

PORTFOLIO MANAGER COMMENTARY

The fund ended the year with a strong quarter. It has outperformed its benchmark by 1.3% p.a. over a rolling 3-year period (8.5% p.a. versus 7.2% p.a.) and 1.5% p.a. over a rolling 5-year period (17.6% versus 16.1% p.a.). The fund is one of the top performing funds in its sector over all meaningful periods.

The last few years have been nothing short of extraordinary. In 2008 the pendulum swung swiftly from greed to fear. Investors watched in horror as their retirement capital was washed away in the greatest banking crisis of modern times. Then, in the first quarter of 2009, just as most investors had moved to the safety of cash and government bonds, risk assets around the world rallied. The differing fortunes of equity and bond markets is well illustrated by the 2009 calendar year returns of -1.0% from the All Bond Index and +32.1% from the All Share Index (70.1% in US dollars). Emerging markets returned 79.0%, oil 105% and copper 153.1% (in US dollars).

With the very strong showing of risk assets we are much more circumspect about the future. While in 2009 a rising tide lifted all boats, we expect lower correlations in the year ahead. This should favour stock-pickers. Equities remain our favored asset class, although we have taken profits from a very aggressive overweight position in the early part of 2009. We now hold what we consider to be a neutral equity exposure. We continue to believe that global equities are more attractive than local equities. When one considers the very strong rand, we believe that investors currently have an excellent opportunity to diversify their portfolios. We have taken full advantage of this in all our funds.

The All Share Index returned 11.4% in the final quarter of 2009. Resources led the market with a 16.7% return, while financials returned 6.5% and industrials 8.5%. We remain underweight resources, with the view that the upside to long-term valuations, based on mid-cycle earnings, is not attractive enough to justify higher exposures. We have virtually no exposure to gold and platinum counters. Although these companies would benefit were the rand to weaken, they are experiencing enormous cost pressures and do not offer sufficient upside to their long-term business value to justify a holding.

MTN is the largest holding in the fund. It is an over-owned stock that has underperformed as loose holders of the stock have sold over concerns on the collapse of the Bharti deal and the lack of any clear catalyst to unlock value. We, as always, have no interest in catalysts and are only concerned with long-term value. The company trades on very undemanding ratings 2-3 years out and should enjoy many years of above-average growth with their dominant position in many under-penetrated mobile markets.

Small caps remain a differentiating feature in our portfolios. The sector crashed after reaching absurdly high levels at the top of the bull market. There have been some company failures (and we expect more to come). Notwithstanding these challenges, we have identified many quality companies trading at 5 times our assessment of normalised earnings and have therefore significantly increased our exposure to small caps over the last few quarters.

Bonds (+1.1%) underperformed cash (+1.8%) in the quarter. We remain underweight bonds. Current yields do not compensate investors for the upside risks to inflation and for the risk that heavy issuance will knock yields. We do own corporate bonds where spreads are still above long-term 'normal' levels as well as inflation-linked bonds. While inflation could come in below market expectations in the year ahead, we think that the upside risks in the years thereafter are significant.

In conclusion, while we have taken profits on equities, we remain of the view that equities offer the best prospect of inflation-beating long-term returns. Recent strong returns raise the question of whether or not we should be underweight the asset class. While we don't think it is justified yet, we will not hesitate to sell if equities become overvalued.

We also welcome Quinton Ivan as co-manager of the fund. Quinton has been with Coronation for almost 5 years and has been the co-manager of the Coronation Industrial fund for three years. We are excited about his future involvement and contribution.

Portfolio managers

Karl Leinberger and Quinton Ivan

Fund category Domestic - Asset Allocation - Prudential Variable Equity

Fund description 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.

Launch date 15 April 1996

Portfolio manager/s Karl Leinberger and Quinton Ivan

Fund size R 5.32 billion

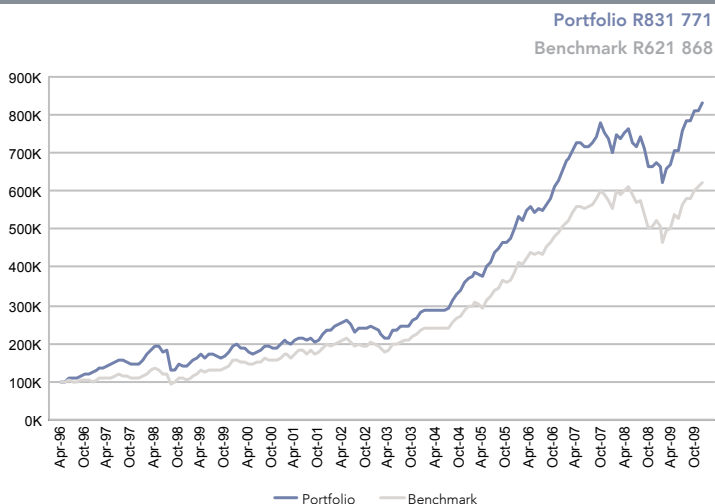
NAV 4919.21 cents

Benchmark Composite (63% equity, 22% bonds, 10% international, 5% cash)

Risk profile Cons Mod Aggr

PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2009	100%
Domestic Assets	79.9%	
Equities	45.1%	
Oil & Gas	3.8%	
Basic Materials	7.3%	
Industrials	5.4%	
Consumer Goods	5.7%	
Health Care	1.5%	
Consumer Services	8.1%	
Telecommunications	5.5%	
Financials	7.5%	
Technology	0.1%	
Derivatives	0.3%	
Preference Shares & Other Securities	1.4%	
Real Estate	3.6%	
Bonds	17.1%	
Cash	12.7%	
International Assets	20.1%	
Equities	20.1%	
Cash	0.0%	

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	731.8%	521.9%	209.9%
Since Inception (annualised)	16.8%	14.3%	2.5%
Latest 5 years (annualised)	17.6%	16.1%	1.5%
Latest 3 years (annualised)	8.5%	7.2%	1.3%
Latest 1 year (annualised)	23.0%	19.1%	3.9%
Year to date	23.0%	19.1%	3.9%
2008	(8.2)%	(9.2)%	1.0%
2007	13.1%	14.0%	(0.9)%
2006	30.5%	29.9%	0.6%
2005	35.0%	31.6%	3.4%

TOP 10 HOLDINGS

As at 31 Dec 2009	% of Fund
Coronation World Equity Fund	12.4%
MTN Group Ltd	5.5%
Coronation Global Emerging Markets Fund	4.6%
Sasol Limited	3.8%
Standard Bank of SA Ltd	3.7%
Naspers Ltd	3.4%
SABMiller Plc	2.4%
Compagnie Financiere Richemont SA	2.0%
Anglo American Plc	1.7%
Bidvest Group Limited	1.6%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	15.7%	14.4%
Sharpe Ratio	0.31	0.17
Maximum Gain	57.4%	29.3%
Maximum Drawdown	(34.3)%	(31.9)%
Positive Months	67.1%	64.6%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2009	01 Oct 2009	37.80	10.78	27.02
31 Mar 2009	01 Apr 2009	131.97	89.72	42.25
30 Sep 2008	01 Oct 2008	85.24	41.30	43.94
31 Mar 2008	01 Apr 2008	49.12	17.54	31.58

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2009	(1.6)%	(6.9)%	6.0%	1.5%	5.9%	0.2%	7.0%	3.4%	0.3%	3.5%	(0.4)%	2.9%	23.0%
Fund 2008	(5.0)%	6.8%	(1.5)%	1.9%	1.5%	(4.8)%	(1.4)%	3.7%	(4.5)%	(6.5)%	0.4%	1.7%	(8.2)%
Fund 2007	4.5%	0.6%	2.8%	3.2%	0.2%	(1.4)%	(0.1)%	1.2%	2.1%	4.7%	(3.4)%	(1.8)%	13.1%

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee*	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.

Total Expense Ratio (TER) ²	1.57% per annum
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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). ¹Performance 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. ²The 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.