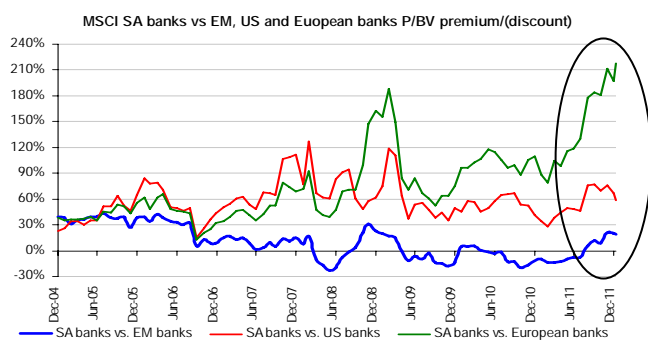


PORTFOLIO MANAGER COMMENTARY

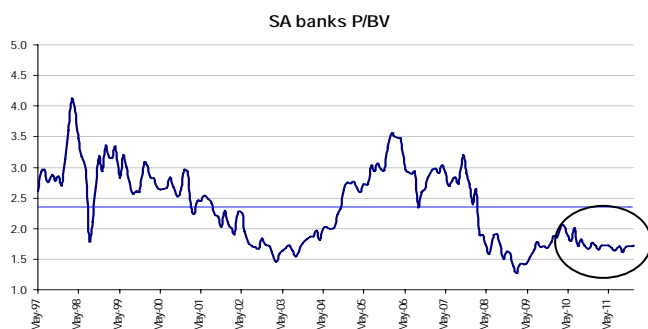
Following a negative third quarter of 2011, financials rallied strongly into the fourth quarter of the year. The fund returned 7.1% for the quarter but fell short of the 8.7% generated by the FTSE/JSE Financial Index over the same period. Over one year the fund's return was a disappointing 4.3% when compared to the 7.4% generated by the index. The poor short-term performance has weighed on longer-term performance numbers. However, over three and five years, the fund remains ahead of the index, returning 17.3% (versus 17.0%) and 6.9% (versus 4.0%) respectively.

During 2011, financial markets were dominated by the European sovereign debt crisis, US debt ceiling woes and the threat of a global slowdown or 'double dip' arising on the back of problems in these markets. Policymakers were slow and inconsistent in their response to these challenges throughout the year, thereby creating increasing uncertainty and volatility in global markets. Developed market financial shares in general and bank shares in particular were negatively impacted amid increased regulatory risks and fears around the potential impact on capital of write-downs in debt issued by Greece and other periphery European nations. South African banks have no exposure to debt from these troubled European sovereigns and therefore proved to be much more defensive in this environment compared to both European and other emerging market banks as illustrated in the chart below.



Source: UBS Securities

In a global context therefore, SA banks have performed relatively well, but when compared to other domestic interest rate sensitive stocks, or against their own long-term metrics (see second chart below of long-term price-to-book multiple), it becomes clear the extent to which these banks have lagged their own intrinsic valuations, now trading close to their long-term lows in terms of price-to-book valuations. Only in 2003 and 2008 were South African banks cheaper than they are today on this metric.



Source: UBS Securities

The global uncertainty and negativity around banks in general provided a cap in terms of any potential rerating of South African banks even as other domestic interest rate sensitive stocks rerated. We are therefore now faced with an attractive situation where the banks remain on low ratings being applied to low earnings bases, which are still to benefit from further reductions in bad debt charges, improvement in interest margins both from endowment and asset repricing, the release of surplus capital as well as a recovery in lending given the current three-decade low interest rate environment.

The life sector outperformed banks in 2011 (20.8% return for life sector compared to 4.5% for banks) and therefore our underweight exposure to this sector detracted from performance for the year. While we benefited from significant holdings in Discovery and MMI Holdings, it was the very strong performance by Old Mutual (+36% for the year) that drove the performance of the sector. Over the long term the fund has benefited from holding very little if anything in Old Mutual, and our reasons for this have been well documented in previous commentaries. During the course of 2011, significant steps were taken to reduce the guarantee risk and some of the structural complexity inherent in the business. As a consequence we started to build a small position in the fund. In December the group agreed to sell its Nordic business for £2.1 billion. This equates to a 15% premium to the embedded value disclosed at June 2011 – a very good price considering where European life companies currently trade. This transaction took us by surprise, and was concluded at a value well in excess of our, and it would seem the markets' assessment of fair value for the asset. This resulted in a 16% increase in its share price in December, and being underweight detracted from the fund's relative performance.

We always seek opportunities to enhance returns by investing in smaller financials, which typically tend to be under-researched and therefore whose trading prices can deviate materially from intrinsic value. One of these opportunities came in the form of Capital & Counties which was one of the big contributors to performance this year. Capital & Counties is a landlord and property development company, spun out of Liberty International and focused mainly on Central London. The share returned 55% for the year, benefiting from a successful repositioning of Covent Garden, their largest property, as a retail destination as well as from progress made in securing planning approvals for their Earls Court development. Going forward, as their development pipeline is converted; we see scope for growth in NAV as well as further enhancement of the yield on their rental property portfolio and are therefore comfortable to remain investors in the share.

Looking forward into 2012, given the uncertain global economic outlook, we believe the South African economy will struggle to show meaningful recovery and should grow in the low single digit range. Inflation pressures are however building and we expect interest rates to start to rise during the second half of the year. We however believe that cognizance will be given to the vulnerability of both the domestic and global economy and therefore the quantum of rate increases is not likely to be large enough to derail economic recovery. In such an environment, credit default rates for banks and lapse rates for life companies should remain under control. While cautious about the macro-picture, we remain optimistic about the positioning of the fund into this year.

Portfolio managers

Neill Young and Godwill Chahwahwa

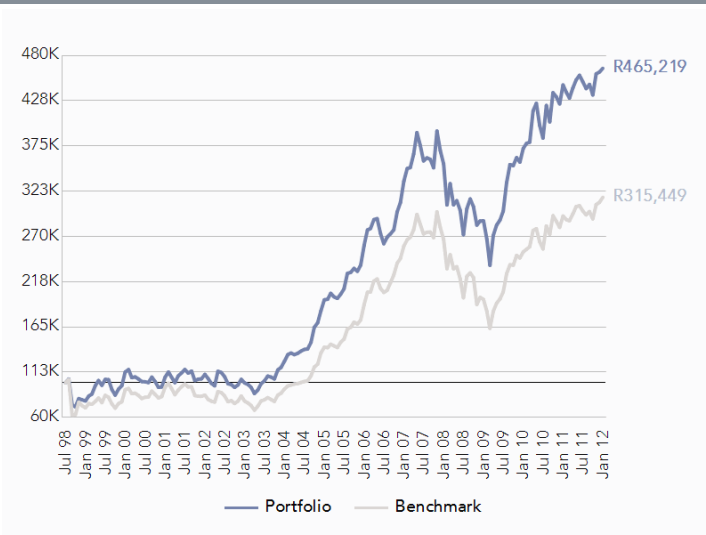
Fund category Domestic - Equity - Financial
Fund description Invests in a broad range of financial shares, including banks, insurance and investment companies.
Launch date 01 July 1998
Portfolio manager/s Neill Young and Godwill Chahwahwa

Fund size R191.53 million
NAV 3018.77 cents
Benchmark FTSE/JSE Financial Index
Risk profile

10/10
Aggressive

PERFORMANCE AND RISK STATISTICS ¹

GROWTH OF A R100,000 INVESTMENT



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Launch (unannualised)	365.2%	215.4%	149.8%
Since Launch (annualised)	12.1%	8.9%	3.2%
Latest 10 years (annualised)	15.5%	13.9%	1.6%
Latest 5 years (annualised)	6.8%	4.0%	2.8%
Latest 3 years (annualised)	17.3%	17.0%	0.3%
Latest 1 year (annualised)	4.3%	7.4%	(3.0)%
Year to date	4.3%	7.4%	(3.0)%
2010	19.8%	16.6%	3.2%
2009	29.2%	28.0%	1.2%
2008	(18.7)%	(26.2)%	7.5%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	21.2%	23.0%
Sharpe Ratio	0.08	(0.06)
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(39.7)%	(45.3)%
Positive Months	59.9%	60.5%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	(2.0)%	(1.5)%	2.7%	2.1%	1.2%	(1.6)%	(1.8)%	1.1%	(2.8)%	5.7%	0.4%	1.0%	4.3%
Fund 2010	1.6%	0.3%	9.6%	2.1%	(6.1)%	(3.7)%	9.9%	(4.5)%	8.4%	(1.1)%	(1.9)%	5.2%	19.8%
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%

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) ²	1.46% per annum
--	-----------------

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2011
Domestic Assets	100.0%
■ Equities	90.7%
Industrials	2.2%
Financials	88.5%
■ Real Estate	8.4%
■ Cash	0.9%

TOP 10 HOLDINGS

As at 31 Dec 2011	% of Fund
Standard Bank Of SA Ltd	22.0%
Firststrand	13.5%
Nedbank Group Ltd	9.3%
ABSA Group Ltd	7.5%
MMI Holdings Ltd	7.3%
Investec Bank Ltd	6.8%
Discovery Holdings Ltd	6.0%
Old Mutual	5.1%
Capital & Counties Properties	4.9%
African Bank Ltd	4.3%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2011	03 Oct 2011	34.52	34.30	0.22
31 Mar 2011	01 Apr 2011	82.56	80.72	1.84
30 Sep 2010	01 Oct 2010	30.22	29.45	0.77
31 Mar 2010	01 Apr 2010	13.97	13.27	0.70

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). ¹Performance 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. ²The 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.