

## PORTFOLIO MANAGER COMMENTARY

An exciting fourth quarter brought a fitting end to an exciting calendar year. Equity markets around the world continued to rally with global risk appetite rising further as evidence of a global economic recovery started surfacing. Global equity markets returned just over 4% over the quarter, but the emerging markets universe was very strong with an 8.6% return over the three months (all international returns in US dollars). South Africa outperformed these markets with a return of over 10% for the JSE All Share Index. South African bonds had a far more subdued quarter, with a benchmark return of 1.1%, whilst the inflation-linked market reacted negatively to the increased supply as well as lower inflation expectations, and hence returned only 0.2%. Preference shares were strong and returned 6.1% over the period, whilst the continued strength of the rand continued to surprise commentators (and ourselves) - the currency appreciated by 1.5% against the US dollar and by 4.7% against the euro over the period.

The fund returned 4.25% over the quarter, resulting in a pleasing calendar year return of 22.1%. Our equity holdings, which outperformed the broader indices over the year, contributed the bulk of this positive return. This comes despite being more defensively positioned given the risk-averse nature of the fund. Over the last three months the following shares contributed strongly to performance: SABMiller, Naspers, Anglo American, Tiger Brands, Richemont and Spar. The following holdings detracted from our performance: MTN and Avusa.

We continued to reduce equity holdings into this period of strength. Towards the end of the period we also bought additional option protection against these holdings. Sales comprised mainly shares like BHP Billiton, SABMiller, AVI and Naspers. All of these shares (except BHP Billiton) still appear in the portfolio, but have been reduced as their prices continued to rise. We did add selectively to some of our other holdings like MTN and Standard Bank and introduced York Timber, Dawn and Nedbank into the portfolio.

Our listed property holdings also contributed to the positive performance. The sector performed well as risk appetite increased and we reduced the fund's exposure to this sector as we believe the risks of tenant failures in the physical market have increased. We continued to prefer the more defensive counters to the smaller, more volatile names.

Our fixed interest component of the portfolio had a good quarter, outperforming its benchmark by some margin. We have remained nervous about the direction of the bond market and as such have been sheltered from the recent sell-off in that market.

The fund continued to purchase inflation-linked bonds as Government has increased its issuance in this space. We consider the current real yields of around 3.25% to be quite attractive even though we understand that the immediate future for inflation protection does not look that attractive given the low carry and the strength of the currency. The fund now holds just over 11% in inflation linkers and we will continue to add to this position as long as valuation levels remain attractive.

Once again our international component of the portfolio did not contribute meaningfully to performance given the continued strength of the rand and the outperformance of the domestic equity market over international markets. We are still strongly of the view that our portfolio will benefit over time from the diversification into offshore markets, whilst at the moment we actually prefer international equities over domestic equities. We will thus continue to shift our equity exposure to reflect this view. In addition we consider the rand to be overvalued at this point, having benefited strongly from the increased global risk appetite. We are maintaining our maximum offshore exposure within the fund.

It is with mixed feelings that we also use this opportunity to thank Edwin Schultz for the enormous contribution he has made to this fund since inception. As has been communicated to the market over some time, Edwin and his family have decided to emigrate to Australia. He was instrumental in the launch of this fund and has been closely involved with it ever since. The impressive track record speaks for itself and we will endeavour to continue his good work. We wish him well in his future career.

At the same time Gavin Joubert has also formally relinquished responsibility for the management of this fund in order to focus on the development of the Coronation Emerging Markets unit. We fortunately will continue to benefit from Gavin's investment acumen given that South Africa is such a big part of the emerging markets universe. Gavin has contributed hugely to the track record of this fund over the last 5 years and again we wish him well in his new role within the Coronation family.

We also welcome Henk Groenewald as co-manager of this fund (and the other absolute return funds). Henk has been with Coronation for 5 years, having been portfolio manager of our successful Coronation Resources unit trust fund for the last four years. We are excited about his future involvement and contribution, and intend continuing delivering on our promise of acceptable returns with an appropriate level of risk averseness.

**Portfolio managers**

Louis Stassen & Henk Groenewald

*While Louis is too modest to blow his own horn, we are very comfortable with leaving the Capital Plus Fund in his highly experienced and capable hands. Louis has more than 20 years of investment experience, served two stints as Coronation's Chief Investment Officer, was one of the pioneers of long-only absolute investing in South Africa and co-managed Capital Plus from 2001 through to 2004.*

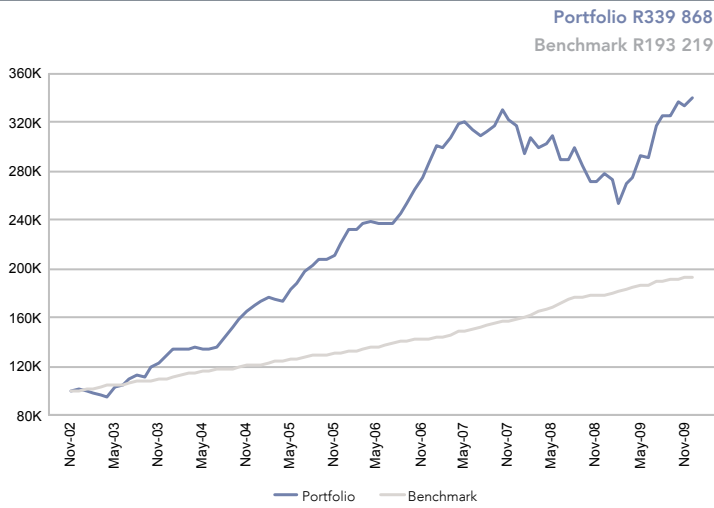
**Fund category** Domestic - Asset Allocation - Flexible  
**Fund description** Aims to maintain a real growth rate of 6% per annum, and preserve capital over any rolling 36-month period.  
**Launch date** 02 December 2002  
**Portfolio manager/s** Louis Stassen and Henk Groenewald

**Fund size** R 1.41 billion  
**NAV** 2895.65 cents  
**Benchmark/Performance Fee Hurdle†** CPI + 6% p.a.  
**Risk profile**

Cons Mod Aggr

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

### GROWTH OF A R100,000 INVESTMENT



### PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	239.9%	93.7%	146.2%
Since Inception (annualised)	18.9%	12.0%	6.8%
Latest 5 years (annualised)	14.9%	12.8%	2.1%
Latest 3 years (annualised)	6.0%	14.4%	(8.4)%
Latest 1 year (annualised)	22.1%	12.4%	9.8%
Year to date	22.1%	12.4%	9.8%
2008	(12.2)%	16.3%	(28.5)%
2007	11.1%	14.6%	(3.5)%
2006	29.2%	11.0%	18.2%
2005	30.1%	10.0%	20.1%

### RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	11.0%	1.8%
Downside Deviation	7.6	N/A
Sharpe Ratio	0.83	N/A
Maximum Gain	31.3	N/A
Maximum Drawdown	(23.3)	N/A
Positive Months	65.9	N/A

### MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2009	(1.8)%	(7.1)%	6.1%	1.9%	6.8%	(0.5)%	8.5%	2.6%	0.5%	3.5%	(1.3)%	2.1%	22.1%
Fund 2008	(7.1)%	4.1%	(2.3)%	1.2%	1.8%	(6.2)%	(0.1)%	3.1%	(4.5)%	(4.9)%	0.1%	2.6%	(12.2)%
Fund 2007	5.3%	(0.6)%	3.0%	3.6%	0.4%	(2.0)%	(1.4)%	1.1%	1.7%	4.1%	(2.9)%	(1.3)%	11.1%

### FEES (excl. VAT)

<b>Initial Fee</b>	Coronation: 0.00%
<b>Annual Management Fee - performance related*</b>	Minimum - standard: 1.25% Minimum - discounted: 0.75% Maximum: 3.75% Sharing Rate: 20.00%

\* 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>	1.53% per annum, which includes a performance fee of 0.05%
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When applicable, Coronation shares in the fund performance above the benchmark. This performance fee is accrued daily, based on performance over a rolling 12-month period, and paid to Coronation monthly. If the fund produces a positive return in line with or below the benchmark, the standard minimum fee will be levied. If the fund produces a negative return over a rolling 36-month period, the discounted minimum fee applies. For further information regarding our fee structure please contact us or visit our website.

<sup>†</sup>Benchmark Methodology - From January 2009 CPIX was replaced with a newly reweighted and rebased CPI. The benchmark is calculated using a combination of the official month-to-month CPIX numbers pre-January 2009 and the new CPI from January 2009.

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2009	100%
<b>Domestic Assets</b>	<b>80.3%</b>	
■ <b>Equities</b>	<b>52.6%</b>	
Oil & Gas	0.9%	
Basic Materials	4.9%	
Unit Trust	3.5%	
Industrials	6.8%	
Consumer Goods	10.6%	
Consumer Services	11.6%	
Telecommunications	7.4%	
Financials	7.9%	
Derivatives	(1.1)%	
■ <b>Real Estate</b>	<b>0.8%</b>	
■ <b>Bonds</b>	<b>7.7%</b>	
■ <b>Cash</b>	<b>19.2%</b>	
<b>International Assets</b>	<b>19.7%</b>	
■ <b>Equities</b>	<b>17.3%</b>	
■ <b>Cash</b>	<b>2.4%</b>	

### TOP 10 HOLDINGS

As at 31 Dec 2009	% of Fund
MTN Group Ltd	6.1%
Coronation World Equity Fund	4.8%
Coronation Preference Share Fund	3.5%
Remgro Ltd	3.3%
British American Tobacco Plc	3.0%
Spar Group Ltd	3.0%
AVI Ltd	3.0%
Tiger Brands Ltd	2.8%
Naspers Ltd	2.5%
Standard Bank of SA Ltd	2.5%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2009	01 Oct 2009	15.07	1.67	13.40
31 Mar 2009	01 Apr 2009	77.40	62.13	15.27
30 Sep 2008	01 Oct 2008	43.93	34.71	9.22
31 Mar 2008	01 Apr 2008	17.62	11.30	6.32

### 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.

Unit trusts should be considered a medium- to long-term investment. The value of units may go down as well as up. Past performance is not necessarily an indication of future performance. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Instructions must reach the Management Company before 2pm (12pm for the Money Market Fund) to ensure same day value. Fund valuations take place at approximately 15h00 each business day and forward pricing is used. Coronation is a Full member of the Association for Savings & Investment SA (ASISA). <sup>1</sup>Performance is quoted from Morningstar as at 31 December 2009 for a lump sum investment using Class A NAV prices with income distributions reinvested. Performance figures are quoted after the deduction of all costs incurred within the fund. <sup>2</sup>The TER is calculated as a percentage of the average NAV of the portfolio incurred as charges, levies and fees in the management of the portfolio for a rolling 12-month period to end September 2009, as well as the actual performance fee incurred over the 12 months to end September 2009. A higher TER ratio does not necessarily imply a poor return nor does a low TER imply a good return. The current disclosed TER cannot be regarded as an indication of future TER's.