

PORTFOLIO MANAGER COMMENTARY

The fund closed the year with a strong 2.1% return for the quarter, ahead of the index decline of 10bps. The quarter was characterised by a flat performance from banks, a 5.8% decline in the life insurance sector and a 5.3% return from the general financial sector. The fund remains comfortably ahead of its benchmark over one, three and five years, with returns of 19.8% (index: 16.6%), 8.0% (index: 3.3%) and 11.5% (index: 7.4%) respectively.

The flat overall return delivered by the banking sector masks some very divergent performances between the big four banks. Nedbank was the worst performing bank for the quarter, returning -11.62%; mainly on the back of HSBC withdrawing their interest in acquiring a controlling stake in the bank. The ungraceful manner in which HSBC walked away from the potential transaction created uncertainty over what we believe is a well run, solid bank and precipitated the price decline. At current levels, Nedbank is looking attractive and we are happy holders of our stake.

The best performing bank was FirstRand, which returned 7.54% in a quarter characterised by corporate action for the group. The first transaction they undertook involved the merger between their life subsidiary Momentum and Metropolitan to form MMI Holdings, and subsequent unbundling of their holding in MMI to FirstRand shareholders. We are bullish about the opportunity offered by the new MMI and following this transaction, MMI is our largest life company holding in the fund. In December, FirstRand completed their group restructuring by selling their 49% stake in OUTsurance to RMH Holdings for what we believe is a fair price of R3.75 billion. This leaves FirstRand as a pure banking group, trading on what we believe is just under 9 times P/E to our assessment of sustainable, mid-cycle earnings. We believe this to be an attractive rating for great franchises like FNB, RMB and Wesbank.

The 5.8% decline in the life sector was driven mainly by the 15.47% fall in Old Mutual's share price. Old Mutual also suffered from HSBC's withdrawal from the Nedbank deal. We have no exposure to Old Mutual and as such, this was a large contributor to alpha for the quarter. Our concerns around the business have been clearly articulated in prior commentaries and the Nedbank deal would have gone some way towards mitigating some of these concerns, e.g. proceeds would have reduced debt at the centre and allowed for meaningful dividends going forward. At current levels, Old Mutual remains unattractive in our investment universe and our assessment of intrinsic value does not provide adequate margin of safety to fully compensate us for the risks in the business. We therefore remain comfortable with our underweight position going into 2011.

For 2010, our holdings in small cap financials like Coronation Fund Managers, JSE and Zeder served the fund well and we continue to see attractive opportunities in these stocks. Operating conditions for banks remain tough with a slow recovery in advances, further rate cuts impacting margins and general economic activity subdued. We however believe that the long-term opportunity still looks attractive. Bad debts have peaked and are improving, while interest rates currently at multi-decade lows will ultimately allow the consumer capacity to take on debt. Going into 2011, we therefore remain overweight banks as well as our favoured small cap financials, while we remain underweight life insurance within the fund.

Portfolio managers

Neill Young and Godwill Chahwahwa

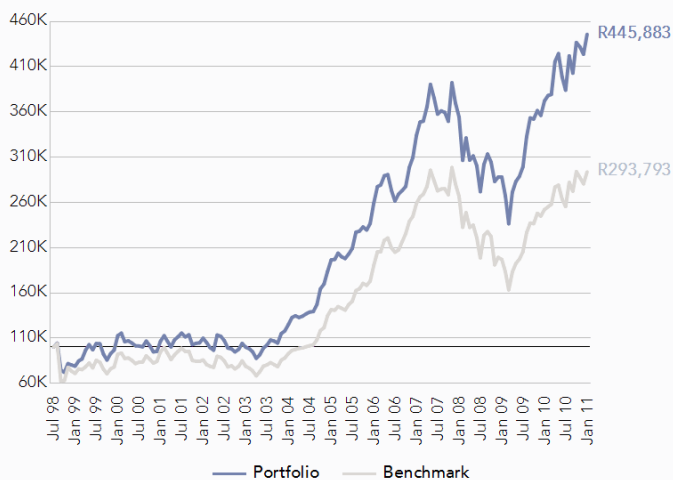
Fund category Domestic - Equity - Financial
Fund description Invests in a broad range of financial shares, including banks, insurance and investment companies.
Launch date 01 July 1998
Portfolio manager/s Neill Young and Godwill Chahwahwa

Fund size R218.86 million
NAV 3011.58 cents
Benchmark FTSE/JSE Financial Index
Risk profile



PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2010	
Domestic Assets	97.1%	100%
■ Equities	93.5%	90%
Industrials	1.8%	80%
Financials	91.7%	70%
■ Real Estate	2.0%	60%
■ Cash	1.5%	50%
International Assets	2.9%	40%
■ Real Estate	2.9%	30%
		20%
		10%
		0%

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	345.9%	193.8%	152.1%
Since Inception (annualised)	12.7%	9.0%	3.7%
Latest 10 years (annualised)	15.4%	12.0%	3.4%
Latest 5 years (annualised)	11.4%	9.0%	2.4%
Latest 3 years (annualised)	8.0%	3.3%	4.7%
Latest 1 year (annualised)	19.8%	16.6%	3.2%
Year to date	19.8%	16.6%	3.2%
2009	29.2%	28.0%	1.2%
2008	(18.7)%	(26.2)%	7.5%
2007	6.1%	3.0%	3.0%

TOP 10 HOLDINGS

As at 31 Dec 2010	% of Fund
Standard Bank of SA Ltd	23.0%
FirstRand	11.6%
ABSA Group Ltd	10.8%
MMI Holdings Ltd	9.4%
Nedbank Group Ltd	7.6%
Investec Bank Limited	6.6%
Discovery Holdings Ltd	6.1%
Coronation Fund Managers Limited	4.0%
FirstRand	3.2%
Capital & Counties Properties	2.9%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	21.9%	23.8%
Sharpe Ratio	0.09	(0.07)
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(39.7)%	(45.3)%
Positive Months	60.0%	60.7%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2010	01 Oct 2010	30.22	29.45	0.77
31 Mar 2010	01 Apr 2010	13.97	13.27	0.70
30 Sep 2009	01 Oct 2009	11.75	10.77	0.98
31 Mar 2009	01 Apr 2009	105.06	104.06	1.00

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2010	1.6%	0.3%	9.6%	2.1%	(6.1)%	(3.7)%	9.9%	(4.5)%	8.4%	(1.1)%	(1.9)%	5.2%	19.8%
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)%

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	1.47% per annum

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 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. 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 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.