

PORTFOLIO MANAGER COMMENTARY

The final quarter of 2009 saw a rally in financials with the index rising a further 6.52% to bring the year's gains in financials to 28.03%. While the fund lagged the index for the quarter with a return of 5.69%, it continues to outperform the index over longer periods. Over one, three and five years, the fund returned 29.25%, 3.67% and 13.65% versus the index's return of 28.03%, -0.88% and 12.25% respectively.

During the quarter, the fund performance benefited from the large weightings in small capitalisation financials in the fund management space namely Coronation, Peregrine and Brait. Performance for the quarter and for the year was negatively impacted by the strong performance of Old Mutual, Sanlam and FirstRand; all stocks we were underweight versus the index. The fact that the fund has a zero position in Old Mutual warrants a mention. It is a stock that we sold during the third quarter of 2008 on concerns around capital adequacy and a lack of strategic leadership. At the time we felt that the deterioration in the bond portfolio of its US life business had the potential to trigger a large loss and a significant capital raising event. The share has since recovered to trade at similar levels to those at which we sold the fund's holding. This recovery has coincided with the recovery in corporate bond spreads in the US. The fund has not owned the share during this time and therefore did not participate in this recovery. This is because we have consistently felt that the potential for value destruction has outweighed the potential upside in a recovery in the corporate bond market. We are over the worst and the capital position looks healthier, but we remain of the opinion that the risk of rising corporate default rates remains and still has the potential to impact the capital position of the business. While there have been positive management changes and some refinement of the group strategy, the share price has risen commensurately. This does not offer us adequate margin of safety in light of these lingering risks.

Going into 2010, we remain very bullish about banking stocks and their ability to generate positive earnings surprises. We have therefore been increasing our overall bank exposure during the quarter. Over the last two years, bank earnings have been impacted by massive increases in bad debts as the South African consumer took strain from high levels of indebtedness and rising retrenchments. For example, in the first six months of 2009, banks wrote off a combined R19.6 billion in impairments compared to a total profit pool of R39 billion for the full 2008 calendar year. Any reduction in this bad debt charge will have a meaningful impact on earnings growth. We are already seeing early signs of an improvement in the bad debt picture across the banks, especially in their consumer portfolios as the effects of lower interest rates start to benefit individuals' cashflows. The strong rand and continued job losses may pose risks to this view, but we believe this is being discounted in the current valuations.

Small cap financials were big winners for the fund over the 2009 year. Asset managers like Peregrine, Coronation and Brait were among the top performing financial stocks. These shares are geared to equity markets and in this environment earnings benefit in two ways – increased base fees as a result of growth in funds under management as well as a recovery in performance fees. This year we have seen the benefit of rising funds under management coming through earnings and we believe these stocks will benefit from improved levels of performance fees in subsequent years. The shares have rated strongly on this improved equity market outlook.

Our exposure to the life sector comes via our holdings in Discovery and Metropolitan Holdings. Discovery is a well run, innovative company which continues to grow into the local and selected offshore markets. During the quarter, they announced the launch of a joint venture with Chinese life insurer Ping An which will give them access to the Chinese healthcare market. Expansion into offshore markets has not yielded positive results for Discovery to date. We do however remain comfortable with our investment in Discovery as the investment in the venture remains relatively small versus the potential it can bring for the business in the long term.

Given the sharp recovery in financials in 2009 (+29.22%), it is clear that the easy money has already been made. The sell-off of 2008 was indiscriminate and left good quality stocks at very attractive valuations. A lot of these ratings have corrected in 2009 and 2010 will be a year in which strong earnings growth is needed if stocks are to show meaningful returns. We believe that the banks are poised to deliver this growth into 2010 and 2011 on the basis of an improving bad debt picture and have positioned the fund to benefit from this. Our general outlook however remains cautious given the tough economic picture that we face in South Africa - rising unemployment, a strong rand and rising electricity costs. Falling interest rates will eventually work and provide some relief to the indebted consumer and drive a recovery in economic activity.

Portfolio managers

Neill Young and Godwill Chahwahwa

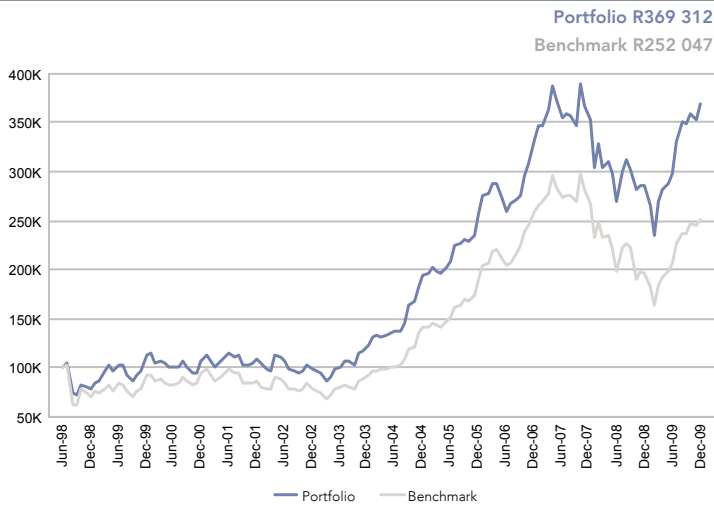
Fund category Domestic - Equity - Financial
Fund description Invests in a broad range of financial shares, including banks, insurance and investment companies.
Launch date 01 July 1998
Portfolio manager/s Neill Young and Godwill Chahwahwa

Fund size R196.72 million
NAV 2552.28 cents
Benchmark FTSE/JSE Financial Index
Risk profile

Cons Mod Aggr

PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	269.3%	152.0%	117.3%
Since Inception (annualised)	12.0%	8.4%	3.7%
Latest 5 years (annualised)	13.6%	12.2%	1.4%
Latest 3 years (annualised)	3.7%	(0.9)%	4.5%
Latest 1 year (annualised)	29.2%	28.0%	1.2%
Year to date	29.2%	28.0%	1.2%
2008	(18.7)%	(26.2)%	7.5%
2007	6.1%	3.0%	3.0%
2006	28.8%	35.8%	(7.0)%
2005	32.0%	34.7%	(2.7)%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	22.2%	24.3%
Sharpe Ratio	0.05	(0.11)
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(39.7)%	(45.3)%
Positive Months	60.1%	60.9%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2009	(7.4)%	(11.4)%	14.7%	4.4%	2.1%	3.6%	11.0%	6.4%	(0.4)%	2.7%	(1.5)%	4.5%	29.2%
Fund 2008	(13.5)%	8.1%	(7.4)%	1.6%	(3.6)%	(9.5)%	11.1%	3.8%	(2.8)%	(7.0)%	1.7%	0.0%	(18.7)%
Fund 2007	4.4%	0.3%	4.5%	6.9%	(3.9)%	(4.8)%	1.0%	(0.5)%	(2.7)%	12.2%	(5.8)%	(4.2)%	6.1%

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	1.49% per annum
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PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2009	100%
Domestic Assets	100.0%	
■ Equities	92.1%	
Industrials	1.7%	
Financials	90.4%	
■ Real Estate	5.2%	
■ Cash	2.7%	

TOP 10 HOLDINGS

As at 31 Dec 2009	% of Fund
Standard Bank of SA Ltd	26.2%
FirstRand	11.7%
Nedbank Group Ltd	8.8%
ABSA Group Ltd	7.5%
Discovery Holdings Ltd	7.1%
Metropolitan Life Ltd	6.3%
Investec Bank Limited	5.4%
Liberty International Plc	5.2%
Coronation Fund Managers Ltd	4.4%
African Bank Limited	4.4%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2009	01 Oct 2009	11.75	10.77	0.98
31 Mar 2009	01 Apr 2009	105.06	104.06	1.00
30 Sep 2008	01 Oct 2008	64.50	62.40	2.10
31 Mar 2008	01 Apr 2008	38.10	37.03	1.07

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.