

## PORTFOLIO MANAGER COMMENTARY

The volatility in markets continued as 2011 came to an end, with the MSCI Emerging Markets Index closing the year down 18.2%. The fund performed marginally better than this, declining by 14.5% and in doing so outperformed the index by 3.7% for the year. Since the fund launched 3.5 years ago it has outperformed the market by 4.5% per annum.

The recent sharp market declines have led us back to a number of shares that we had owned in 2008/2009, but sold out of by 2010 due to very strong share price performance and resultant unattractive valuations. Coca-Cola Hellenic (CCH) is one such example: we think it is a great business, but had sold almost completely out of the position by late 2010 due to valuation. The past year along with the turmoil in Europe resulted in a 40% decline in CCH's share price which gave us the opportunity to buy this business again at very attractive levels. CCH are the world's 2<sup>nd</sup> largest independent Coke bottler, only marginally behind the largest, Coca Cola Femsa, with both generating around \$9 billion in annual revenue. Coca-Cola Femsa bottle Coke in most of Latin America, while CCH bottle Coke for most of Eastern Europe. Although the company is listed in Greece it really is an emerging markets business. Only 7% of group volumes come from Greece, while around 2/3rd of revenue is generated in emerging markets. The bulk of this comes from Eastern Europe, where Russia and Poland are key markets, with Nigeria also being a very important non-European market for the company.

CCH has a number of very positive drivers which, taken together, will lead to double-digit earnings growth for a number of years, in our view. Firstly, per capita consumption (pcc: the number of small cans of Coke consumed by each individual annually in any given country) of Coke in many of the company's key markets is very low. Italy (a mature market), for example, has pcc of 245, Poland 174, Russia 75 and Nigeria a negligible 23! We believe the pcc of Poland, Russia and Nigeria (in particular the latter two) will increase substantially over the years, and these three markets make up 35% of CCH's group volumes. Secondly, margins are below normal in our view, with CCH's EBITDA margins of 14% being well below the 16% - 22% range of other listed Coke bottlers in Eastern Europe and Latin America. A number of factors will drive margins higher over time, with a key one being the move from off-premise/multiple servings (2 litre Coke plastic bottles bought from a supermarket) to on-premise/single servings that naturally happens as markets develop (Coke cans consumed in restaurants/bars and at home). A continued shift towards higher margin non-CSD products (bottled water, energy drinks, etc.) over the next several years will also enhance margins. CCH trades on a high single-digit free cash flow multiple on our estimate of more normal earnings (taking into account the factors mentioned above), which we think is a very attractive entry point for a business of this quality.

Over the past few months we also added to the fund's exposure to the Macau gaming operators. In total 4% of the fund is now invested in these stocks, compared to only 1.5% at the start of the year. The current exposure at the portfolio level is made up of positions in Melco Crown Entertainment (2.5% of fund), Las Vegas Sands (1.5% of fund) and MGM China (1% of fund). Melco Crown Entertainment (MCE) and MGM China (MGM) have all of their operations in Macau, whereas Las Vegas Sands (LVS) generate about 45% of their profits from Macau, with the balance coming from Singapore (45%) and Las Vegas itself (10%). It is astonishing to think that LVS today generates 90% of its profit from Asia whereas five years ago 100% of profits came from Las Vegas.

What has kept us largely away from the Macau operators in the past has been our view that despite the very positive long-term drivers, the risks are also higher than average, and the valuations have not been attractive enough. The key longer-term risk in our view would be additional regulation in some form or another, including the opening up of an alternative gambling destination in China. The key shorter-term risk would be a significant drop in VIP gambling due to tough economic conditions or another credit crunch. The 2<sup>nd</sup> (shorter-term) risk worries us less: we think about businesses in terms of the next five years and beyond, and the prospects for Macau are very attractive over the longer term in our view. While we believe the probability of extreme regulation is low, it does remain a risk, and the way that we deal with this is to incorporate it into the discount rate that we require in valuing these businesses.

Given the market's current concerns about China, the Macau gaming companies have experienced sharp share price declines over the past several months, and as a result the valuations have become quite attractive in our view. Both MCE and MGM are trading on high single-digit historic (2011) free cash flow multiples, while LVS is trading on a high single-digit free cash flow multiple two years from today. It is necessary to look out a few years as LVS are in the middle of adding significant new capacity. Given the long-term prospects for Macau, we believe that current valuations are very attractive and that one is being compensated for the risks. The table below provides some perspective from a historic point of view and where we are today.

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Visitors (million)</b>										
Las Vegas	37.6	37.3	36.3	37.5	39.2	38.9	38.5	37.4	35.5	35.2
Macau	25.5	24.9	21.8	23.0	26.9	22.0	18.7	16.7	12.0	11.5
<b>Gaming Revenue (\$ billion)</b>										
Las Vegas	6.0	5.8	5.5	6.1	6.8	6.7	6.0	5.3	4.8	4.6
Macau	34.0	23.6	14.9	13.6	10.3	7.1	5.7	5.2	3.5	2.7

In summary, over 25 million people now visit Macau every year (55% of these from Mainland China) and the gaming revenue in Macau is already six times larger than that of Las Vegas. What is interesting however, is that gaming revenue accounts for 90% of Macau's revenue, whereas in the case of Las Vegas (and other equivalent gaming centres), gaming revenue makes up only 40% of total revenue, with the other 60% coming from hotel accommodation, entertainment, food and beverage and retail. Macau today is largely a destination for VIP high-rollers. The mass market is still in its infancy and this is what creates the long-term opportunity in our view. Approximately 10% of Chinese who can visit Macau (based on income levels) currently do so.

Today there is significant new resort development happening that will result in more mass market activities (entertainment and retail) being available on Macau. The transport links to Macau are also undergoing significant improvements which will enable far more Chinese to visit Macau, and quicker, than what is currently the case. Mass market visitors have the additional benefit that they generate higher margins than VIP visitors. Both MCE and LVS (the fund's two largest positions) have operations that are largely concentrated in the part of Macau that is being developed as the mass market area. We believe that Macau, driven by the mass market, has many years of growth ahead and today one is paying a very attractive price for these long-term prospects.

**Portfolio managers**

Gavin Joubert, Mark Butler and Suhail Suleman

# CORONATION GLOBAL EMERGING MARKETS FUND

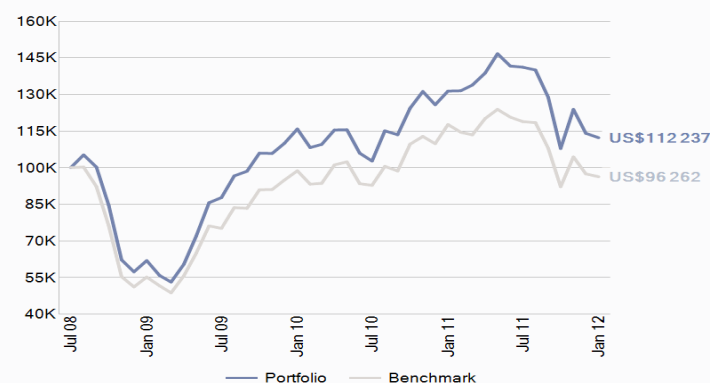
A sub-fund of the Coronation Global Opportunities Fund domiciled in Ireland

as at 31 December 2011

Currency	USD	Fund size	US\$682.71 million
Minimum Investment	US\$15 000.00	Benchmark	MSCI Emerging Markets Index
Launch date	14 July 2008	Liquidity	Daily
Portfolio manager/s	Gavin Joubert, Mark Butler and Suhail Suleman	Notice period	1 business day preceding dealing day
Annual management fee *	1.35%	Redemption payout	3 days after dealing
Annual outperformance	20% of returns above MSCI Emerging Markets Index with 1.65% cap.	Bloomberg	CORGEMB ID
Fund domicile	Ireland	ISIN	IE00B553TV27
TER	1.66%	SEDOL	B553TV2
Performance Fee Component	0.43% (Included in TER)	Fund Class	B
		Listing	Irish Stock Exchange

## PERFORMANCE AND RISK STATISTICS

### GROWTH OF A US\$100,000 INVESTMENT



### PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Launch (unannualised)	12.24%	(3.74)%	15.98%
Since Launch (annualised)	3.39%	(1.09)%	4.48%
Latest 3 years (annualised)	21.94%	20.42%	1.52%
Latest 1 year (annualised)	(14.55)%	(18.17)%	3.62%
Year to date	(14.55)%	(18.17)%	3.62%
2010	13.42%	19.20%	(5.77)%
2009	87.08%	79.02%	8.06%
2008	(38.10)%	(44.87)%	6.77%

### RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	31.91%	31.28%
Sharpe Ratio	(0.14)	(0.29)
Maximum Gain	99.43%	56.31%
Maximum Drawdown	(49.52)%	(51.41)%
Positive Months	54.76%	47.62%

### MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	0.1%	1.8%	3.7%	5.7%	(3.4)%	(0.3)%	(0.8)%	(8.0)%	(16.2)%	14.9%	(7.9)%	(1.6)%	(14.6)%
Fund 2010	(6.6)%	1.2%	5.4%	0.1%	(8.3)%	(3.0)%	12.0%	(1.4)%	9.5%	5.5%	(4.1)%	4.5%	13.4%
Fund 2009	(9.9)%	(4.8)%	13.7%	19.2%	18.9%	2.5%	10.1%	2.0%	7.5%	(0.1)%	4.0%	5.3%	87.1%

### INVESTMENT PHILOSOPHY

- We strive to buy shares that are trading well below what we believe the business is worth (valuation-driven approach).
- In valuing a business we focus on normalised earnings/free cash flow as opposed to current earnings.
- A long-term time horizon (5 year +) is used.

## PORTFOLIO DETAIL

### EFFECTIVE GEOGRAPHIC EXPOSURE

Country	31 Dec 2011
<b>Equities</b>	<b>97.17%</b>
China	33.27%
Brazil	15.59%
Russia	10.86%
South Africa	10.26%
India	6.47%
Greece	4.10%
Indonesia	3.33%
Mexico	1.57%
United States	1.53%
Belgium	1.42%
Other	8.77%
<b>Cash</b>	<b>2.83%</b>
USD	2.71%
Other	0.12%
ZAR	0.00%

### TOP 10 HOLDINGS

As at 31 Dec 2011	% of Fund
X 5 Retail Group (Russia)	5.88%
Great Wall Motor Company Ltd (China)	5.16%
Naspers Ltd (South Africa)	5.04%
Anhanguera Educac Part (Brazil)	4.62%
Sohu.Com Inc (China)	4.46%
Lianhua Supermarket (China)	4.26%
Coca-Cola Hellenic Bottling Co (Greece)	3.34%
Banco Santander (Brazil)	2.92%
Tsingtao Brewery Co Ltd (China)	2.86%
Daphne International Holdings Ltd (China)	2.69%

### SECTORAL EXPOSURE

As at 31 Dec 2011	Fund
Consumer Discretionary	46.02%
Consumer Staples	30.52%
Financials	8.14%
Information Technology	6.38%
Cash	2.87%
Telecommunication Services	2.18%
Energy	1.72%
Materials	1.71%
Industrials	0.47%

### INVESTMENT OBJECTIVE

The fund has an objective of outperforming the MSCI Emerging Markets Index over a 3 – 5 year period through investing in what we believe to be the most undervalued shares within the global emerging markets universe. The fund will typically be fully invested in equities at all times (90% + equity exposure).

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