

## PORTFOLIO MANAGER COMMENTARY

The final quarter of 2010 concluded a volatile year on a positive note for both South African and international investors. The local equity market (as measured by the SWIX Index) delivered a total return of 8.1% for the three-month period. Much of this was driven by resource companies as commodity prices strengthened significantly, with notably copper and gold reaching all-time highs. This was one of the causes of the strengthening of the commodity currencies, with the rand ending the year below R6.60/\$.

The fund returned 2.92% for the quarter. Performance was driven mainly by the performance of the South African equity market even though the equity holdings in the fund performed slightly behind the local benchmarks. International assets acted as a significant drag on performance, delivering a negative return (in rands) of over 2% for the period.

For the 2010 calendar year, domestic equities delivered 20.86%, domestic listed property 29.6%, bonds 14.96%, inflation-linked bonds 11% and average cash interest rates were 6.6%. The rand strengthened by almost 11% against the dollar over this period, and the FTSE All-World Index returned 12.7% in dollars. In this environment, the fund's annual performance of 12.89% was adequate and above our benchmark of inflation + 4%. Over the last five years your fund has delivered 11.96% per year.

For the 12-month period, the equity portion of the fund delivered a pleasing return of almost 7% in excess of the SWIX Index return. This was achieved despite a generally more defensive positioning. Shares that contributed to performance for the calendar year and quarter were MTN, Naspers, Vodacom and Anglo American. Equities remain our preferred asset class, but we sold some shares that approached fair value into strength.

Listed property was the best performing domestic asset class of the previous decade, and it has started the new decade in a similarly strong fashion. Unfortunately, the fund did not participate in this return as exposure to property shares is low and concentrated in defensive shares that lagged the property index.

Bonds sold off during the quarter, delivering a barely positive return of 0.75%. The fund's fixed interest holdings outperformed these indices for the quarter and year, mainly thanks to holdings in corporate nominal and inflation-linked bonds. Despite the sell-off in the bond market, we are still cautious on the long-term outlook for bonds and still own no government bonds. We continue to own inflation-linked bonds as a hedge to the anticipated increase in inflationary pressures in South Africa over the next three to five years.

The international part of the portfolio again acted as a drag on absolute performance. For the year, the international assets delivered a performance of just under 4% in dollars, which was slightly disappointing considering the strong international equity markets. After conversion to rands our international exposure reduced absolute performance by almost 1.5% for the year. We remain convinced that the maximum position in offshore assets is correct, even though this has certainly not been the case for the past year (or even the previous decade). This view is informed not only by our view that the rand is currently too strong, but also by the diversification benefits, available opportunities and valuations we find in international markets relative to SA. We intend to take advantage of the additional 5% offshore allowance by National Treasury and intend to increase our offshore exposure to closer to 25% during the course of the year.

Happy New Year!

**Portfolio managers**

Louis Stassen and Henk Groenewald

**Fund category** Domestic - Asset Allocation - Targeted Absolute & Real Return

**Fund description** Focused on the preservation of capital over all rolling 12-month periods. Over the medium term, the objective is to produce real growth of at least 4% per annum.

**Launch date** 02 July 2001

**Portfolio manager/s** Louis Stassen and Henk Groenewald

**Fund size** R 8.23 billion

**NAV** 2740.42 cents

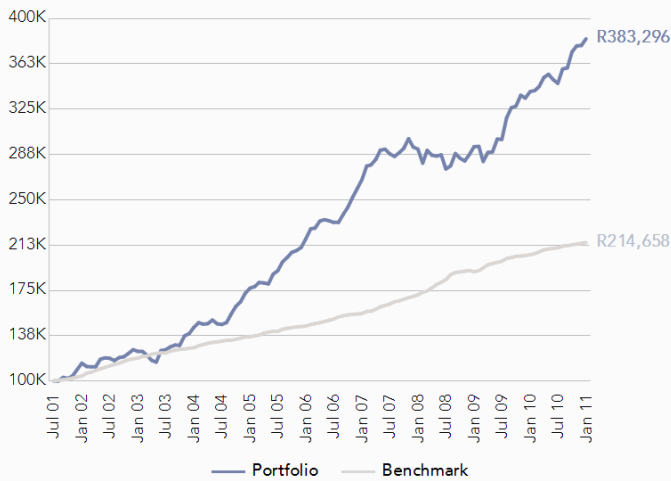
**Benchmark** CPI + 4% p.a.

**Risk profile**



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

### GROWTH OF A R100,000 INVESTMENT



## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2010	100%
<b>Domestic Assets</b>	<b>78.2%</b>	
■ <b>Equities</b>	<b>34.3%</b>	
Oil & Gas	1.4%	
Basic Materials	6.2%	
Industrials	8.0%	
Consumer Goods	4.4%	
Health Care	0.4%	
Consumer Services	4.3%	
Telecommunications	3.8%	
Financials	6.1%	
Technology	0.2%	
Derivatives	(0.5)%	
■ <b>Preference Shares &amp; Other Securities</b>	<b>4.0%</b>	
■ <b>Real Estate</b>	<b>2.1%</b>	
■ <b>Bonds</b>	<b>30.3%</b>	
■ <b>Cash</b>	<b>7.5%</b>	
<b>International Assets</b>	<b>21.8%</b>	
■ <b>Equities</b>	<b>14.2%</b>	
■ <b>Bonds</b>	<b>2.9%</b>	
■ <b>Cash</b>	<b>4.7%</b>	

## PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	283.3%	115.0%	168.3%
Since Inception (annualised)	15.2%	10.2%	5.0%
Latest 5 years (annualised)	12.0%	10.7%	1.2%
Latest 3 years (annualised)	9.5%	10.7%	(1.2)%
Latest 1 year (annualised)	12.9%	7.5%	5.4%
Year to date	12.9%	7.5%	5.4%
2009	15.5%	10.3%	5.2%
2008	0.7%	14.3%	(13.6)%
2007	9.5%	12.6%	(3.1)%

## TOP 10 HOLDINGS

As at 31 Dec 2010	% of Fund
Coronation Gbl Opp Eqty Fd Cl B	5.6%
Coronation Gbl Cap Plus Fd Cl B	3.5%
Coronation Global Managed Fund - Class A	3.1%
Standard Bank of SA Ltd	2.6%
Remgro Ltd	2.6%
MTN Group Ltd	2.2%
Anglo American Plc	2.1%
Spar Group Ltd	2.0%
Vodacom Group	1.5%
Sasol Ltd	1.4%

## RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	7.7%	1.7%
Downside Deviation	3.0%	N/A
Sharpe Ratio	0.72	N/A
Maximum Gain	29.5%	N/A
Maximum Drawdown	(8.3)%	N/A
Positive Months	69.3%	N/A

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Dec 2010	03 Jan 2011	16.42	5.91	10.51
30 Sep 2010	01 Oct 2010	19.84	6.70	13.14
30 Jun 2010	01 Jul 2010	17.51	4.72	12.79
31 Mar 2010	01 Apr 2010	18.71	3.94	14.77

## MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2010	0.3%	1.0%	2.2%	0.8%	(1.3)%	(0.9)%	3.4%	0.3%	3.7%	1.4%	0.1%	1.5%	12.9%
Fund 2009	0.1%	(4.3)%	2.7%	0.2%	3.6%	(0.1)%	5.9%	2.7%	0.4%	2.8%	(0.7)%	1.6%	15.5%
Fund 2008	(4.0)%	3.8%	(1.4)%	(0.2)%	0.3%	(4.1)%	1.0%	3.7%	(1.4)%	(0.8)%	1.9%	2.3%	0.7%

## 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: 2.75%
	Sharing Rate: 10.00%

\* 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.

When applicable, Coronation shares in the fund performance above the performance fee hurdle. 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 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 12-month period, the discounted minimum fee applies. For further information regarding our fee structure please contact us or visit our website.

<b>Total Expense Ratio (TER)<sup>2</sup></b>	2.29% per annum, which includes a performance fee of 0.84%
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<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.

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 as calculated by Coronation as at 31 December 2010 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 2010, as well as the actual performance fee incurred over the 12 months to end September 2010. 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.

### 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.