Markets remain very challenging. The current environment will go down in history as one of the great crises of the modern era. Credit is the oxygen that feeds economic activity. With the credit crunch as far advanced as it is, there can be no doubt that many countries will go into recession. Even the emerging economies, thought by many to be immune to the woes of the developed world, now appear unlikely to escape unscathed.

To add salt to the wounds, this downturn is unlikely to be short and sharp (as was the case in 1987, the early 1990s, 1998 and the early 2000s). One should not underestimate the impact that deleveraging will have - consumers around the world are geared to overpriced houses and this will take years to correct.

On a more positive note, regulators and governments are now united in their resolve to get 'ahead of the curve' and restore confidence in the system. Ad hoc solutions are no longer working, systemic solutions are required. We therefore expect more deposit guarantees, further recapitalisation initiatives (outside the US) and synchronised rate cuts. The good news is that we think that the crisis will pass. The global economy is much better balanced than it has been for many decades.

In times of crisis, allocators of capital look for opportunity. While many will argue that the current environment calls for a focus on a return of capital (i.e. cash), we think that the opportunity for the long-term investor lies in equities (a return on capital). As we commented in the June quarter, we believe that buying quality assets at low prices is the route to wealth creation. The pendulum has swung from greed to fear. Investors have capitulated - they are now giving equities away with little regard for valuation. We do not expect the macro environment to improve in the near term. We also have no idea when markets will turn. But we do know that equities are cheap. It has been 20 years since global equities traded at such low ratings and the margin of safety is now large.

Equities declined by 21% in the quarter (resources -38%, financials +12%, industrials -4%). It was somewhat of a watershed quarter for Coronation in that it vindicated our long-held view that commodities were overvalued. We had no special insights into what was coming. Our advantage lay in our investment philosophy - an uncompromising commitment to the long term. Commodities are notoriously cyclical. Whenever investors talk of structural change, beware of the cycle! To this day we are amazed at the capital around the globe that poured into commodities 8 years into the biggest commodity bull market in history. That said, the sell-off has now been so severe that we are now seeing good value in selected commodity counters. Billiton has demonstrated over the years the superior quality of its assets (low cost, long life) and its management team. The share has declined by close to 50% as commodities have sold off. The company now trades at 5.5 times current year earnings and 11.4 times our assessment of mid-cycle earnings.

In a single quarter banks have gone from being reviled to being loved. The relative performance of banks to resources in the quarter was a 5 sigma event, comfortably fitting the definition of a fat tail. Once again, we had no special insights - just the broad shoulders to recognise that quality franchises, with excellent management teams trading at 5.5 times their earnings presented an excellent buying opportunity (even with the interest rate cycle against you).

We have seen dramatic moves in domestic counters (Mr Price +48%, Absa +35%, Aspen +33%, Truworths +30%) as investors have come to realise that a lot of the bad news was in the price and that South Africa is one of the few countries that moved early with rate hikes. While we have kept the DNA of the portfolio very much intact, we have taken some profits in domestic counters and invested it in selected resource counters (mainly the diversified miners, whose diversification across commodities and producer currencies is attractive at this point in the cycle).

MTN declined by 8% in the quarter. In the past we have been uncomfortable with the premium one had to pay for its growth prospects. This premium has disappeared in the emerging market sell-off and we have now acquired a substantial position in the stock (top 5 position in the fund).

The bond market had an astonishing quarter (+12.6%), with July being its third best month in history. The move contributed to performance as we had resisted the temptation to sell on deteriorating newsflow and had bought big volumes on long dated NCDs. Property also had an astonishing quarter (+23%). This move contributed substantially to performance as we had sold into the strongly rising market of 2007 and then bought into the sell-off in the first half of this year.

In conclusion, while we acknowledge that it is not easy, we strongly encourage investors to put emotion aside and focus on the once-in-a-generation opportunity that markets are currently offering the long-term investor.

**Louis Stassen and Karl Leinberger**  
Portfolio Managers

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<b>Fund category</b>	Domestic Asset Allocation Prudential Variable Equity	<b>Portfolio manager/s</b>	Louis Stassen and Karl Leinberger
<b>Fund description</b>	A fully managed investment solution diversified across the various asset classes and sectors. Its asset allocation is compliant with Regulation 28 of the Pension Funds Act.	<b>Fund size</b>	R3.2 billion
<b>Launch date</b>	15 April 1996	<b>NAV</b>	4450.22 cents
		<b>Benchmark</b>	Composite benchmark (63% equity, 22% bonds, 10% international, 5% cash)

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 September 2008
<b>Domestic Assets</b>	<b>80.59%</b>
<b>Equity</b>	<b>55.50%</b>
Oil & Gas	2.66%
Basic Materials	13.41%
Industrials	8.47%
Consumer Goods	8.18%
Healthcare	2.47%
Consumer Services	8.03%
Telecommunications	3.65%
Financials	8.78%
Technology	0.03%
Derivatives	(0.18%)
<b>Preference Shares &amp; Other Securities</b>	<b>0.10%</b>
<b>Real Estate</b>	<b>4.20%</b>
<b>Fixed Interest</b>	<b>6.09%</b>
<b>Cash</b>	<b>14.70%</b>
<b>International Assets</b>	<b>19.41%</b>
<b>Equity</b>	<b>19.38%</b>
<b>Cash</b>	<b>0.03%</b>

### TOP 10 HOLDINGS

As at 30 September 2008	% of Fund
Coronation World Wide Equity Fund	14.91%
Standard Bank Group	4.57%
Naspers Ltd	4.09%
BHP Billiton Plc	3.76%
MTN Group Ltd	3.58%
Richemont Securities AG	3.16%
Sasol Ltd	2.66%
Remgro Ltd	2.62%
Anglo American Plc	2.41%
Coronation Global Emerging Markets Fund	2.20%
<b>Total</b>	<b>43.96%</b>

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/09/2008	01/10/2008	85.24	41.30	43.94
31/03/2008	01/04/2008	49.12	17.54	31.58
30/09/2007	01/10/2007	58.49	23.34	35.15
31/03/2007	01/04/2007	30.87	15.45	15.42

### MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	-4.99%	6.80%	-1.49%	1.91%	1.49%	-4.84%	-1.41%	3.74%	-4.47%			
Fund 2007	4.51%	0.57%	2.83%	3.22%	0.20%	-1.38%	-0.07%	1.22%	2.13%	4.74%	-3.43%	-1.82%
Fund 2006	6.22%	-1.10%	4.06%	2.13%	-2.12%	1.13%	-1.02%	3.61%	2.60%	4.83%	2.98%	3.93%

## FEES (excl. VAT)

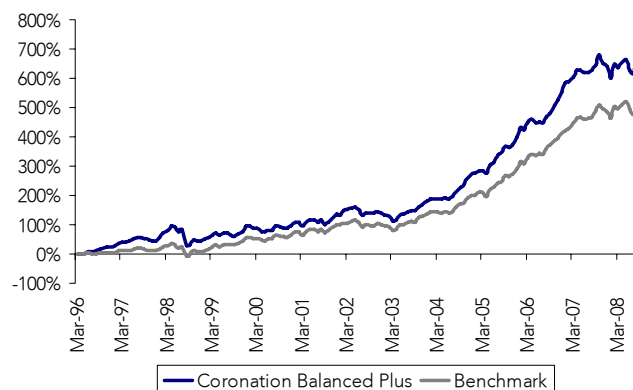
<b>Initial Fee</b>	Coronation: 0.00%
<b>Annual Management Fee*</b>	1.25%
* A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.	
<b>Total Expense Ratio (TER)<sup>2</sup></b>	1.56% per annum

### 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.

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

### CUMULATIVE PERFORMANCE SINCE INCEPTION



### PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	-3.88%	-6.60%	2.72%
Latest 12 months	-4.54%	-7.48%	2.94%
Latest 36 months (annualised)	14.98%	13.77%	1.21%
Latest 60 months (annualised)	23.57%	20.96%	2.61%
Since inception (annualised)	17.08%	14.50%	2.58%
2007	13.10%	14.00%	-0.90%
2006	30.46%	29.90%	0.56%
2005	35.00%	31.59%	3.41%
2004	32.01%	26.41%	5.61%

### RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	15.87%	14.35%
Sharpe ratio	0.31	0.17
Maximum gain	57.40%	29.32%
Maximum drawdown	-34.29%	-31.86%
Positive months	66.44%	63.76%