

## PORTFOLIO MANAGER COMMENTARY

The volatility in global markets continued as 2011 came to a close. The fund ended the year with a ZAR return of 18.5%. As reference points, the South African equity market was +2.5%, global equity markets (MSCI World Index) appreciated by 15.8% and global bonds by 28.8% (Citigroup Global Bond Index). In dollar terms the fund was marginally negative (-2.8%). As reference points, the MSCI World Index was -5.0% for the year and the JSE All Share was -16% (both in US dollars). Our view for the past two years has been that global equities are far more attractive than domestic equities, and we continue to hold this view. Global equities significantly outperformed South African equities in 2011 (by over 13% in US dollars or in ZAR) and we expect this to continue to be the case going forward. The asset allocation of the fund reflects this view, with 85% of the fund invested offshore and only 15% in South Africa.

The table below shows the most recent sales growth and earnings growth for seven of the fund's holdings. The figures shown are for the quarter ended September 2011 and show year-on-year growth. While we are not interested in one quarter's earnings, the table below provides a counter-argument to the oft made statement that 'Europe and the world is a mess, why should I invest in equities now?' The fact is that many companies continue to do very well, even though the world is a mess. This is very clear from the table below: five of the seven companies grew their revenue by at least 25% year on year, and six of the seven grew their earnings by 25% or more! Each company's individual fundamentals are different to that of the next company.

Company	Country	Industry	Sales Growth %	EPS Growth %
Mastercard	US/Global	credit card processing	27%	43%
Google	US/Global	internet	33%	24%
Sohu.com	China	internet	42%	16%
Great Wall Motor	China	motor vehicles	25%	29%
Dominos Pizza	US/Global	fast food	8%	30%
Apple	US/Global	technology	39%	51%
DirecTV	US/LATAM	pay-tv	14%	27%

The point is that one cannot simply conclude that because the world is a mess one should not invest in equities. In fact, the opposite is typically the case: the best time to invest is when the outlook is gloomy. Basing investment decisions on TV or newspaper headlines is probably one of the worst investment 'strategies' around. Yet time and again one hears this 'messy world/don't want to invest' argument. In a year when the MSCI World Index declined by 5%, the share prices of six of the seven companies in the table below appreciated. The two standouts were Domino's Pizza, which appreciated by an incredible 112% in 2011 (we have since sold this position) and Mastercard which appreciated by 67% in 2011 (we still have this position as we believe Mastercard remains undervalued even after this appreciation). These two examples yet again point to the fact that one can't come to a one-line conclusion on equities: one must evaluate each and every business on its own and make an investment decision on that particular equity.

Google and Apple are both Top 5 holdings in the fund today. While we own a number of technology stocks (including Microsoft, Cisco and Symantec), it is Apple and Google who are seen as being the more 'sexy' (and hence overvalued) stocks. Our view is different – firstly we believe that Google and Apple are higher quality businesses than your average technology company and have better long-term prospects due to the large potential markets that they serve, and secondly we believe that both are actually very attractively valued.

Google dominate the online search market and the resultant advertising spend that is increasingly shifting from paper to online. Many countries around the world are still in their infancy with regards to the shift in adspend from newspapers/magazines to the internet. In our view, this structural shift will continue for many years to come. In large part due to this shift, Google managed to grow their revenues year on year by 33%, and earnings by over 20% (see table) during the period when the European crisis accelerated (July-Sep 2011). Google is also now truly a global business, with over half their revenue coming from outside the company's home market, the US. The company also has an extremely strong balance sheet, with net cash of around \$40 billion and free cash flow generation of around \$10 billion a year, which results in an ever increasing cash balance. While there are of course risks to the business, at current share price levels Google trades on around 13x 2012 earnings excluding the net cash balance (which earns close to nothing due to low interest rates). At these levels, we believe the risk reward is in one's favour.

Apple has a number of key similarities with Google: a strong position in what is a massive and growing end-market (online advertising in the case of Google and smartphones/tablets in the case of Apple), a strong balance sheet (\$80 billion in net cash already and free cash flow generation of well over \$30 billion a year), a global presence (60% of revenues from outside the US) and an attractive valuation (less than 9x this year's earnings excluding the net cash position). Apple has become a very big and profitable business, and while it will undoubtedly become harder for the company to grow revenues and profits from current levels, the penetration rates of Apple's products is still very low with plenty of room to grow. For example, Apple currently only has 5% market share of the global cellphone market and within the cellphone market, smartphones are rapidly taking share from traditional handsets. Additionally, Apple only has 5% market share in the PC market (through the Apple Mac) and in turn the tablet market (iPad and similar) is still only a small percentage of the overall pc/laptop market. The death of the visionary Steve Jobs is undoubtedly a negative, however most of the key senior management team have been with the company since the late 90s and additionally the Apple platform and core products have already been established. Like Google, there are risks facing Apple, but at the current effective single-digit multiple, we believe that the risk-reward profile is very attractive.

We continue to find very good value in global equities (Google and Apple being just two examples) and as a result the equity exposure of the fund (84%) remains at the high end of its historical range. We remain negative on government bonds (due to low unsustainable yields/high valuations) and therefore have no exposure.

**Portfolio manager**  
Gavin Joubert

# CORONATION OPTIMUM GROWTH

CLASS A as at 31 December 2011

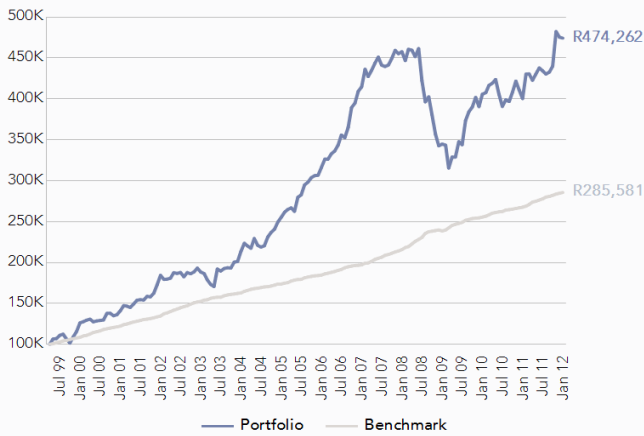
**Fund category** Worldwide - Asset Allocation - Flexible  
**Fund description** An international rand-based fund that invests in a combination of local and international investments across all asset classes to deliver long-term growth.  
**Launch date** 15 March 1999  
**Portfolio manager/s** Tony Gibson, Gavin Joubert, Karl Leinberger, Stephen Peirce and Louis Stassen

**Fund size** R 1.22 billion  
**NAV** 3876.97 cents  
**Benchmark/Performance Fee Hurdle†** CPI + 5% p.a.  
**Risk profile**



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

### GROWTH OF A R100,000 INVESTMENT



## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2011
<b>Equities</b>	<b>86.1%</b>
North America	33.4%
Asia	14.4%
Europe	13.3%
South Africa	11.2%
United Kingdom	8.0%
Latin American	5.6%
Japan	0.3%
<b>Bonds</b>	<b>0.5%</b>
Europe	0.5%
<b>Cash</b>	<b>13.4%</b>
Other	6.8%
ZAR	6.4%
USD	0.2%

## RISK AND RETURNS VS BENCHMARK (ZAR)

	Fund	Benchmark	Outperformance
Since Launch (unannualised)	374.3%	186.0%	188.3%
Since Launch (annualised)	13.0%	11.5%	1.5%
Latest 10 years (annualised)	9.9%	11.2%	(1.3)%
Latest 5 years (annualised)	2.7%	12.0%	(9.2)%
Latest 3 years (annualised)	11.2%	10.3%	0.9%
Latest 1 year (annualised)	18.4%	11.2%	7.2%
Year to date	18.4%	11.2%	7.2%
Annualised Deviation	11.5%	N/A	
Sharpe Ratio	0.28	N/A	
Downside Deviation	7.0%	N/A	
Positive Months	65.4%	N/A	

## TOP 10 HOLDINGS

As at 31 Dec 2011	% of Fund
Coronation Global Emerging Markets Fund	6.8%
Google Inc	3.8%
Vodafone Group Plc	3.7%
Safeway Inc	2.9%
Apple Inc	2.7%
Great Wall Motor Company Ltd	2.7%
Community Health Systems	2.6%
Sohu.Com Inc	2.5%
Microsoft Corp	2.5%
PPR	2.2%

## PERFORMANCE FOR VARIOUS PERIODS (USD) VS MSCI WORLD (USD)

	Fund	MSCI World	Outperformance
Since Launch (unannualised)	263.8%	32.0%	231.8%
Since Launch (annualised)	10.7%	2.2%	8.5%
Latest 10 years (annualised)	14.4%	4.2%	10.2%
Latest 5 years (annualised)	(0.2)%	(1.8)%	1.6%
Latest 3 years (annualised)	17.5%	11.8%	5.8%
Latest 1 year (annualised)	(2.8)%	(5.0)%	2.2%
Year to date	(2.8)%	(5.0)%	2.2%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2011	03 Oct 2011	29.03	26.58	2.45
31 Mar 2011	01 Apr 2011	2.74	2.27	0.47
30 Sep 2010	01 Oct 2010	16.67	15.18	1.49
31 Mar 2009	01 Apr 2009	29.60	26.43	3.17

## MONTHLY PERFORMANCE RETURNS (ZAR)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	7.5%	0.1%	(1.8)%	1.8%	1.8%	(0.8)%	(1.0)%	0.6%	1.7%	9.6%	(1.4)%	(0.2)%	18.4%
Fund 2010	0.5%	2.2%	0.7%	1.1%	(4.3)%	(3.6)%	2.1%	(0.5)%	2.9%	3.3%	(2.6)%	(2.5)%	(1.3)%
Fund 2009	(0.4)%	(8.1)%	4.3%	0.0%	5.7%	(1.1)%	8.6%	2.9%	1.4%	3.1%	(2.8)%	3.9%	17.7%

## FEES (excl. VAT)

<b>Initial Fee</b>	Coronation: 0.00%
<b>Annual Management Fee - performance related*</b>	Minimum: 1.00% Maximum: 3.00% Sharing Rate: 15.00%

\* 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. The maximum fee was reduced from 3.50%, effective 1 May 2011.

When applicable, Coronation shares in the fund performance above the performance fee hurdle. This performance fee is accrued daily, based on the fund's financial year to date performance, and paid to Coronation annually. If the fund produces a return in line with or below the performance fee hurdle for the relevant financial year to date, 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>	1.27% per annum, which includes a performance fee of 0.00%
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†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 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, as well as the performance fee accrued over the above period. Although the performance fee as included in the TER is calculated over the above period, the actual performance fee calculation and payment corresponds with the funds financial year end. 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.