

## PORTFOLIO MANAGER COMMENTARY

The fund ended the year with a return of +7.3% in USD. When translated into ZAR, the return for the year was -4%, with the dollar return being more than offset by the 12% appreciation of the ZAR over the year, including 7% in the month of December alone. Part of the extreme currency strength has subsequently reversed in the first few days of 2011 – it is quite likely that macro global hedge funds and other short-term market participants pushed the ZAR up in the last week or two of the year when liquidity was very low. Since the fund launched just over a year ago in October 2009, it has generated an annualised return of 11.7% in USD, resulting in 0.7% outperformance of the benchmark (60% MSCI World/40% Global Bond Index).

We continue to believe that global equities are very attractive. As a result, the fund's equity exposure of around 73% is towards the top end of the range we would expect for the fund. Large cap global/US/European equities in particular are in our view very attractive and a large part of the fund is invested in this area (the likes of Heineken, Microsoft, Johnson & Johnson, Colgate Palmolive, Tesco and Wal-Mart).

There were no substantial changes to the equity part of portfolio over the past few months. We did make some smaller changes, including adding to the fund's position in Heineken to the point where it is now the largest individual position at 3% 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. 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.

The question is often posed: why should I invest in global equities when they have given 10 years of 0% return? Our response is that this is exactly why one should invest in global equities today: because share prices have done nothing for 10 years (during a period when earnings for most companies have grown significantly) means that valuations have come down considerably over the past 10 years, making many global equities attractive today. It must also be remembered that 10 years ago the world was in the midst of one of the biggest bubbles ever seen (TMT) and that valuations were crazy in many cases. The starting point of the last 10-year period is therefore very high from a valuation point of view and investors who have seen no return from global/US equities over the past 10 years largely have themselves to blame as they were investing offshore at a time when valuations were silly.

The table below shows six pieces of information for 12 large cap US/European companies: the share price in 2000 and the share price today, earnings per share (EPS) in 2000 and again in 2010 as well as the P/E multiple that the company traded on in 2000 and what P/E (historic: 2010) it trades on now.

Company Name	Share Price			EPS			P/E	
	2000	2010	% move	2000	2010	% move	2000	2010
Cisco	38.25	20.55	-46%	0.48	1.66	246%	81.4	12.4
Coca Cola	60.94	65.22	7%	1.44	3.50	143%	42.3	18.6
IBM	123.00	146.35	19%	4.44	11.45	158%	19.1	12.7
Johnson & Johnson	52.53	62.95	20%	1.63	4.75	191%	32.2	13.2
Kraft	34.03	31.84	-6%	1.21	2.03	68%	28.1	15.6
Microsoft	21.69	28.05	29%	0.88	2.25	156%	43.5	12.4
Pfizer	46.00	17.70	-62%	1.02	2.22	117%	45.1	7.9
Safeway	62.50	22.86	-63%	2.26	1.53	-32%	27.6	14.9
Wal-Mart	56.80	53.84	-5%	1.40	4.06	190%	40.5	13.3
Heineken	41.25	37.08	-10%	1.27	2.50	97%	32.5	14.8
Tesco	2.73	4.34	59%	0.11	0.33	200%	24.1	13.1
Vodafone	3.98	1.69	-58%	0.02	0.16	680%	174.2	10.8

If we then take Cisco as an example: the share price in 2000 was \$38.25. Today the share price is \$20.55 representing a 46% decline over the past 10 years. Earnings, however, have increased materially over the past 10 years: in 2000 Cisco generated EPS of \$0.48 and last year it earned \$1.66, representing a 246% increase in earnings over the past 10 years (or 13% p.a. increase in EPS). Operationally, Cisco has therefore performed very well as a business, yet an investment in Cisco 10 years ago would have resulted in an investors losing almost half of their capital. The reason for this is simple: valuations in 2000 were extremely high and Cisco traded on an extreme 81x earnings. Today, given the share price decline together with the growth in earnings over the years, Cisco trades on a very attractive 12.4x earnings. In addition to this, the company has a substantial net cash balance of some \$25 billion. The entire market capitalisation of the company is \$113 billion, meaning that cash makes up 22% of its market capitalisation. Given that cash is effectively earning no return (and as such is not contributing to earnings) one should adjust the P/E for this cash in which case the P/E of 12.4 decreases to a P/E of 9.7 - a far cry from the 81x earnings Cisco traded on in 2000! The 11 other companies in the table tell a similar story and highlight why we believe selected global equities are so attractive today.

Besides global equities, we continue to find selected value in listed property and corporate bonds, with 3% of the fund invested in each of these areas. We hold some gold, although this position was reduced over the past few months. We also continue to believe that government bonds are unattractively valued and as a result we have a 0% position in this area with the balance of the fund being invested in cash, largely in a mix of USD, EUR and GBP.

**Portfolio manager**  
Gavin Joubert

# CORONATION GLOBAL MANAGED [ZAR] FUND

CLASS A as at 31 December 2010

**CORONATION**  
FUND MANAGERS

**Fund category** Foreign - Asset Allocation - Flexible  
**Fund description** Diversified exposure to global assets with a focus on maximising returns over the long term.  
**Launch date** 29 October 2009  
**Portfolio manager/s** Gavin Joubert

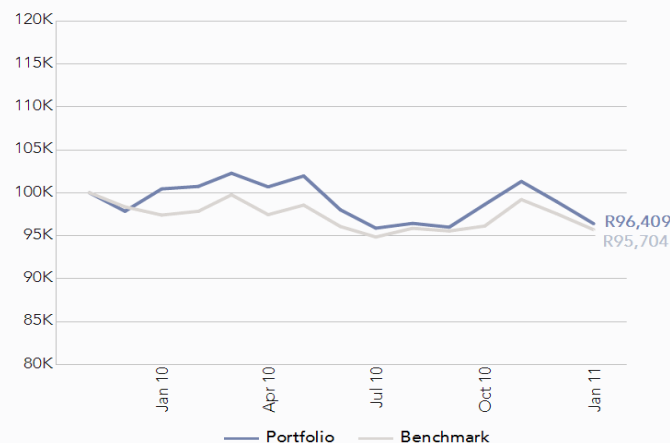
**Fund size** R141.59 million  
**NAV** 95.88 cents  
**Benchmark/Performance Fee Hurdle** Composite: 60% MSCI (TR) Index & 40% Citigroup World Government Bond Index

**Risk profile**



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

### GROWTH OF A R100,000 INVESTMENT



## PORTFOLIO DETAIL

### GEOGRAPHIC ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2010
<b>Equities</b>	<b>72.3%</b>
North America	39.6%
Europe	20.0%
Asia	9.5%
Japan	3.0%
Latin American	2.0%
South Africa	(1.9)%
<b>Gold</b>	<b>1.8%</b>
<b>Property</b>	<b>2.8%</b>
Asia	1.4%
Europe	0.7%
Japan	0.7%
<b>Bonds</b>	<b>3.1%</b>
Europe	1.9%
North America	1.2%
<b>Cash</b>	<b>19.8%</b>
Other	9.8%
ZAR	8.2%
USD	1.7%

## RISK AND RETURNS VS BENCHMARK (ZAR)

	Fund	Benchmark	Outperformance
Since inception (unannualised)	(3.6)%	(4.3)%	0.7%
Latest 1 year (annualised)	(4.0)%	(1.8)%	(2.3)%
Year to date	(4.0)%	(1.8)%	(2.3)%
Annualised Deviation	7.7%	6.0%	
Sharpe Ratio	(1.30)	(1.8)%	
Downside Deviation	3.6%	2.5%	
Positive Months	50.0%	42.9%	

## TOP 10 HOLDINGS

As at 31 Dec 2010	% of Fund
Heineken Holdings Ltd	3.1%
Safeway Inc	2.9%
Microsoft Corp	2.6%
Imperial Tobacco Group PLC	2.4%
Tesco Plc	2.4%
MasterCard Inc	2.3%
Symantec Corp	2.2%
Cisco Systems Inc	2.2%
CVS Caremark Corp	2.1%
Johnson & Johnson	2.0%

## PERFORMANCE FOR VARIOUS PERIODS (USD)

	Fund	Benchmark	Outperformance
Since inception (unannualised)	13.7%	12.9%	0.8%
Latest 1 year (annualised)	7.3%	9.8%	(2.5)%
Year to date	7.3%	9.8%	(2.5)%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2010	01 Oct 2010	0.12	0.12	0.00

## MONTHLY PERFORMANCE - ZAR RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2010	0.3%	1.5%	(1.6)%	1.3%	(3.9)%	(2.2)%	0.6%	(0.5)%	2.8%	2.7%	(2.3)%	(2.6)%	(4.0)%
Fund 2009											(2.2)%	2.7%	0.5%
Fund 2008													0.0%

## FEES (excl. VAT)

<b>Initial Fee</b>	Coronation: 0.00%
<b>Annual Management Fee - performance related*</b>	Minimum: 1.35% Maximum: 2.35% 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 for the relevant 12-month period, the minimum fee applies. For further information regarding our fee structure please contact us or visit our website.

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. 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.

## Total Expense Ratio (TER)<sup>2</sup>

The TER cannot be accurately determined and will be in line or higher than the quoted annual management fee.

## 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.