CORONATION FINANCIAL

Class A
as at 30 September 2008

CORONATION FUND MANAGERS

The Black Swan[1] event

"No amount of observations of white swans can allow the inference that all swans are white, but the observation of a single black swan is sufficient to refute that conclusion." David Hume

The events of the month of the last quarter (and in particular September) in the global financial markets will shape financial history and probably carry as much significance as the crisis of 1929 following Russia's default and the demise of Long Term Capital Management. The credit crisis in the United States culminated in the lending markets freezing up, which coupled with the ever increasing mortgage related write downs led to the eventual demise of household names in the investment banking world. Lehman Brothers filed for bankruptcy, Merrill Lynch was acquired by Bank of America, and the US government rescued insurer AIG. As each institution failed, uncertainty over the sustainability of all others with any links rose, and confidence in the entire system evaporated. Banks ceased lending to each other for any extended period of time, and such was the crowding of short-term money that the yield on the one-month US treasury bill dropped to an intraday low of zero. In other words, investors were willing to place cash with the government and forego any nominal return for the certainty of security of capital. The crisis crossed the Atlantic to the European financial system, impacting institutions like the Dutch insurer Fortis and UK mortgage lender Bradford and Bingley. Indeed, such was the panic that it threatened the viability of the entire financial system and eventually prompted authorities in the United States to approve a $700 billion bail-out package to buy banks' bad loans in an attempt to shore up confidence and provide stability to the system. Are there more chapters to this drama? This remains to be seen – at the time of writing there are moves by European governments to guarantee depositors' funds and restore confidence to their financial markets. We expect more of this to happen in the coming days and weeks - the storm is not over just yet.

This is the backdrop against which we navigated the Financial Fund for this quarter, returning 12.0% against 11.9% for the index. Over one year the fund has returned -12.9% against the index return of -17.2%, and over 3-years an annualised 9.4%. Positive returns for the quarter against what appears to be a global financial meltdown would be counter intuitive. What these returns highlight is the relative strength of our domestic institutions within a troubled world and the fact that SA financial shares had been significantly oversold in the second quarter. We have in the past dedicated a meaningful part of our commentary to the fact that South African banks have very limited direct exposure to US sub-prime assets and to the developments emanating from the crisis. The operational issues that are currently impacting our banks are primarily domestic. They relate to rising impairments and a highly indebted consumer burdened by the 500 bp rise in interest rates over the last two years. One should not assume, however, that the impact of global developments on general levels of activity and access to funding will bypass our companies, nor that the equity market moves we have witnessed will not have an impact on profitability.

During the quarter, banks continued to outperform life companies, returning 25.5% versus -9.1% for the life companies. This bounce in the banks does not erase the fall earlier this year, leaving banks down 6.3% year-to-date. Banks remain attractive on p/e multiples ranging between 6x and 8x one year forward and based on our valuations are overweight domestic banks. We still expect bad debt impairments to peak and level off at some point in 2009/10 in an environment where advances growth remains muted. This means near-term earnings growth for banks will be uninspiring, but these businesses have retained sufficient franchise value to show real earnings growth beyond 2009. The fund's 9% holding in Absa contributed positively to relative performance in this quarter.

The life sector had a poor showing with Old Mutual (down 20% for the quarter), the worst performing stock in our universe. Early on in the period the fund sold out of Old Mutual and this was the largest positive contributor to performance relative to the index. We have always been wary of the risks inherent in the company's US life insurance business but felt that it made up a sufficiently small piece of the valuation to warrant the investment. The current climate has highlighted exactly how significant the risks in the business are, and has resulted in two large additional injections of capital with no clear indication of either an exit or turnaround. This, combined with what looks to us to be a very expensive acquisition of a Chinese asset management business and the desire to sell its under-managed short term insurer close to the bottom of the underwriting cycle, has raised serious concerns about the stewardship of investor capital. While it is inexpensive in absolute terms, and despite a CEO change, we think there are better opportunities out there. In the life sector, we have added to our holdings in Discovery, Liberty and Metropolitan given their attractive valuations and ability to weather the current tough consumer conditions.

Our relatively large holding in smaller cap financial stocks has served us well over the longer term. These businesses tend to have drivers that are less linked to domestic interest rates or global events and provide us access into attractive niche, often owner-managed businesses with room to grow. We continue to look for opportunities in this area to enhance investor returns.

While banks have had a strong showing in the quarter, we continue to be positive about the opportunity that the current valuations present in the financial universe. The significance of events unfolding on the global arena should not be understated and are likely to change the shape of global financial markets going forward (increased regulation is one example.) Our market will not escape the impact of the negative sentiment of global investors in the short term, but this is likely to present opportunities for those willing to sit it out. Fundamentally, we remain confident in the financial strength of the fund's investments and their ability to weather what we believe amounts to a Black Swan event on global markets.

Neill Young and Godwill Chahwahwa
Portfolio Managers

[1] An event or occurence that deviates beyond what is expected of a situation and that would be extremely difficult to predict – Nassim Nicholas Taleb.

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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	R232.5 million
		NAV	2280.41 cents
		Benchmark	FTSE/JSE Africa Financial Index
Launch date	1 July 1998		

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 September 2008
Domestic Assets	100.00%
Equity	94.48%
Industrials	6.85%
Financials	87.63%
Real Estate	1.56%
Cash	3.96%
International Assets	0.00%

TOP 10 HOLDINGS

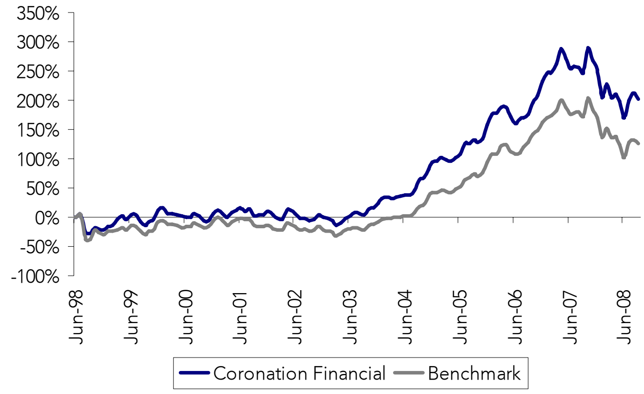
As at 30 September 2008	% of Fund
Standard Bank Group Ltd	18.31%
FirstRand/RMB Holdings Ltd	16.25%
Discovery Holdings Ltd	9.17%
Absa Group Ltd	8.74%
Liberty International Plc	7.23%
African Bank Investments Ltd	6.46%
Investec Ltd	6.22%
Metropolitan Holdings	4.56%
JSE Limited	4.19%
Eqstra Holdings Ltd	3.73%
Total	84.86%

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	-14.05%	-16.64%	2.59%
Latest 12 months	-12.91%	-17.24%	4.33%
Latest 36 months (annualised)	9.35%	9.24%	0.11%
Latest 60 months (annualised)	23.86%	23.17%	0.69%
Since inception (annualised)	11.39%	8.10%	3.29%
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	22.09%	24.28%
Sharpe ratio	0.01	-0.13
Maximum gain	53.63%	80.40%
Maximum drawdown	-30.89%	-39.78%
Positive months	59.35%	60.98%

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%			
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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