

## PORTFOLIO MANAGER COMMENTARY

The now much talked about "risk on – risk off" investor behaviour continued into the third quarter of 2010. July was a positive month for risky assets, August was negative, and then September brought a strong wave of upward pricing of risk, resulting in a quarterly return for the MSCI World Index of 13.9%. The South African equity market followed international counterparts with a quarterly return of 13.3%, and the rand strengthening by almost 10% against the US dollar, leading to a dollar return of almost 25% over the 3 months! Even the bond market shared in this euphoria with a third quarter return of 8% in rand terms and 19% in dollar terms. Inflation-linked bond returns were a little more subdued, with the rand number at 4.6%. Listed property returned 13.7% over the three months.

The main reason for the renewed optimism has been speculation of another round of quantitative easing about to be implemented, supposedly leading to a rerating of risky assets. In the event, one could argue that a lot of this anticipated rerating has now already happened, with physical gold also marching north on fears of inflation down the line. The dollar has also lost about 10% against the euro over the 3 months.

Within South Africa, besides the successful conclusion of the Soccer World Cup in July, the emphasis shifted to the benign outlook for inflation in the short term, with interest rates having been brought down by another 50 basis points. The announcement regarding the proposed offer by US giant Wal-Mart for the local retailing company Massmart led to another flurry of buying activity in the SA retail sector.

Against this background your fund had a great 3 months with a return of 7.5%, bringing the year-to-date number to 9.7% and the one-year lagging number to 13.7%. All these numbers comfortably outperform the benchmark of inflation plus 4%. Over the last 5 years the fund has returned 12.5% p.a.

Equity selection in the fund was good, outperforming the market in a strong upward swing. Listed property did well, although the fund did not have a large exposure to this sector. Our inflation-linked bonds continued to perform well, whilst we used the strength in the bond market to dispose of the remaining government bonds. Whilst our foreign assets performed well in dollar terms, the rand strength meant that the fund's foreign exposure once again detracted from performance. We continue to believe that having the maximum allowed offshore exposure of 20% is the right position for the longer term, and we do not intend buckling under the pressure of a view that in the short term has been wrong.

During September we have started reducing equity exposure given the sharp run in risky assets. We continued with this programme subsequent to quarter-end. Some of our larger positions have moved closer to our calculated fair value, and as such we are busy reducing these positions. We now have very little exposure to retailers, which over the last few years have been blessed with all kinds of tail winds. Whilst we expect the sector to continue to trade well, we think this positive outlook is already reflected in the sharply rerated share prices. We continue to hold inflation-linked bonds as a hedge against the anticipated increase in inflationary pressures in South Africa over the next 3 to 5 years.

**Portfolio managers**

Louis Stassen and Henk Groenewald

**Fund category** Domestic - Asset Allocation - Targeted Absolute & Real Return

**Fund description** Focused on the preservation of capital over all rolling 12-month periods. Over the medium term, the objective is to produce real growth of at least 4% per annum.

**Launch date** 02 July 2001

**Portfolio manager/s** Louis Stassen and Henk Groenewald

**Fund size** R 7.26 billion

**NAV** 2682.45 cents

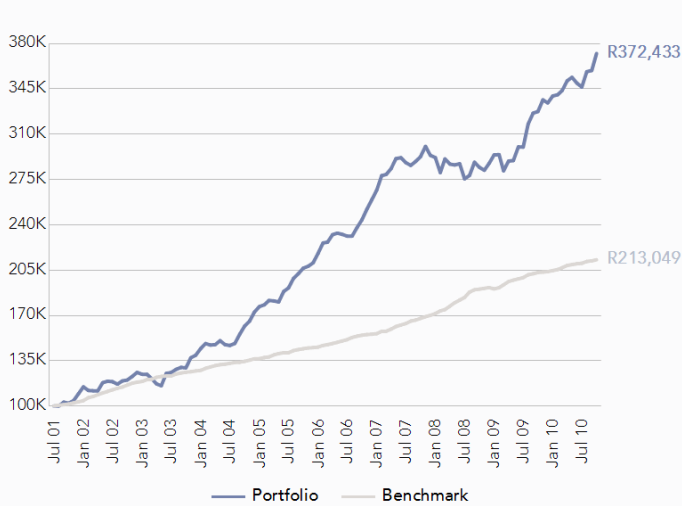
**Benchmark/Performance Fee Hurdle** CPI + 4% p.a.

**Risk profile**



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

### GROWTH OF A R100,000 INVESTMENT



## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Sep 2010	%
<b>Domestic Assets</b>	<b>80.1%</b>	
Equities	36.1%	
Oil & Gas	1.4%	
Basic Materials	5.9%	
Industrials	8.3%	
Consumer Goods	5.7%	
Health Care	0.3%	
Consumer Services	5.1%	
Telecommunications	4.4%	
Financials	4.4%	
Technology	0.2%	
Derivatives	0.5%	
Preference Shares & Other Securities	4.0%	
Real Estate	2.2%	
Bonds	29.6%	
Cash	8.3%	
<b>International Assets</b>	<b>19.9%</b>	
Equities	14.1%	
Real Estate	0.2%	
Bonds	2.8%	
Cash	2.7%	

## PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	272.4%	113.4%	159.0%
Since Inception (annualised)	15.3%	10.3%	4.9%
Latest 5 years (annualised)	12.5%	10.7%	1.8%
Latest 3 years (annualised)	8.4%	11.2%	(2.9)%
Latest 1 year (annualised)	13.7%	7.4%	6.3%
Year to date	9.7%	6.1%	3.5%
2009	15.5%	10.3%	5.2%
2008	0.7%	14.3%	(13.6)%
2007	9.5%	12.6%	(3.1)%
2006	22.4%	9.0%	13.4%

## TOP 10 HOLDINGS

As at 30 Sep 2010	% of Fund
Coronation Gbl Opp Eqty Fd Cl B	6.3%
Coronation Gbl Cap Plus Fd Cl B	4.1%
Remgro Ltd	2.9%
MTN Group Ltd	2.8%
Coronation Global Managed Fund - Class A	2.3%
Naspers Ltd	2.2%
Anglo American Plc	2.2%
Spar Group Ltd	2.1%
Tiger Brands Ltd	1.8%
Standard Bank of SA Ltd	1.6%

## RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	7.8%	1.7%
Downside Deviation	3.1	N/A
Sharpe Ratio	0.71	N/A
Maximum Gain	29.5	N/A
Maximum Drawdown	(8.3)	N/A
Positive Months	68.5	N/A

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2010	01 Oct 2010	19.84	6.70	13.14
30 Jun 2010	01 Jul 2010	17.51	4.72	12.79
31 Mar 2010	01 Apr 2010	18.71	3.94	14.77
31 Dec 2009	04 Jan 2010	12.50	1.76	10.74

## MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2010	0.3%	1.0%	2.2%	0.8%	(1.3)%	(0.9)%	3.4%	0.3%	3.7%				9.7%
Fund 2009	0.1%	(4.3)%	2.7%	0.2%	3.6%	(0.1)%	5.9%	2.7%	0.4%	2.8%	(0.7)%	1.6%	15.5%
Fund 2008	(4.0)%	3.8%	(1.4)%	(0.2)%	0.3%	(4.1)%	1.0%	3.7%	(1.4)%	(0.8)%	1.9%	2.3%	0.7%

## FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee - performance related*	Minimum - standard: 1.25% Minimum - discounted: 0.75% Maximum: 2.75% Sharing Rate: 10.00%

\* 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 standard minimum fee will be levied. If the fund produces a negative return over a rolling 12-month period, the discounted minimum fee applies. For further information regarding our fee structure please contact us or visit our website.

Total Expense Ratio (TER) <sup>2</sup>	2.28% per annum, which includes a performance fee of 0.87%
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<sup>1</sup>Benchmark Methodology - From January 2009 CPIX was replaced with a newly reweighted and rebased CPI. The benchmark is calculated using a combination of the official month-to-month CPIX numbers pre-January 2009 and the new CPI from January 2009.

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 September 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 June 2010, as well as the actual performance fee incurred over the 12 months to end June 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.