

## PORTFOLIO MANAGER COMMENTARY

Emerging markets continued their excellent performance during 2009, a relief for investors after the events of last year. Year to date, they returned 64.9% in dollars compared to the 22.5% returned by world markets. The fund itself has returned 71.1% year to date, outperforming the benchmark MSCI Emerging Markets Index by 6.2%. Since inception the fund has outperformed the index by 12.1% on an annualised basis.

With markets rallying, many stocks have reached or exceeded what we believe they are worth. Since we are disciplined about selling stocks with little upside, we reduced exposure in many holdings. One example is Ports Design, a high end fashion retailer that has become one of China's leading brands. The flagship 'Ports International' and 'Ports 1961' labels rank in the top ten brands amongst Chinese women, below super-premium brands like Chanel and Gucci, but alongside Versace, Valentino and Givenchy. Although long-term prospects for this company remain very good, the share is up over 240% since we bought it, outperforming others with similar earnings prospects whose shares have not performed as well.

The beverage industry remains very attractive and represents about 21% of the fund's holdings, of which Coca Cola bottlers account for 8%. We like Coke bottlers due to the strong global brand, simple business model and high cash generation. Compared to developed markets, per capita consumption of sparkling beverages is much lower which means that sales can grow substantially as income levels rise. In emerging markets, volumes are mostly comprised of multiple serving formats (think of the 2-litre bottles found in SA) sold on shelf in retail outlets and taken home to consume over several days. Much growth is now in single serve formats (like our 340ml cans) sold refrigerated and ready to drink by 'mom and pop' stores and small cafes. Margins on these are several times higher than multi-serve packages, so small increases in volumes have disproportionate effect on profits. Coke bottlers capture the single serve market by installing fridges at the final selling point. In return the shopkeeper must maintain the fridge and only stock their products. For the company this is a small initial capital outlay that guarantees an exclusive selling point.

One of the first holdings in the fund was Embotelladora Andina, a Chilean bottler also operating in parts of Argentina and Brazil. This share has done little since fund inception making it more attractive relative to other shares, so we have increased the position size. Coca Cola Icecek, has been added after previously having only indirect exposure through the brewery group Anadolu Efes. Icecek is the sole Coke bottler in Turkey and has operations in Central Asia, the Middle East and Pakistan. In most of these regions the majority of the population do not drink alcoholic beverages, the main competitor to soft drinks amongst adult consumers. Icecek has established itself as the main Coke bottler for this region in much the same way as another holding, Coca Cola Hellenic (CCH), has done in Eastern Europe. CCH also bottles Coke in Nigeria, a very attractive market with a young population, where half the 150 million people also do not consume alcohol. The fund's largest bottler remains Coca Cola Femsa (held directly and indirectly through the brewer Femsa), which has licenses for most of Mexico, parts of Central America and the wealthiest regions of Argentina and Brazil.

We have increased the stake in Brazilian education company Anhanguera. Private institutions represent the majority of the Brazilian market as state-owned universities cannot deal with the volume of annual school graduates. Content is regulated by government, but the market is fragmented as hundreds of small independent colleges cater to a few thousand students each. This results in varying standards of education and poor degree recognition. Anhanguera and a few other large players are moving to consolidate the market. This should boost profits for education providers as curriculums are standardised and costs like student administration, billing and collection are centralised. It will also lead to greater recognition for students who will now hold certificates from large, recognised national players. Anhanguera specialises in 'flexitime' education for young working adults wanting a degree to raise their earning power, but lacking the finances to afford full time study. They are also pioneering a distance learning model - broadcasting lectures via satellite to campuses set up in small cities where education options are very limited. Once all the infrastructure is in place and the business matures, Anhanguera will earn high margins and convert most accounting profits to cash. In the meantime, it generates adequate cash and has more than enough resources available to finance its expansion without stretching the balance sheet.

Other notable changes include the shift in exposure within commodities away from metals and materials, which we believe are expensive, toward oil and gas. The metals and material exposure of the fund is now less than 1% and comprises mostly of holdings in Usiminas, a Brazilian steel maker specialising in value added products sold domestically at a premium, and Semirara, a Philippines thermal coal miner that has ramped up production to meet rising demand from nearby China and countries in South Asia. We increased the exposure to oil and gas stocks through higher stakes in Gazprom (Russia) and Petrobras (Brazil) and added ENI to the portfolio. ENI is an Italian-listed energy giant, with the bulk of its reserves in Africa and Central Asia. Oil and gas exploration and production is the largest contributor to group profits. It owns substantial fuel retail assets in Italy and controls the natural gas infrastructure backbone for the country. Profitability of the refining and marketing operations has suffered in the last two years due the huge swings in the oil price, but by our estimate the company trades on just eight times normal free cash flow.

In Coronation's GEM funds we aim for investors to benefit from the opportunities and good developments in emerging markets, so whilst the fund is primarily invested in companies who generate all or most of their earnings from emerging markets, we will also invest in developed market companies that generate a significant portion of their earnings from emerging markets (at least 40% - 50% of earnings). One such recent addition to the fund that fits this profile is YUM! Brands. YUM! owns KFC, one of the most successful fast-food concepts globally, along with two other strong brands, Pizza Hut and Taco Bell. Almost half of earnings come from fast-growing emerging markets - 32% from China alone, where they have established a powerful presence and were one of the first movers in aggressively rolling out stores. In doing so they created high barriers to entry for other brands that lagged entry into China. The table below indicates how rapid and successful this expansion has been:

	2001	2002	2003	2004	2005	2006	2007	2008
KFC Stores in China	550	800	1,000	1,243	1,557	1,822	2,140	2,497
Revenue from China (\$m)	587	744	901	1,120	1,296	1,638	2,144	3,128

Their US and West European operations are more mature, but returns in these markets will be raised over time through their strategy of re-franchising stores. The company has excellent free cash flow generation and very high return on equity (above 50%). Returns from emerging market stores are even higher and the compounding effect of this over long periods of time is significant.

**Portfolio managers**

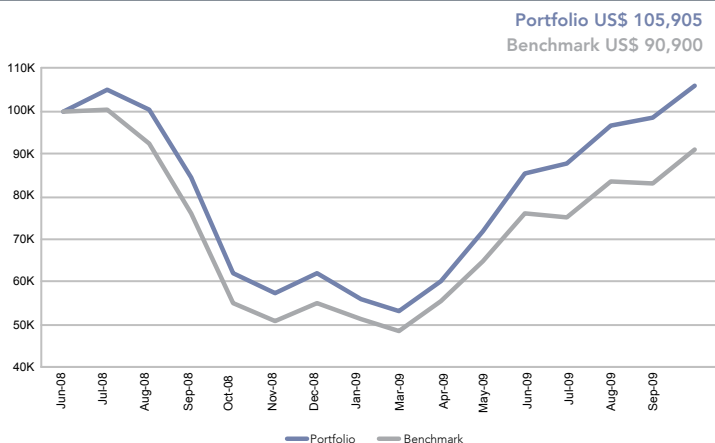
Gavin Joubert, Mark Butler and Suhail Suleman

Currency	USD
Minimum Investment	US\$15,000.00
Launch date	14 July 2008
Portfolio manager/s	Gavin Joubert, Mark Butler and Suhail Suleman
Annual management fee	1.1%
Annual outperformance	20% of returns above MSCI Emerging Markets Index with 2% cap
Fund domicile	Dublin, Ireland
Listing	Irish Stock Exchange

Fund size	US\$181.90 million
Benchmark	MSCI Emerging Markets Index
Liquidity	Daily
Notice period	1 business day preceding dealing day
Redemption payout	2 business days after dealing day
Bloomberg	CORGEMA ID
ISIN	IE00B2RGGZ18
SEDOL	B2RGGZ1

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

### GROWTH OF A US\$100,000 INVESTMENT



### PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	5.91%	(9.10)%	15.01%
Since Inception (annualised)	4.84%	(7.56)%	12.40%
Latest 1 year (annualised)	25.33%	19.44%	5.89%
Year to date	71.09%	64.88%	6.21%
2008	(38.10)%	(44.87)%	6.77%

### RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Return	4.84%	(7.56)%
Annualised Deviation	44.42%	44.39%
Sharpe Ratio	(0.14)	(0.41)
Maximum Gain	99.43%	56.31%
Maximum Drawdown	(49.52)%	(51.41)%
Positive Months	60.00%	46.67%

### MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2009	(9.9)%	(4.8)%	13.7%	19.2%	18.9%	2.5%	10.1%	2.0%	7.5%				71.1%
Fund 2008							5.2%	(4.8)%	(15.7)%	(26.4)%	(7.9)%	8.0%	(38.1)%

### INVESTMENT PHILOSOPHY

- We strive to buy shares that are trading well below what we believe the business is worth (valuation-driven approach).
- In valuing a business we focus on normalised earnings/free cash flow as opposed to current earnings.
- A long-term time horizon (5 year +) is used.

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Country	30 Sep 2009
<b>Equities</b>	<b>99.98%</b>
China	17.26%
South Africa	14.54%
Mexico	11.10%
Brazil	9.41%
Russia	8.59%
Turkey	4.99%
Israel	4.05%
Greece	3.01%
Denmark	2.96%
Malaysia	2.55%
Other	21.52%
<b>Cash</b>	<b>0.02%</b>
USD	0.68%
ZAR	(0.16)%
Other	(0.50)%

### TOP 10 HOLDINGS

As at 30 Sep 2009	% of Fund
Naspers Ltd (South Africa)	5.89%
MTN Group Ltd (South Africa)	5.60%
OAO Gazprom Reg (Russia)	4.74%
America Movil (Mexico)	4.49%
China Mobile Ltd (China)	3.82%
Coca-Cola Hellenic Bottling Co (Greece)	3.01%
Carlsberg ASB (Denmark)	2.96%
China Dongxiang Group Co (China)	2.81%
Formento Economico Mexica (Mexico)	2.74%
Coca - Cola Femsa (Mexico)	2.71%

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