

"The answer to your question is I don't know, and the answer to all of your questions is I don't know. What I do know is that either the world is coming to an end or the world will get through this and these stock market declines present an incredible buying opportunity, and I'm in the latter camp"
Barton Biggs, 9 October 2008

The words above were the response of Barton Biggs to a Bloomberg TV interview when asked about whether we had reached capitulation point and when he thought stock markets would recover. Those words perhaps best sum up our views today. The near-term future is extremely uncertain and we are not sure how long the global financial system will remain frozen; neither are we sure whether the world is about to enter a recession and we definitely don't know when stock markets will recover. No-one does. What we do believe is that the world will eventually get through this and whilst corporate profitability will be under pressure in the next year or two, over time good businesses will continue to grow their earnings and dividends in real terms. What is also clear is that irrational panic selling as well as forced selling has now set in, particularly in the week preceding the writing of this commentary (12 October 2008). Daily individual share price moves of 10, 15, 20% (both up and down, but predominantly down) are quite common and the US and European markets can swing from being -7% at one moment to +3% a few hours later. The last, and most important, thing that we do know is that equities are very cheap.

As always, we come back to valuation. We are of the firm belief that markets cannot be timed and that valuation is everything. This approach has cost the fund over the past several months as valuation has mattered very little. In hindsight, of course, we should have had 50% of the fund in cash and not 15% as was the case. The fund avoided the two key bubble and trouble areas (commodity stocks and US financials respectively) but was negatively impacted by its high equity exposure as well as its holdings in the stock exchanges and the emerging market exposure. The fund is therefore down 15% over the past year, which is naturally very disappointing. It has however compounded at 14.5% per annum over the past 5 years and 15.0% per annum since inception 9 years ago. In both cases with volatility levels far below those of the MSCI World index and the JSE All Share.

The MSCI World index is now trading on a 9.3 forward P/E. The dividend yields on European equities (over 5%) are now higher than European bonds (less than 4%). This is the first time this has happened since 1973. Large blue-chip corporates like Nokia, Microsoft and Dell are now trading on single-digit multiples and have large amounts of net cash on their balance sheets. The list of examples of these types of apparent valuation anomalies can go on forever. Today one has the opportunity to buy some of the best businesses in the world at fire-sale prices. Two such businesses that fall into this category (in our view) are Nokia and Inditex (Zara), which were the fund's two largest new purchases in the past few months.

Nokia is the world's 5th most valuable brand (2008 Interbrand survey) and is the dominant global mobile phone manufacturer with 35% - 40% market share. In addition to this, Nokia are dominant in emerging markets (the higher growth area for mobile phones); have unrivalled distribution, and generate an ROE of around 45%. Given the global slowdown, Nokia's earnings are likely to be under pressure over the next year or two. But the business is certainly not distressed - Nokia are in a net cash position and have been buying back shares. Its share price, however, is distressed. The share has more than halved from EUR 28 in late 2007 to EUR 12 today. This means that the

share price is now back to its trading level of 2003/2004. In the 4-5 years subsequent to this period, Nokia have doubled their earnings. The de-rating has therefore been dramatic and today one is able to buy Nokia on an 8 P/E and 5% dividend yield, which we think is a great opportunity.

Inditex are a Spanish clothing retailer that owns the Zara brand (70% of earnings) and several other retail concepts. The company started off as a textile manufacturer in 1972 and the first Zara store was opened in Spain in 1975. The company then continued to open stores all over Spain and the first international store was opened in 1988. Zara is now present in 70 countries globally. Over the past 15 years the company has grown both its sales and earnings at over 20% per annum compounded. The uniqueness of Inditex's business model is that it is vertically integrated (meaning design, manufacturing, distribution and retailing are all done by the group). This gives the company a cost advantage as well as short lead times and flexibility; qualities which are all very important in the world of fashion retailing. The market is currently focusing on the slowdown in the global economy and in particular the mess in Inditex's home country, Spain, and as a result the share price has almost halved over the past year. For us, this short-term focus creates the opportunity. In our view Zara and the other brands owned by Inditex have 10 years plus of growth from global store roll-out, and at the current share price one is paying very little for this.

The decline in global stock markets over the past few weeks has been as severe as both the 1987 market crash and the 1929 stock market decline that marked the start of the Great Depression. Parallels are now being drawn with 1929 and whilst the world is indeed a pretty grim, uncertain place at the moment, we would highlight two relevant differences between 2008 and 1929:

- Valuations were much more expensive in 1929. The several years preceding 1929 saw a more than 5-fold increase in the Dow with a frenzy for shares, whereas the several years preceding this crash were characterised by luke-warm appetite for shares (other than certain areas like commodity and emerging market equities). The S&P500 in fact was broadly flat over the 2001 - 2008 period pre the crash and is now back to 2002 levels post the crash.
- Central Banks globally have learnt from their inactivity in 1929 and are taking rapid, extensive and globally co-ordinated action to deal with the crisis.

We are fully aware that these are trying times for investors in the fund and there appears to be no end in sight to the global turmoil and carnage in the stock markets. Bear markets are gut wrenching but for long-term investors the opportunities that arise in these markets are huge. We believe that now is the time to be invested in equities and not cash, and whilst the fund has the flexibility to hold 50% or even more in cash, we believe that the best approach, given the silly valuations out there, is to be just about fully invested with 85% - 90% in equities.

Gavin Joubert
Portfolio Manager

CORONATION OPTIMUM GROWTH

Class A
as at 30 September 2008

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 R1.0 billion
NAV 3213.76 cents
Benchmark/performance fee hurdle CPIX + 5% p.a.

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

	30 September 2008
Equities	87.12%
South Africa	23.28%
Europe	20.94%
United States	17.74%
Asia Pacific	12.00%
Latin America	6.27%
Japan	5.41%
United Kingdom	3.97%
GEM Hedge	(2.49%)
Cash	12.88%
USD	7.24%
Other currencies	2.25%
ZAR	1.85%
Euro	1.54%

TOP 15 HOLDINGS

As at 30 September 2008	% of Fund
Coronation Global Emerging Markets Flexible Fund	4.31%
Naspers Ltd	4.09%
CF Morant Wright Japan	3.62%
Comgest Nouvelle Asia	2.71%
Tiger Brands Limited	2.66%
Nokia Corporation ADR	2.52%
Edinburgh Partners European Opportunity Fund	2.51%
Nasdaq Stock Market Inc	2.32%
Woolworths Holdings Ltd	2.18%
Deutsche Boerse AG	2.14%
MTN Group Limited	1.90%
Inditex	1.80%
Google Inc	1.78%
America Movil ADR	1.74%
Berkshire Hathaway	1.70%
Total	37.98%

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%			
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)

Initial Fee*	Coronation: 0.00% (Direct)
Annual Management Fee - performance related**	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).

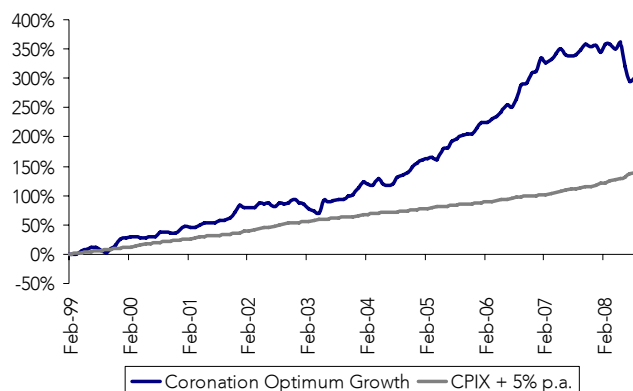
** A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.

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 STATISTICS¹

CUMULATIVE PERFORMANCE SINCE INCEPTION



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	-16.91%	14.87%	-31.78%
Latest 12 months	-15.37%	18.22%	-33.59%
Latest 36 months (annualised)	7.78%	13.27%	-5.49%
Latest 60 months (annualised)	14.51%	11.63%	2.88%
Since inception (annualised)	15.05%	12.08%	2.97%
2007	10.36%	11.49%	-1.13%
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	15.74%	6.30%	20.44%
Annualised deviation	11.09%	18.68%	19.31%
Downside deviation	7.58%	10.67%	8.82%
Sharpe ratio	0.41	-0.32	0.40
Maximum gain	28.71%	44.31%	40.25%
Maximum drawdown	-17.58%	-51.40%	-30.43%
Positive months	68.42%	50.00%	58.77%

Total Expense Ratio (TER)²

1.19% 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.