

## PORTFOLIO MANAGER COMMENTARY

The fund appreciated by 2.6% in ZAR during 2010. The fund's strong dollar return (+14.7% in USD for 2010) was masked by the 11.8% appreciation of the ZAR, 7% of which came in December alone. In 2010 the fund was the second best performing foreign unit trust out of the 80 foreign unit trusts available in the Foreign Flexible Asset Allocation and Foreign General Equity unit trust categories. The fund also passed its 3-year track record on the 27th of December and since launch it has outperformed its benchmark (MSCI Emerging Markets Index) by 4.1% annualised. Over three years the fund is also the best performing foreign unit trust out of the 65 funds with at least a 3-year track record in the Foreign Flexible Asset Allocation and Foreign General Equity categories.

The biggest contributors to performance in 2010 were the Brazilian education companies (Anhanguera +65% in USD and Kroton Educacional +25% in USD), the coke bottlers (Coca-Cola Femsa +25% in USD and Embotelladora Andina +49% in USD), Naspers (+41% in USD) and Turkiye Garanti (+24% in USD). At the same time, a number of the fund's top 10 holdings performed poorly including Gazprom (0%), Banco Santander Brazil (-4%) and Netease (-4%). A slightly smaller position, China Dongxiang (a Chinese clothing and footwear sports retailer), declined by 40%. In all four cases we have readdressed the investment cases and continue to believe that there is substantial upside to the stocks (more than 50% in all four cases) and as a result we actually added to all these positions over the past few months. In only one case (China Dongxiang) have we reduced our fair value for the business and even after this reduction we believe there is material upside to the stock, which now trades on 7x current earnings excluding a significant net cash position.

Not owing any GEM food or clothing retailers cost the fund as this area of the market was one of the strongest performing areas. We have done detailed work on a number of the GEM retailers and whilst we would agree that many of them are great businesses, the current valuations (typically 20-30x 2011 earnings) just don't offer the margin of safety that we require. For example, Magnit (Russian food retailer) and Wal-Mart Mexico (Mexican and Central American hypermarket retailer) are two businesses that we would love to own, but at the right price. In both cases our fair values are some 10% below the current share prices. We want to buy assets at 30-40% below what we believe they are worth, which means that Magnit and WalMex would have to decline by some 40% before we would consider them to be attractive investment opportunities. The fund has indeed owned Magnit in the past: we bought the shares at around \$4 a share during the panic of 2008 and sold them in the \$18-20 range around a year later. Many of those same investors who were throwing away Magnit at \$4 a share are now prepared to pay \$30 for the exact same business a mere two years later.

Over the past few months we marginally reduced a few positions as they moved closer to what we believe the businesses are worth – the fund's positions in Turkiye Garanti, Naspers and MTN were reduced and we completely sold out of Coca-Cola Femsa and Qualcomm as they reached our fair values.

The fund's largest new position (1.7% of fund) was that in Bimbo Foods, who are the largest baker in the Americas with operations in their home country Mexico (over 60% of profits), Central/Southern America and the US. The group produce a range of products including bread, pastries, buns, cookies and confectionery. There are a number of qualities that we like about the business including the fact that it has dominant positions and resultant economies of scale, a defensive earnings stream, a long track record of consistent profitability (EBIT margins have been in a 12-14% band for the past 15 years) and shareholder-friendly management (the business is family owned and despite a number of acquisitions over the years the company has never once issued shares). The share trades on 15x what we believe it will earn in 2011 and whilst this may not appear to be particularly cheap, this is a quality business that we believe can grow its earnings by 17% p.a. compounded over the next 5 years. This will be driven by a number of factors including continued market share gains of packaged bread from fresh bread and synergies from the recent acquisition of the Sara Lee US baker business.

We also added to the fund's position in Heineken to the point where it is now the largest individual position at 5% of fund. Heineken are the owner of a number of premium brands, including the Heineken brand (the largest contributor to earnings), Amstel and Sol. Almost half of the group's business is now in emerging markets and Heineken have the largest percentage of beer volumes coming from premium brands when compared with the three other major global beer companies (Anheuser-Busch Inbev, SABMiller and Carlsberg). The EBIT (operating profit) of premium beer is around 70-80% higher than that of mainstream brands. Yet Heineken, with the largest exposure to premium brands, have the lowest operating margins in the industry (15% EBIT margin compared to the 17% of SABMiller, 20% of Carlsberg and 30% of AB Inbev). There are a number of reasons why Heineken will never achieve the 30% operating margins that AB Inbev enjoy, but we do believe that Heineken will be able to lift their margins over time to closer to the 17-18% EBIT margin level - if not higher. We believe Heineken owns, or part owns, some extremely attractive assets, notably its African business (it is #2 on the continent after SABMiller and has a very strong Nigerian business) as well as its joint ventures in India with United Breweries (Kingfisher being the primary brand) and its stake in the Southeast Asian brewer, Asia Pacific Breweries (where Tiger is the primary brand). We believe that these assets will show substantial growth over the next several years, with additional growth coming from continued premiumisation globally (particularly in emerging markets), revenue and cost synergies from the FEMSA deal and finally cost efficiencies across the business (particularly in the mature European operations). Heineken now trades on around 10x this year's expected free cash flow, which we believe is very attractive for an asset of this quality.

Finally, we added substantially to the fund's existing positions in the Chinese car companies (Great Wall Motors and Guangzhou Automobile Group, which together make up 6% of fund) as they experienced sharp share price declines at the end of the year in large part due to new restrictions on car vehicle licences in Beijing. Both companies have large net cash positions (20-25% of current market caps) and trade on single digit multiples excluding the cash positions. We believe that both companies can grow their earnings well into the double digits for a number of years and as a result current valuations in our view provide a great buying opportunity.

**Portfolio managers**

Gavin Joubert, Mark Butler and Suhail Suleman

CLASS A as at 31 December 2010

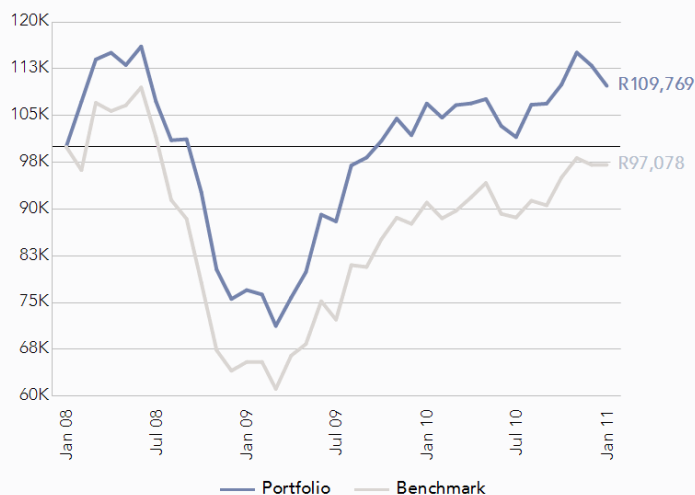
**Fund category** Foreign - Asset Allocation - Flexible  
**Fund description** Aims to provide long-term capital appreciation by investing in global emerging markets.  
**Launch date** 28 December 2007  
**Portfolio manager/s** Gavin Joubert, Mark Butler and Suhail Suleman

**Fund size** R738.77 million  
**NAV** 107.06 cents  
**Benchmark/Performance Fee Hurdle †** MSCI Emerging Markets Index  
**Risk profile**

**9/10**  
Aggressive

## PERFORMANCE AND RISK STATISTICS

### GROWTH OF A R100,000 INVESTMENT



### PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	9.8%	(2.9)%	12.7%
Since Inception (annualised)	3.2%	(1.0)%	4.1%
Latest 3 years (annualised)	3.2%	(1.0)%	4.1%
Latest 1 year (annualised)	2.6%	6.6%	(4.0)%
Year to date	2.6%	6.6%	(4.0)%
2009	38.9%	39.1%	(0.2)%
2008	(23.0)%	(34.5)%	11.5%

### RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Return	3.2%	(1.0)%
Annualised Deviation	18.3%	20.5%
Sharpe Ratio	(0.34)	(0.51)
Maximum Gain	25.1%	23.0%
Maximum Drawdown	(38.6)%	(44.2)%
Positive Months	58.3%	50.0%

### MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2010	(2.1)%	1.9%	0.3%	0.7%	(4.0)%	(1.7)%	5.1%	0.2%	2.8%	4.7%	(1.8)%	(2.9)%	2.6%
Fund 2009	(0.9)%	(6.6)%	6.4%	5.4%	11.6%	(1.2)%	10.2%	1.3%	2.7%	3.6%	(2.6)%	5.0%	38.9%
Fund 2008	7.2%	6.3%	1.0%	(1.7)%	2.6%	(7.6)%	(5.8)%	0.2%	(8.4)%	(13.4)%	(5.9)%	1.9%	(23.0)%

### FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee - performance related*	Minimum: 1.50% Maximum: 3.50% Sharing Rate: 15.00%

\* 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 minimum fee will be levied.

For further information regarding our fee structure please contact us or visit our website.

Total Expense Ratio (TER) <sup>2</sup>	2.14% per annum, which includes a performance fee of 0.09%
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† Please note that the benchmark of USD 3-month LIBOR+5% p.a. has changed with effect 5 August 2008.

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Country	31 Dec 2010
<b>Equities</b>	<b>87.53%</b>
China	26.46%
Brazil	10.54%
Netherlands	6.29%
Russia	5.91%
Greece	4.91%
United States	4.51%
South Africa	3.97%
Mexico	3.70%
Korea	3.54%
Belgium	3.28%
Other	14.42%
<b>Cash</b>	<b>12.14%</b>
USD	5.72%
ZAR	4.76%
Other	1.44%
HKD	0.22%

### TOP 10 HOLDINGS

As at 31 Dec 2010	% of Fund
Heineken NV (Netherlands)	4.8%
OAO Gazprom Reg (Russia)	4.5%
Netease.com Inc (China)	4.5%
Banco Santander (Brazil)	4.5%
Naspers Ltd (South Africa)	4.2%
Sohu.com Inc (China)	3.7%
China Unicom Hong Kong Ltd (China)	3.4%
Anheuser-Busch InBev (Belgium)	3.3%
Colgate-Palmolive Company (United States)	3.2%
Great Wall Motor Company Ltd (China)	3.1%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2010	01 Oct 2010	0.17	0.17	0.00
30 Sep 2009	01 Oct 2009	0.12	0.11	0.01
30 Sep 2008	01 Oct 2008	0.93	0.91	0.02

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. 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.