

## PORTFOLIO MANAGER COMMENTARY

The fund began the year with a strong quarter. It has outperformed its benchmark by 1.1% p.a. over a rolling 3-year period (7.2% versus 6.1% p.a.) and 1.3% p.a. over a rolling 5-year period (17.7% versus 16.4% p.a.). The fund is one of the top performing funds in its sector over all meaningful periods.

Equity market returns have been excellent, with the All Share Index returning 19.9% and 17.1% p.a. over the last five and ten years respectively. Put differently, investors have earned approximately 2.5 and 5 times their capital over the five and ten year periods. While many have become accustomed to earning such handsome returns, it truly has been an exceptional period where both global and local markets (more so) benefitted from a very asset-friendly environment. Given this context, we believe the next few years will be more challenging and returns more muted. This environment should favour the patient, long-term investor who is disciplined and valuation-driven.

We reduced our aggressive overweight equity position towards the latter part of 2009 on the back of strong market returns and now hold what we consider a neutral equity exposure. Despite this profit-taking, equities remain our preferred asset class for producing inflation-beating, long-term returns. We continue to believe that global equities are more attractive than local equities and given the continued strength of the rand investors are currently afforded an excellent opportunity to diversify their portfolios. We have taken full advantage of this opportunity across client portfolios.

The All Share Index returned 4.5% for the first quarter of 2010. Financials led the market with a 9.9% return, while industrials returned 4.4% and resources 2.1%. We remain underweight resources with the view that the upside to long-term valuations, based on mid-cycle earnings, is not attractive enough to justify higher exposures. Notwithstanding this view, we believe Sasol presents a good opportunity given its long-life assets, low cost base and the favourable long-term fundamentals of oil as a commodity. We have started adding to our AngloGold position. While gold and platinum producers are experiencing enormous cost pressures (labour and electricity), we believe that this is adequately discounted in the AngloGold share price. Further, one is not currently paying for the optionality of a weaker rand and future growth projects, which if successful, could be company transforming.

Banks led the financial index upwards returning 12.2% for the quarter. Despite the recent run banks remain attractive, trading at price-to-book ratios of 2 and forward price earnings ratios of 10. South African banks remain well-capitalised and offer good earnings growth prospects driven initially by an unwinding of the impairment provision and followed by advances growth as consumers respond to lower interest rates.

While the rand remains very strong in the short term, we continue to believe the risks are heavily skewed to the downside. Industrial South Africa is not competitive at these levels. Also, at some point, the excessive global financial stimulus has to be withdrawn and global interest rates will have to be raised. This will reduce the attractiveness of the carry trade currently on offer, placing further pressure on the rand. The portfolio remains skewed towards rand-hedge counters that we consider to be attractively valued, such as MTN, Naspers, SABMiller, Richemont and Bidvest. These companies are globally diversified with best-in-class business models that should benefit from a depreciating rand.

Within industrials, we believe it will be a challenge for the average domestic company to defend its real earnings. Consequently, we remain defensively positioned with holdings in the Spar Group, Shoprite Holdings and AVI. The earnings of these companies are more bankable than the average industrial company and while one does pay for this certainty, the premium is not excessive. As highlighted in previous commentary, we continue to find value in small caps. Although small caps have recovered significantly off the lows of March 2009, many quality companies with good franchises can be acquired at 6 times our assessment of normalised earnings.

MTN remains the largest individual position in the fund. Almost two years have elapsed since we started building the position in 2008; disappointingly the share price is around the same nominal level. Sometimes the market takes time to assess the long-term fundamentals of an investment; in such a case it is the job of the rational investor to remain focused and patient. The news flow surrounding MTN has been poor. First there was the uncertainty and subsequent collapse of the Bharti deal. We were not in favour of the proposed transaction as the indicative price range undervalued MTN and payment was partly in Bharti shares, a company we consider to be fairly valued. Secondly, post the failed transaction Bharti acquired Zain's African operations, allowing it to enter the lucrative Nigerian market. Bharti is well-capitalised and presents a credible competitor to MTN. We believe concerns over MTN's ability to defend its earnings in Nigeria has been more than adequately discounted in the current share price and remain convinced that the competitive advantages this group enjoys remain intact.

The bond market had a good quarter with a return of 4.4%, outperforming cash which returned 1.8%. We remain underweight bonds as we believe that current yields do not compensate investors for upside risks to inflation and the yield pressure from heavy issuance expected in the future. We currently own corporate bonds where spreads are still above our assessment of normal levels. We also find value in inflation-linked bonds given our view that there is upside risk to inflation expectations over the next few years given the significant cost pressures being experienced by the average South African company (high wage settlements and electricity price increases). Listed property enjoyed a very strong quarter, returning 9.9%, despite de-rating relative to bonds. At current levels, property offer reasonable value with good prospects of real distribution growth over the medium term.

In conclusion, markets are likely to remain volatile and challenging for some time to come. As a long-term investor, this is not bad news as volatile markets often create opportunities when emotion trumps reason. We look forward to capitalising on these opportunities.

**Portfolio managers**

Karl Leinberger and Quinton Ivan

# CORONATION BALANCED PLUS

CLASS A as at 31 March 2010

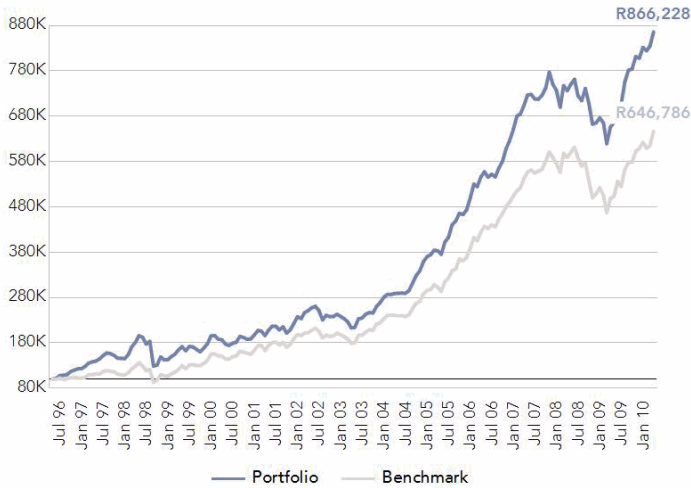
**CORONATION**  
FUND MANAGERS

**Fund category** Domestic - Asset Allocation - Prudential Variable Equity  
**Fund description** A fully managed investment solution diversified across the various asset classes and sectors. Its asset allocation is compliant with Regulation 28 of the Pension Funds Act.  
**Launch date** 15 April 1996  
**Portfolio manager/s** Karl Leinberger and Quinton Ivan

**Fund size** R 6.51 billion  
**NAV** 5122.92 cents  
**Benchmark/Performance Fee Hurdle** Composite (63% equity, 22% bonds, 10% international, 5% cash)  
**Risk profile** Cons Mod Aggr

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

### GROWTH OF A R100,000 INVESTMENT



## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2010	%
<b>Domestic Assets</b>	<b>79.2%</b>	
Equities	44.8%	
Oil & Gas	4.7%	
Basic Materials	9.3%	
Industrials	6.3%	
Consumer Goods	5.4%	
Health Care	1.0%	
Consumer Services	8.0%	
Telecommunications	5.3%	
Financials	7.9%	
Technology	0.1%	
Derivatives	(3.2)%	
Preference Shares & Other Securities	1.3%	
Real Estate	4.9%	
Bonds	18.3%	
Cash	9.9%	
<b>International Assets</b>	<b>20.8%</b>	
Equities	19.3%	
Cash	1.5%	

## PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	766.2%	546.8%	219.4%
Since Inception (annualised)	16.8%	14.4%	2.4%
Latest 5 years (annualised)	17.7%	16.4%	1.3%
Latest 3 years (annualised)	7.2%	6.1%	1.1%
Latest 1 year (annualised)	31.9%	29.7%	2.2%
Year to date	4.1%	4.0%	0.1%
2009	23.0%	19.1%	3.9%
2008	(8.2)%	(9.2)%	1.0%
2007	13.1%	14.0%	(0.9)%
2006	30.5%	29.9%	0.6%

## TOP 10 HOLDINGS

As at 31 Mar 2010	% of Fund
Coronation World Wide Equity Fund Class A	11.7%
MTN Group Ltd	5.3%
Sasol Limited	4.7%
Coronation Global Emerging Markets Fund	4.3%
Standard Bank of SA Ltd	4.0%
Naspers Ltd	2.7%
Anglo American Plc	2.4%
SABMiller Plc	2.3%
British American Tobacco Plc	1.8%
Compagnie Financiere Richemont SA	1.7%

## RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	15.6%	14.3%
Sharpe Ratio	0.32	0.18
Maximum Gain	57.4%	29.3%
Maximum Drawdown	(34.3)%	(31.9)%
Positive Months	67.1%	64.7%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2010	01 Apr 2010	41.79	9.75	32.04
30 Sep 2009	01 Oct 2009	37.80	10.78	27.02
31 Mar 2009	01 Apr 2009	131.97	89.72	42.25
30 Sep 2008	01 Oct 2008	85.24	41.30	43.94

## MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2010	(0.9)%	1.2%	3.8%										4.1%
Fund 2009	(1.6)%	(6.9)%	6.0%	1.5%	5.9%	0.2%	7.0%	3.4%	0.3%	3.5%	(0.4)%	2.9%	23.0%
Fund 2008	(5.0)%	6.8%	(1.5)%	1.9%	1.5%	(4.8)%	(1.4)%	3.7%	(4.5)%	(6.5)%	0.4%	1.7%	(8.2)%

## 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>	1.38% 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 31 March 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 December 2009, as well as the actual performance fee incurred over the 12 months to end December 2009. 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.