

## PORTFOLIO MANAGER COMMENTARY

The investment climate during the past year was extremely challenging. The unfolding sovereign debt crisis in Europe continued to dominate the economic news. Elsewhere faltering growth and rising inflation in most regions of the world added to investors' woes. Sentiment swung wildly from taking on to avoiding risk which resulted in extreme levels of volatility in equities and currencies.

The new president of the European Central Bank, Mario Draghi, reversed the rate hikes of his predecessor during the final quarter of 2011 to bring European interest rates in line with the zero rate policy already followed by the US and Japan.

South Africa also faced a challenging environment, with the severe slowdown in the construction sector and rising inflation probably the biggest concerns. In light of the weak domestic economic activity and serious concerns about the health of our major trading partners, the Reserve Bank kept local interest rates at historic lows despite inflation breaching the upper end of the target range in the final quarter of the year.

Notwithstanding an environment of low interest rates, high volatility in equities and a weak rand we are pleased to report that the fund returned 4.0% for the quarter, 10.3% for the calendar year and 12.0% per annum for the past three years. The returns are ahead of cash and inflation over all periods and it was achieved with very low volatility.

Our asset allocation decisions contributed positively as did our selection within asset classes. The decision to take our offshore exposure meaningfully higher early in the year paid off as the rand weakness added to performance. In the interest bearing area our high exposure to inflation-linked bonds and corporate credit also contributed positively. Domestic equity exposure was reduced to 9.6% by buying downside protection in the form of put options. Global equity exposure was 17% at year end, displaying our belief that it offers better value than the domestic equities.

Looking forward to 2012 we are of the view that the investment environment will remain tough. Returns from cash will again be very low and almost certainly below inflation in most countries. Economic growth will continue to be lacklustre, with Europe in all probability slipping back into recession. Growth in the emerging world and especially in China will be very important to the overall global financial environment. We remain positive on China, but cautiously so.

Notwithstanding the very challenging macro environment we continue to find many excellent businesses at reasonable multiples and with strong balance sheets. We believe exposure to the equity of these businesses will help the fund achieve its objectives in the years ahead. Conversely we still find conventional bonds unattractive at prevailing yields.

**Portfolio managers**

Charles de Kock, Mark le Roux and Neill Young

# CORONATION BALANCED DEFENSIVE

CLASS A as at 31 December 2011

**Fund category** Domestic - Asset Allocation - Prudential Low Equity  
**Fund description** The fund aims to provide a reasonable level of current income and seeks to preserve capital in real terms, with lower volatility over the medium to long-term.  
**Launch date** 01 February 2007  
**Portfolio manager/s** Charles de Kock, Mark le Roux and Neill Young

**Fund size** R 8.36 billion  
**NAV** 127.72 cents  
**Benchmark** Alexander Forbes 3-month (SteFI) Index + 3% p.a.†

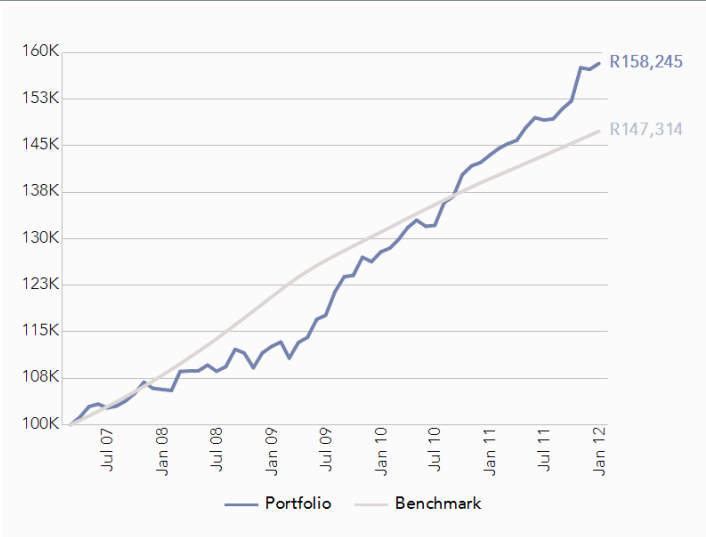
**Risk profile**

Conservative

3/10

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

### GROWTH OF A R100,000 INVESTMENT



### PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Launch (unannualised)	58.3%	47.3%	10.9%
Since Launch (annualised)	10.0%	8.3%	1.6%
Latest 3 years (annualised)	12.0%	6.9%	5.1%
Latest 1 year (annualised)	10.3%	5.5%	4.8%
Year to date	10.3%	5.5%	4.8%
2010	12.2%	6.6%	5.6%
2009	13.5%	8.6%	4.9%
2008	6.6%	11.7%	(5.2)%

### RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	4.1%	0.6%
Sharpe Ratio	0.29	N/A
Maximum Gain	14.7%	N/A
Maximum Drawdown	(2.6)%	N/A
Positive Months	79.3%	N/A

### MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	0.8%	0.5%	0.4%	1.4%	1.1%	(0.3)%	0.1%	1.1%	0.8%	3.5%	(0.2)%	0.6%	10.3%
Fund 2010	0.5%	1.1%	1.5%	0.9%	(0.8)%	0.1%	2.8%	0.8%	2.6%	1.0%	0.4%	0.8%	12.2%
Fund 2009	0.6%	(2.3)%	2.3%	0.7%	2.5%	0.6%	3.2%	2.0%	0.2%	2.4%	(0.6)%	1.2%	13.5%

### FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee*	1.50%
Annual Management Fee - performance related*	Minimum - discounted: 0.00%

\* 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.  
**Annual management fee discount:**  
If the fund delivers a negative return over a rolling 12-month period, a discounted fee of 0.75% applies. If the fund delivers a negative return over a rolling 24-month period Coronation will forego the total annual management fee until the historical 24 month rolling return is positive. For further information regarding our fee structure please contact us or visit our website.

Total Expense Ratio (TER) <sup>2</sup>	1.75% per annum
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†Please note that for evaluation purposes the benchmark performance numbers will exclude the target of 3%, and consequently only reflect returns of the Alexander Forbes 3-month (SteFI) Index.

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2011
<b>Domestic Assets</b>	<b>79.1%</b>
Equities	9.6%
Oil & Gas	0.7%
Basic Materials	1.7%
Industrials	1.3%
Consumer Goods	2.8%
Health Care	0.5%
Consumer Services	1.6%
Telecommunications	1.2%
Financials	2.3%
Derivatives	(2.6)%
Preference Shares & Other Securities	2.0%
Real Estate	4.4%
Bonds	45.9%
Cash	17.1%
<b>International Assets</b>	<b>20.9%</b>
Equities	16.3%
Real Estate	0.8%
Bonds	3.8%
Cash	0.0%

### TOP 10 HOLDINGS

As at 31 Dec 2011	% of Fund
Coronation Global Opportunities Equity Fund	11.1%
Coronation Global Emerging Markets Fund	5.0%
MTN Group Ltd	1.0%
Standard Bank Of SA Ltd	0.9%
Fountainhead Property Trust	0.8%
British American Tobacco Plc	0.8%
Sasol Ltd	0.7%
SabMiller Plc	0.7%
Capital Shopping Centre Group	0.7%
Capital & Counties Properties	0.6%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Dec 2011	03 Jan 2012	1.08	0.11	0.97
30 Sep 2011	03 Oct 2011	0.95	0.12	0.83
30 Jun 2011	01 Jul 2011	0.99	0.13	0.86
31 Mar 2011	01 Apr 2011	0.98	0.16	0.82

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 2011 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 2011. 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.