

## PORTFOLIO MANAGER COMMENTARY

The fund outperformed its benchmark by 1.0% p.a. over a rolling 3-year period (18.9% versus 17.9% p.a.) and by 1.2% p.a. over a rolling 5-year period (9.8% versus 8.7% p.a.). The fund is one of the top performing funds in its sector over all meaningful periods.

The past year was characterised by periods of extreme volatility. In the first half financial markets had to digest the implications of the political unrest in North Africa and Middle East as well as a devastating earthquake and risk of possible nuclear meltdown in Japan. The second half was dominated by continued political wrangling which saw policy makers fail to resolve the ongoing Euro crisis. This fuelled uncertainty as global investors reduced exposure to growth assets.

The global economy and financial system remain unbalanced and are being distorted by unprecedented monetary and fiscal stimulus. The precarious state of the global economy has a bearing on market sentiment. In volatile times, emotion often trumps reason resulting in investors mispricing assets. As a valuation-driven, bottom-up stock-picker, Coronation remains resolute in its philosophy of investing for the long term. While this may result in periods of short-term relative underperformance, we believe it will produce superior returns for our clients over the long term.

Given the current global and domestic economic outlook, equities remain our preferred asset class for producing inflation-beating returns. Following the panic that consumed markets in the third quarter of 2011, equity markets recovered in the final quarter which created the opportunity to reduce exposure to what we consider to be a neutral equity exposure in our balanced funds. The All Share Index is currently very near an all time high and is certainly not pricing in a sharp correction in the global economy. This coupled with our view that domestic equities are fairly valued, does not justify higher exposure. Global equities on the other hand are discounting some probability of a global downturn. Domestic equities have outperformed global equities significantly over the last decade (15.2% p.a. for the All Share Index versus 0.1% p.a. for global equities in rand terms). We remain of the view that global equities are far more attractively valued than domestic equities. This view was vindicated in 2011 with the MSCI World Index (in rand terms), comfortably outperforming the All Share Index by 13% for the year (15.8% for the MSCI World Index versus 2.6% for the All Share Index). Our domestic balanced funds remained close to their 25% offshore limit for the duration of the year.

After a prolonged period of strength, the rand (together with other emerging market currencies) experienced a sharp sell-off towards the end of the third quarter. Given our long-held view that the currency was overvalued, our rand hedge investments such as MTN, SABMiller and British American Tobacco contributed to overall equity performance. We continue to favour global businesses that happen to be listed in South Africa. They remain attractively valued relative to pure domestic businesses and are diversified across numerous geographies and currencies. At the end of 2011, approximately 63% of the fund was invested in rand hedge counters.

The All Share Index returned 8.4% for the quarter. Industrials were the best performer with a 9.2% return. Financials returned 8.7% and resources lagged with a 7.3% return. Resource stocks have now underperformed financials and industrials over a 3-year period. Having remained underweight resources for most of the year, we moved slightly overweight. Although most commodity prices remain high, we believe that resources currently offer value, with selected resource shares trading at less than 10 times our assessment of normal earnings. The great imponderable impacting commodity prices and therefore the valuations of resource shares remains demand from China. China has been the single largest consumer of commodities, responsible for, on average, approximately 40% of global demand for most commodities (and even higher in the case of iron ore where China constitutes 60% of global demand). The Chinese economy is extremely unbalanced having been driven by significant investment in infrastructure and very little domestic consumption. The country is also in the process of attempting to cool an overheated property market. Any Chinese hard landing will have dire ramifications for commodity prices and consequently, the pricing of resource shares. It is for this reason that we remain only marginally overweight. Our preferred resource holdings are Sasol, the diversified miners (specifically Anglo American) and Mondi Limited. We remain underweight gold shares as we believe they are overvalued based on our assessment of normal earnings. We are also concerned over declining grades and enormous cost pressures faced by these businesses (labour, electricity and water).

Banks returned 7.8% for the quarter, underperforming other financials. Banks have been very poor performers, however we continue to hold our overweight position on the basis that valuations are attractive at 9 times our assessment of normal earnings and price-to-book ratios of 1.7 times. We believe earnings are low as a result of low net interest margins and high bad debts. This, coupled with a low rating, represent a highly attractive investment proposition.

In contrast, we remain concerned over the earnings base for the average industrial company, especially consumer-facing businesses. These businesses have benefitted from significant tailwinds such as falling inflation, declining interest rates, an emerging middle class and significant social grants. These benefits are in the base, which will make it challenging for these businesses to defend and grow off their current earnings. Consequently, we own very little retailers, other than Woolworths and Mr Price and remain defensively positioned. We continue to find value in selected small caps.

It remains our view that the global economy will face an extremely difficult period in the years ahead. The investment environment is therefore likely to remain volatile and challenging for the foreseeable future. Global equities, however, discount many of these concerns and we believe offer good value. In an environment fraught with uncertainty, we remain committed to our investment philosophy of investing for the long term.

**Portfolio managers**

Karl Leinberger and Quinton Ivan

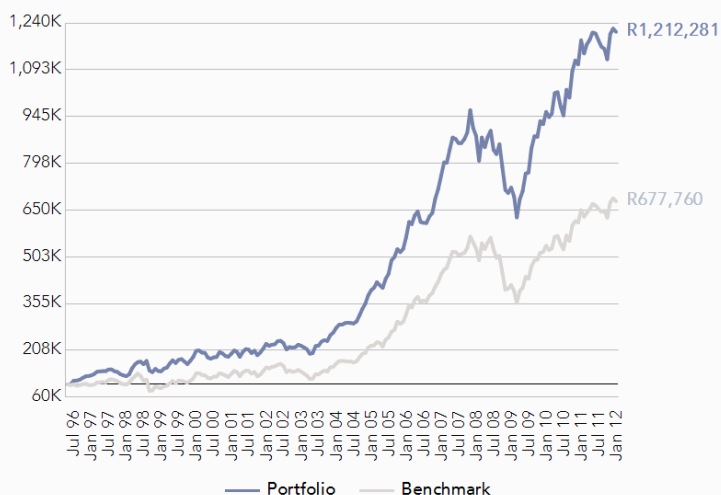
**Fund category** Domestic - Equity - General  
**Fund description** An emphasis on active stock selection and will remain fully invested in domestic equities at all times.  
**Launch date** 15 April 1996  
**Portfolio manager/s** Karl Leinberger and Quinton Ivan

**Fund size** R 3.67 billion  
**NAV** 8493.71 cents  
**Benchmark/Performance Fee Hurdle** FTSE/JSE Shareholders Weighted All Share Index

**Risk profile**  8/10  
Aggressive

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

### GROWTH OF A R100,000 INVESTMENT



## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2011	100%
<b>Domestic Assets</b>	<b>100.0%</b>	
■ <b>Equities</b>	<b>97.9%</b>	
Oil & Gas	9.7%	
Basic Materials	26.0%	
Industrials	8.8%	
Consumer Goods	11.7%	
Health Care	3.6%	
Consumer Services	12.4%	
Telecommunications	9.3%	
Financials	16.5%	
Derivatives	0.0%	
■ <b>Real Estate</b>	<b>1.4%</b>	
■ <b>Cash</b>	<b>0.7%</b>	

## PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Launch (unannualised)	1112.3%	577.8%	534.5%
Since Launch (annualised)	17.3%	13.0%	4.3%
Latest 15 years (annualised)	16.2%	13.8%	2.4%
Latest 10 years (annualised)	18.2%	16.0%	2.1%
Latest 5 years (annualised)	9.8%	8.6%	1.2%
Latest 3 years (annualised)	18.9%	17.9%	1.0%
Latest 1 year (annualised)	2.2%	4.3%	(2.0)%
Year to date	2.2%	4.3%	(2.0)%
2010	23.5%	20.9%	2.6%
2009	33.1%	29.9%	3.2%

## TOP 10 HOLDINGS

As at 31 Dec 2011	% of Fund
Sasol Ltd	9.7%
MTN Group Ltd	9.3%
Standard Bank Of SA Ltd	7.5%
Anglo American Plc	6.3%
Naspers Ltd	5.0%
SabMiller Plc	4.8%
Bhp Billiton Plc	3.9%
British American Tobacco Plc	3.3%
Impala Platinum Holdings Ltd	2.9%
ABSA Group Ltd	2.6%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	16.6%	19.8%
Sharpe Ratio	0.37	0.09
Maximum Gain	47.4%	43.5%
Maximum Drawdown	(35.1)%	(41.0)%
Positive Months	61.2%	60.6%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2011	03 Oct 2011	93.80	89.06	4.74
31 Mar 2011	01 Apr 2011	81.19	77.39	3.80
30 Sep 2010	01 Oct 2010	61.62	55.95	5.67
31 Mar 2010	01 Apr 2010	16.82	14.41	2.41

## MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	(3.5)%	2.5%	1.3%	1.9%	(0.3)%	(1.8)%	(1.7)%	(0.5)%	(2.9)%	7.1%	1.5%	(0.9)%	2.2%
Fund 2010	(1.7)%	1.1%	6.8%	0.3%	(4.4)%	(3.0)%	8.6%	(2.4)%	8.3%	3.2%	(1.1)%	6.9%	23.5%
Fund 2009	(4.0)%	(9.4)%	9.2%	3.6%	7.9%	0.4%	10.0%	4.5%	(0.3)%	5.7%	(1.1)%	4.2%	33.1%

## FEES (excl. VAT)

<b>Initial Fee</b>	Coronation: 0.00%
<b>Annual Management Fee* Class A:**</b>	Minimum: 1.10%
	Maximum: 3.00%
	Sharing Rate: 15.00%
<b>Annual Management Fee* Class R:</b>	Standard: 1.00%

\* A portion of Coronation's annual management fee may be paid to administration platforms like LSP'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 24-month period, and paid to Coronation monthly. If the fund produces a return in line with or below the benchmark for the relevant 24-month period, the minimum fee applies. For further information regarding our fee structure please contact us or visit our website.

<b>Total Expense Ratio (TER)<sup>2</sup></b>	Class A: 1.59% per annum, which includes a performance fee of 0.34%
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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.