

PORTFOLIO MANAGER COMMENTARY

The fund continued to outperform its benchmark MSCI Global Emerging Markets Index by 2.3% (in rands) in the second quarter of 2011. Although this performance is gratifying, we believe that the longer-term outperformance is far more relevant for our investors when assessing this fund. Since launching at the end of 2007 the fund has outperformed its benchmark by 4.9% p.a. despite being, on average, only 85% invested in equities. More importantly, for investors looking to their fund manager for the protection and growth of their capital over the long term, it is one of the few foreign funds in either the Equity Only or Asset Allocation unit trust categories to provide a positive return over the period as the strength of the rand has counted against offshore assets during this period. Over the last three years, this fund ranked number one amongst the more or less 80 funds in the various Foreign unit trust categories.

During the quarter, global markets suffered a large sell-off, partly over fears that Europe would find it impossible to extricate itself from the debt crisis in its peripheral countries, particularly Greece. Markets sold off heavily before recovering slightly in June. Despite having reached a deal with the IMF and embarking on austerity measures, it is likely that Greece faces a long and painful road ahead and the debt and deficit problems in Europe, the US and Japan will continue to affect the world economy for several years. In this environment, when investors fail to differentiate between countries with very different economic (and solvency) outlooks and instead sell down all markets indiscriminately, it creates opportunities for long-term focused investors who recognise that the prospects of a Brazil (as an example) are very different from an Italy.

The fund's biggest holding remains Great Wall Motors (GWM), a Chinese manufacturer of cars, pickups and Sports Utility Vehicles (SUV). At almost 9% of fund, we have increased the position by 2% as the company's share price fell by close to one third during the period. While it has subsequently recovered partially, this underlying volatility reflects the large number of short-sellers of the stock who trade the company as a proxy for China's macroeconomic outlook due to the cyclical nature of the vehicle industry, without regard for the underlying strengths of the actual business. Although we have spoken about this company before, in the context of the position size it is worth recapping why our conviction is so high.

GWM is one of China's largest domestic manufacturers in a country where car ownership is still a novelty regardless of what you may read on Beijing congestion and smog. For illustration, there are about 40 vehicles per 1 000 people in China compared to 765 in the US, 543 in Japan and 490 in the United Kingdom. Even compared to other emerging markets China is well behind as Russia has 120 and Brazil 81 (all per 1 000 people). The Chinese aggregate figure also masks a big difference in vehicle ownership between large cities where it is at Brazilian levels and the smaller cities and rural areas where it is in its infancy. With half the population still rural and slowly migrating to cities, coupled with higher growth in the smaller cities that are further behind the development curve, the medium to long-term outlook for the Chinese vehicle market is very positive since urban expansion is a big driver of vehicle ownership. GWM is the market leader in pickups and SUVs and is one of the few Chinese brands to be exported to other countries. In a price sensitive domestic market, its vehicles are up to 30% cheaper than foreign competitors' brands, but offer five-year warranties that other domestic manufacturers cannot. This business should be able to grow earnings at 20% per year for some time and has consistently generated decent returns on equity, yet can be purchased for only 8.5x next year's earnings.

Elsewhere in China we bought Gome Electrical after selling out almost two years ago. The company is the largest electrical and white goods retailer in China and continues to add store space to maintain its market share in a fast growing retail sector. Like all retail sectors, scale and volume are key when negotiating prices with large suppliers like LG, Samsung and Sony, so Gome should be able to provide lower prices to its customers over time. A large part of the company is owned by a private equity concern and the management focus has shifted away from growth at all costs toward profitable growth and shareholder returns as the market becomes progressively more competitive. It is a strong cash generator and has a large net cash position that makes it very attractive at 16x earnings.

A recent trip to India provided us with several potential additions, one of which we purchased in May. Good quality education is highly coveted and private schooling in various guises can cater for all income segments except for the very poor. Unfortunately the quality of teaching leaves a lot to be desired even in private schools, so Educomp Solutions developed a content library covering the entire schools syllabus that, when installed with the appropriate IT systems and projector, allows a teacher to graphically illustrate and explain concepts to learners. The additional cost for schools and pupils is very small, but the boost to teaching productivity is noticeable. Their system is currently installed in 35 000 classrooms across the country and they believe they can add at least this amount every year for the next five years to get them to 300 000 classrooms. With the hardware provision effectively outsourced, the marginal cost associated with adding new classrooms is very low. As a result earnings from this flagship product should increase by 25% to 30% per year assuming they do half of what they project.

They also operate several 'brick and mortar' private schools – 62 in total with a further 20 under construction, many in joint ventures with recognised international education providers. The completed schools have 25% of the students they could theoretically hold because government regulation does not allow them to fill schools up on day one, but rather stagger the enrolment program over four years. If they did not build another single school, and with the construction costs paid on the schools they already have opened, earnings in this division would still grow a cumulative 500% as the schools fill up over the period to 2014. Educomp is irrationally cheap at a single-digit earnings multiple, especially when one considers that most of the Indian market is quite expensive compared to emerging markets as a whole.

After visiting Brazil we added food producer M Dias Branco to the fund. This producer of pasta, cookies and crackers has, on average, twice the market share of its main competitors and a superior distribution system. The market is still fairly fragmented and the bigger producers are likely to consolidate the market over time, leading to higher margins and a multiplied effect on profits. In an environment where most emerging market food producers trade on at least 20x earnings, M Dias is incredibly cheap at closer to 10x. With a solid franchise and continued investment in brands and distribution we expect earnings to grow strongly for the next four to five years.

We continue to look for opportunities and regularly visit countries in search of ideas. Members of the team have already undertaken five two-week trips to destinations in Asia and the Americas this year and several additional trips are planned for the remainder. In a constantly changing environment, this process is essential in order to understand the environment in which businesses operate and to speak to senior management and assess their quality and focus on delivering returns to shareholders.

Portfolio managers

Gavin Joubert, Mark Butler and Suhail Suleman

CLASS A as at 30 June 2011

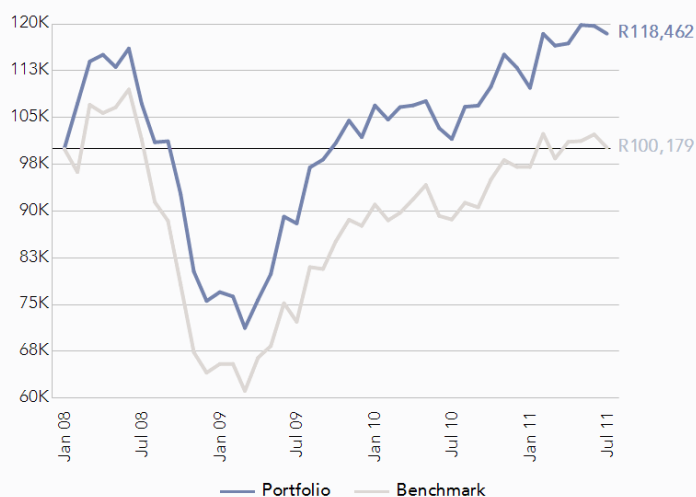
Fund category Foreign - Asset Allocation - Flexible
Fund description Aims to provide long-term capital appreciation by investing in global emerging markets.
Launch date 28 December 2007
Portfolio manager/s Gavin Joubert, Mark Butler and Suhail Suleman

Fund size R906.26 million
NAV 115.55 cents
Benchmark/Performance Fee Hurdle † MSCI Emerging Markets Index
Risk profile

9/10
Aggressive

PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Launch (unannualised)	18.5%	0.2%	18.3%
Since Launch (annualised)	5.0%	0.1%	4.9%
Latest 3 years (annualised)	3.4%	(0.4)%	3.8%
Latest 1 year (annualised)	16.7%	13.0%	3.7%
Year to date	7.9%	3.2%	4.7%
2010	2.6%	6.6%	(4.0)%
2009	38.9%	39.1%	(0.2)%
2008	(23.0)%	(34.5)%	11.5%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Return	5.0%	0.1%
Annualised Deviation	17.5%	19.3%
Sharpe Ratio	(0.20)	(0.43)
Maximum Gain	25.1%	23.0%
Maximum Drawdown	(38.6)%	(44.2)%
Positive Months	57.1%	52.4%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	7.9%	(1.6)%	0.3%	2.5%	(0.1)%	(1.0)%							7.9%
Fund 2010	(2.1)%	1.9%	0.3%	0.7%	(4.0)%	(1.7)%	5.1%	0.2%	2.8%	4.7%	(1.8)%	(2.9)%	2.6%
Fund 2009	(0.9)%	(6.6)%	6.4%	5.4%	11.6%	(1.2)%	10.2%	1.3%	2.7%	3.6%	(2.6)%	5.0%	38.9%

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee - performance related*	Minimum: 1.35% Maximum: 3.00% Sharing Rate: 20.00%

* 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. 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 12-month period, and paid to Coronation monthly. If the fund produces a return in line with or below the benchmark, the minimum fee will be levied. Please note that the fees have been adjusted, with effect 1 May 2011. For further information regarding our fee structure please contact us or visit our website.

Total Expense Ratio (TER)² 1.94% per annum, which includes a performance fee of 0.02%

† Please note that the benchmark of USD 3-month LIBOR+5% p.a. has changed with effect 5 August 2008.

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Country	30 Jun 2011
Equities	87.13%
China	35.33%
Brazil	9.98%
India	7.46%
Russia	6.24%
South Africa	5.83%
Korea	4.58%
Netherlands	4.05%
Greece	3.32%
Indonesia	2.99%
Belgium	2.95%
Other	4.41%
Cash	12.79%
ZAR	4.62%
USD	4.38%
Other	3.60%
HKD	0.18%

TOP 10 HOLDINGS

As at 30 Jun 2011	% of Fund
Great Wall Motor Company Ltd (China)	8.3%
OAO Gazprom Reg (Russia)	4.7%
Heineken Nv (Netherlands)	4.1%
Naspers Ltd (South Africa)	4.0%
Sohu.com Inc (China)	3.7%
Banco Santander (Brazil)	3.5%
Bank of Baroda (India)	3.4%
Netease.com Inc (China)	3.0%
Anheuser-Busch InBev (Belgium)	2.9%
Guangzhou Automobile Group (China)	2.9%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2010	01 Oct 2010	0.17	0.17	0.00
30 Sep 2009	01 Oct 2009	0.12	0.11	0.01
30 Sep 2008	01 Oct 2008	0.93	0.91	0.02

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 30 June 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 March 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.