

## PORTFOLIO MANAGER COMMENTARY

"The only function of economic forecasting is to make astrology look respectable."

*John Kenneth Galbraith*

"Those who have knowledge don't predict. Those who predict don't have knowledge."

*Lao Tzu*

"Doubt is not a pleasant condition, but certainty is absurd."

*Voltaire*

As the festive season draws to a close, forecasters typically start to emerge from their slumber to pontificate on the world economy and the prospects for the new year. Countless times during the holiday break (mostly around the fire at night) we get asked their views on the future. How will the European debt crisis play out? What will happen in China? Where is the gold price heading? Will this or that share go up this year?

While fund managers are expected to have a view on these and many other issues, we think these are exactly the wrong type of questions to ask. Investors should realise that fund managers, as intelligent and hard-working as some of them are, have no special crystal ball. Although many would be hesitant to admit it, the future is as dark to them as to anyone else. They might be slightly better informed than most on current affairs and the economy, but this does not mean they are better able to guess the future – only that they can more confidently speak about it...

Overconfidence in investing is a dangerous thing. At Coronation we try to distinguish clearly between what we know, what we expect and what we don't (or can't) know. We diligently stick to our investment philosophy and buy cheap shares. You should not expect us to tell you what commodity prices will do in the year ahead, but we should always be able to tell you what shares are pricing in. You should also expect us to be students of history for as Mark Twain reminds us: "History does not repeat itself, but it rhymes."

So what do we know about the future from the past? We know that commodity prices are cyclical. We know that the biggest determinant of share price movements is earnings, and that the biggest determinant of earnings is commodity prices. Because resource companies are currently extremely profitable and new projects are inevitable, we believe that commodity prices are not low. We also know that these high prices are where they are because supply could not adequately keep up with the increase in demand mainly emanating from China.

We know that Chinese demand is critical for commodities, but we do not know how it will evolve in future. It seems likely that the current tight conditions will relax over time as new projects get developed and supply growth catches up with demand. We therefore expect commodity prices to decline over the medium term.

If we expect commodity prices (and therefore earnings) to decline, one may ask why are we still positive on resource shares? The answer lies in the future that is discounted in the share prices. When you buy a globally diversified mining company like Anglo American and BHP Billiton today, the prices already reflect the expectation of lower future commodity prices.

We value these companies based on our expectations of normal conditions and factor in declining commodity prices. Even if prices were to decline today, we still find value in these companies. The short-term ride might be bumpy, but we expect longer-term returns to be adequate. For certain holdings of the fund (like Sappi, the platinum companies and Buildmax) their share prices reflect an even more dire view of the future and we hope to profit if these very negative events do not eventuate.

2011 was an eventful year. In March, global markets were initially jolted by the Japanese earthquake and tsunami, but recovered. The dysfunctional political process in the US regarding the debt ceiling led to the first downgrade of US debt in history and counter intuitively was followed by a decline in equities and a rally in bonds. At the same time, the European sovereign debt crisis reignited fears of a global recession. The political landscape of North Africa and the Middle East was permanently changed by the events of the Arab Spring. In China signs of a slowdown in the property market led to more caution on global commodity stocks.

Unlike the more defensive sectors in our market, the resources sector suffered from the decline in global confidence, declining by 6.5% over 2011. Your fund did better than its benchmark, declining by 3.6%. The strong final quarter did help as the sector (+7.3%) and the fund (+7.6%) recovered from the early October lows. As we ask investors to measure us over meaningful periods, the three and five-year performance of the fund is still gratifyingly above that of its benchmark.

Happy New Year.

**Portfolio managers**

Henk Groenewald and Duane Cable

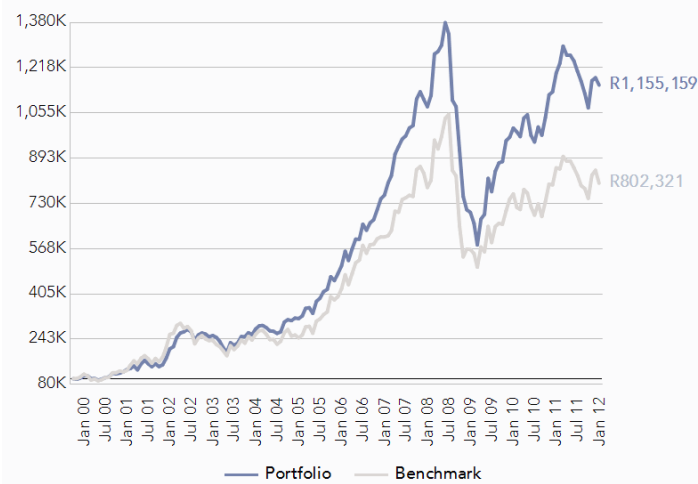
**Fund category** Domestic - Equity - Resources & Basic Industries  
**Fund description** Invests in a broad range of resource and basic industry counters that are affected by changes in the commodity cycle.  
**Launch date** 01 October 1999  
**Portfolio manager/s** Henk Groenewald and Duane Cable

**Fund size** R227.09 million  
**NAV** 8811.13 cents  
**Benchmark** FTSE/JSE Africa Resources Index (TR)†  
**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>Domestic Assets</b>	<b>79.7%</b>
■ <b>Equities</b>	<b>78.7%</b>
Oil & Gas	11.8%
Basic Materials	64.9%
Industrials	0.7%
Consumer Goods	1.3%
■ <b>Cash</b>	<b>1.0%</b>
<b>International Assets</b>	<b>20.3%</b>
■ <b>Equities</b>	<b>20.2%</b>
■ <b>Cash</b>	<b>0.2%</b>

## PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Launch (unannualised)	1055.2%	702.3%	352.8%
Since Launch (annualised)	22.1%	18.5%	3.6%
Latest 10 years (annualised)	18.7%	12.0%	6.8%
Latest 5 years (annualised)	8.7%	5.6%	3.1%
Latest 3 years (annualised)	18.3%	12.4%	5.9%
Latest 1 year (annualised)	(3.6)%	(6.5)%	2.9%
Year to date	(3.6)%	(6.5)%	2.9%
2010	19.7%	12.3%	7.5%
2009	43.5%	35.4%	8.1%
2008	(35.2)%	(28.3)%	(6.9)%

## TOP 10 HOLDINGS

As at 31 Dec 2011	% of Fund
Anglo American Plc	16.7%
Sasol Ltd	12.6%
Bhp Billiton Plc	11.5%
Pan African Resources Plc	5.8%
Zimplats Holdings Ltd	5.7%
Mondi Plc	5.5%
Impala Platinum Holdings Ltd	5.5%
Arcelormittal SA Ltd	4.4%
Petroleo Brasileiro SA	3.9%
Oao Gazprom Reg	3.6%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	23.4%	27.5%
Sharpe Ratio	0.54	0.33
Maximum Gain	93.4%	86.3%
Maximum Drawdown	(57.9)%	(52.3)%
Positive Months	61.9%	59.2%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2011	03 Oct 2011	60.32	58.53	1.79
31 Mar 2011	01 Apr 2011	42.66	37.95	4.71
30 Sep 2010	01 Oct 2010	25.05	24.43	0.62
30 Sep 2009	01 Oct 2009	10.53	8.16	2.37

## MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	2.9%	5.0%	(2.5)%	0.0%	(1.6)%	(3.0)%	(2.9)%	(3.7)%	(4.7)%	9.1%	0.9%	(2.2)%	(3.6)%
Fund 2010	(1.4)%	(1.7)%	6.9%	1.1%	(7.1)%	(2.4)%	5.7%	(3.0)%	6.5%	7.9%	0.9%	6.0%	19.7%
Fund 2009	(5.6)%	(11.8)%	16.0%	2.5%	18.7%	(5.9)%	9.5%	3.6%	0.5%	8.6%	1.3%	3.5%	43.5%

## FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee*	1.00%

\* 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.

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.

Total Expense Ratio (TER) <sup>2</sup>	1.20% per annum
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## 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.

†Please note that the benchmark has been changed from the Resources & Basic Industries Sector Mean to the above, effective September 2011