

## PORTFOLIO MANAGER COMMENTARY

The fund continues to have a reasonably good year, having appreciated by 17.1% year to date. Over 1 year, the fund has now achieved a return of 14.4% and has compounded at 16.6% p.a. over 5 years. Since inception almost 7 years ago, the fund has compounded at 18.9% p.a. Over all meaningful time periods the fund has therefore met its target of inflation +6% and additionally this has been achieved with reasonably low volatility in the low double-digits.

Equity markets continue to recover from the depths of despair that one saw in February and March. As a result, a number of the fund's holdings have now reached fair value or are close thereto (particularly resources) resulting in us being a net seller of equities over the past few months. As a result SA equity exposure in the fund is now approximately 50% compared to around 57% at the end of June. The international equity exposure has also been marginally reduced from 23% to 20% of fund, meaning that overall equity exposure has been reduced by some 10% and is now 70% of fund compared to 80% of fund in June. Over the past few months we also marginally added to the fund's inflation-linked bond exposure and bought a small position in government bonds which has subsequently been reduced again. The fund continues to have very selected small exposure to listed property (less than 3% of fund) and the balance of the fund (20%) is in cash.

Although we have been net sellers of equity over the past few months, with very little new buying of equities, the area that we did add to were the food retailers - both Spar and Shoprite. We believe that both businesses are well above-average businesses that will compound earnings at a higher rate than most SA businesses over the next four to five years. On short-term valuation metrics (1 year forward P/E's, which most investors seem to be so fond of) neither Spar nor Shoprite look particularly attractive. In fact, it is quite common to hear various market commentators stating that Spar and Shoprite are expensive. In our view this is because these commentators are focusing on short-term valuation metrics. Investors also appear to be concerned about food deflation. To us this is an extremely short-term view and decisions based on expected newsflow or earnings over the next year more often than not result in suboptimal investment decisions. We are far more concerned with the amount of free cash flow that a company will generate over the next 4, or 5 years. And in this regard we believe that both Spar and Shoprite are very attractive - the power of compounding earnings at an above-average rate for a multi-year period is very powerful. The argument is even stronger for cash generative businesses like the food retailers as 4 or 5 years down the line these companies have significant net cash balances. Spar is now 3% of fund and Shoprite 2% of fund.

Whilst we are currently struggling to find very attractive new ideas, we believe that the instruments that the fund owns are attractive and offer good upside and we will continue to wait patiently for additional opportunities to arise.

**Portfolio managers**

Edwin Schultz, Gavin Joubert and Louis Stassen

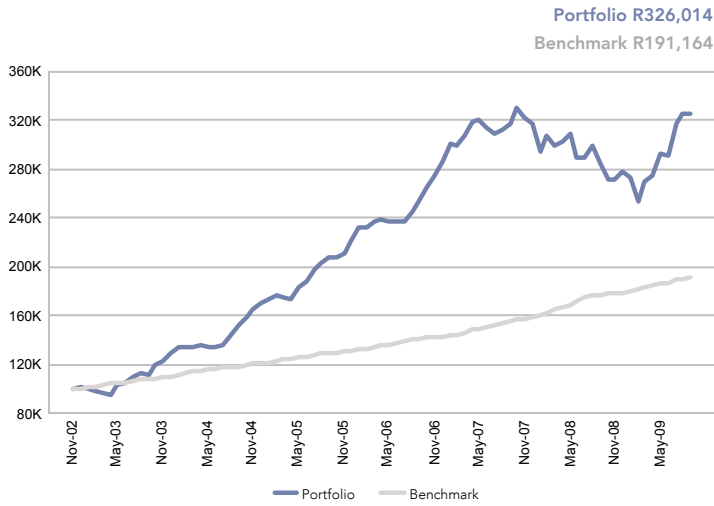
**Fund category** Domestic - Asset Allocation - Flexible  
**Fund description** Aims to maintain a real growth rate of 6% per annum, and preserve capital over any rolling 36-month period.  
**Launch date** 02 December 2002  
**Portfolio manager/s** Edwin Schultz, Gavin Joubert and Louis Stassen

**Fund size** R 1.31 billion  
**NAV** 2792.60 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)	226.0%	91.7%	134.4%
Since Inception (annualised)	18.9%	12.2%	6.7%
Latest 5 years (annualised)	16.6%	12.9%	3.6%
Latest 3 years (annualised)	8.9%	14.3%	(5.4)%
Latest 1 year (annualised)	14.4%	11.4%	3.0%
Year to date	17.1%	10.5%	6.7%
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	11.1%	1.8%
Downside Deviation	7.7	N/A
Sharpe Ratio	0.82	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%				17.1%
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.

**Total Expense Ratio (TER)<sup>2</sup>** 1.49% per annum

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>1</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	30 Sep 2009	100%
<b>Domestic Assets</b>	<b>77.5%</b>	
■ <b>Equities</b>	<b>49.4%</b>	
Oil & Gas	1.0%	
Basic Materials	5.2%	
Industrials	4.9%	
Consumer Goods	13.7%	
Consumer Services	15.5%	
Telecommunications	6.8%	
Financials	5.7%	
Derivatives	(3.6)%	
■ <b>Real Estate</b>	<b>2.7%</b>	
■ <b>Bonds</b>	<b>2.7%</b>	
■ <b>Cash</b>	<b>22.7%</b>	
<b>International Assets</b>	<b>22.5%</b>	
■ <b>Equities</b>	<b>20.1%</b>	
■ <b>Cash</b>	<b>2.4%</b>	

### TOP 10 HOLDINGS

As at 30 Sep 2009	% of Fund
MTN Group Ltd	5.4%
Naspers Ltd	5.2%
Coronation World Equity Fund	5.0%
Remgro Ltd	3.8%
AVI Ltd	3.7%
SABMiller Plc	3.4%
Spar Group Ltd	3.2%
British American Tobacco Plc	3.1%
Tiger Brands Ltd	2.8%
Compagnie Financiere Richemont SA	2.7%

### 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 30 September 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 June 2009, as well as the actual performance fee incurred over the 12 months to end June 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.