

## PORTFOLIO MANAGER COMMENTARY

After a strong start to the year, financials had a tough second quarter returning -7.8% for the overall Financial Index, with banks (-9.9%) underperforming life companies (-6.5%). The fund has a heavy weighting in banks and was therefore not spared from the sell-off, yet still managed to outperform the index with a return of -7.6%. Over more meaningful periods of one, three and five years, the fund remains ahead of its benchmark, yielding 28.3% versus 24.3%, 2.4% versus -2.2%, and 12.9% versus 11.1% respectively.

Going into the current year, we presented a bullish view on the SA banking sector. After the sell-off in banks during the past quarter, our view has not changed at all. The same investments we felt were cheap at the end of the previous quarter have become cheaper and we have therefore maintained the fund's large exposure to banks. It is important, however, to explore what we believe are the reasons for the sell-off in banks and financials as a whole.

During the quarter, investor concerns were escalated when it became clear that the Greek fiscal position was worse than the country had previously stated, and certainly worse than the market expected. The potential for default by Greece loomed and its implications for the Eurozone economy and the banking system as a whole would have been dire. Investor scrutiny moved to similarly weak economies in the Eurozone namely Portugal, Italy, Ireland and Spain (collectively dubbed the 'PIIGs'). The potential for contagion increased to a point where the ECB, IMF and Eurozone governments had to step in to provide funding lines to the government of Greece in exchange for fiscal reform. Against this background, banks sold off globally and our own banks, despite having no exposure to Greek debt, were not spared. Europe has shown some signs of stabilising and commenced the long process of resolving these issues, but our own banks have still not recovered and herein we see the opportunity. More recently, newsflow around heightened bank regulations and new bank taxes emanating from the US may be responsible for keeping investors out of the sector. We believe that if one cuts through the noise, it remains clear that all the positive drivers for South African banks in the form of unwind of bad debts and normalisation of credit margins remain intact and will drive earnings going forward. South African banks are well capitalised and we believe the local regulator will be very careful and not follow any regulations established in other markets should such regulations be detrimental or not relevant to our banking system. In our view, the fund's high bank weighting remains supported.

The fund was invested in Liberty International, a property company with assets in the United Kingdom. We believe that this offers a great opportunity into what is a depressed, but attractive property market in addition to providing currency diversification for the fund. During the quarter, Liberty International was split into two businesses, namely Capital Shopping Centers, focusing on the UK retail shopping centre real estate market and Capital and Counties focusing on development opportunities in the London area. We continue to hold both assets and believe that the split will bring about greater focus on the part of the management teams on the opportunities in their respective markets. As the UK property market normalises, these investments should benefit both in terms of improved occupancies and lower capitalisation rates.

The environment for financial stocks in SA continues to improve. Interest rates are at low levels and consumers are taking time to deleverage personal balance sheets as their disposable incomes increase. This will come through in improved bad debt ratios for banks and lower lapse rates for life companies. Given the high levels of debt to disposable income, rising unemployment and weak global demand, we do not believe that advances in growth for banks will be a meaningful driver to earnings in the near term. At the same time, there is reason to believe that while employment and global demand remains weak, rates will remain low for longer. In the medium term, as economic activity returns to more normalised levels, demand for credit is likely to recover and risk appetite amongst lenders is likely to increase. We have therefore positioned the fund to benefit from this outlook.

**Portfolio managers**

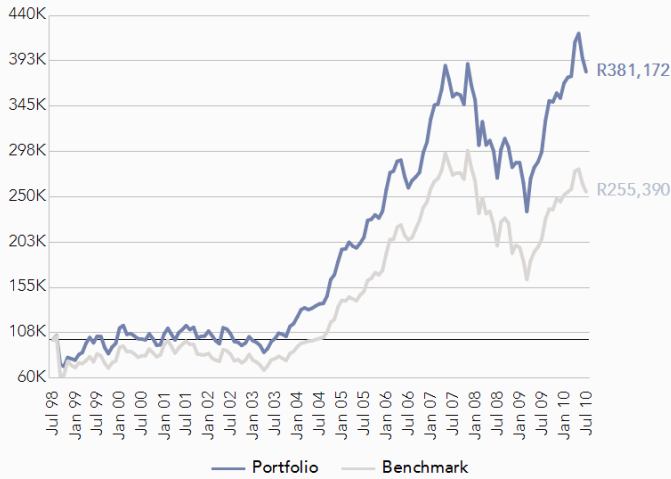
Neill Young and Godwill Chahwahwa

**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** R207.44 million  
**NAV** 2621.39 cents  
**Benchmark/Performance Fee Hurdle** FTSE/JSE Financial Index  
**Risk profile** Cons Mod Aggr

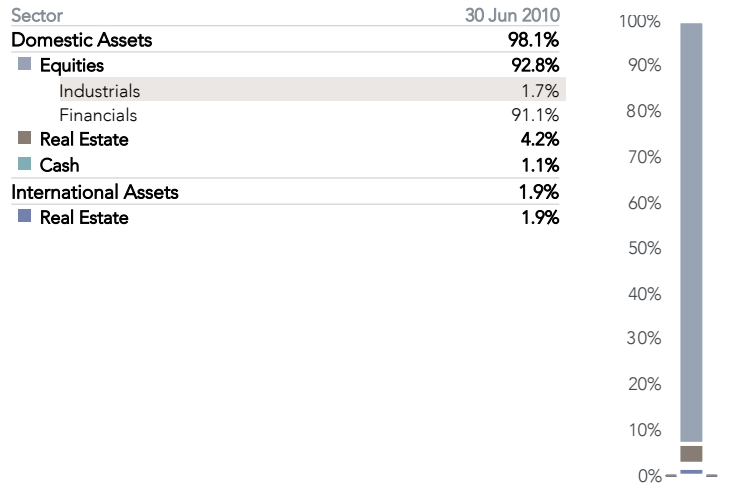
## PERFORMANCE AND RISK STATISTICS<sup>1</sup>

### GROWTH OF A R100,000 INVESTMENT



## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE



## PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	281.2%	155.4%	125.8%
Since Inception (annualised)	11.8%	8.1%	3.7%
Latest 5 years (annualised)	12.9%	11.1%	1.8%
Latest 3 years (annualised)	2.4%	(2.2)%	4.6%
Latest 1 year (annualised)	28.3%	24.3%	4.1%
Year to date	3.2%	1.3%	1.9%
2009	29.2%	28.0%	1.2%
2008	(18.7)%	(26.2)%	7.5%
2007	6.1%	3.0%	3.0%
2006	28.8%	35.8%	(7.0)%

## TOP 10 HOLDINGS

As at 30 Jun 2010	% of Fund
Standard Bank of SA Ltd	24.3%
FirstRand	15.2%
Metropolitan Life Ltd	9.5%
ABSA Group Ltd	9.0%
Nedbank Group Ltd	8.0%
Discovery Holdings Ltd	6.1%
Investec Bank Limited	5.0%
Coronation Fund Managers Limited	4.9%
Capital Shopping Centre Group	4.2%
Peregrine Equities	3.2%

## RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	22.0%	23.9%
Sharpe Ratio	0.04	(0.11)
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(39.7)%	(45.3)%
Positive Months	60.4%	61.1%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
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
30 Sep 2008	01 Oct 2008	64.50	62.40	2.10

## 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)%							3.2%
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) <sup>2</sup>	1.46% per annum
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## 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.

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 is quoted from Morningstar as at 30 June 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 March 2010, as well as the actual performance fee incurred over the 12 months to end March 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.