

## PORTFOLIO MANAGER COMMENTARY

The fund experienced a somewhat disappointing quarter and ended the three months down 0.8%, while the FTSE/JSE Financial index returned a positive 0.7%. The period was characterised by a reversal of the fortunes of the preceding one, with life insurers (6.4% return) outperforming the banks (1.1%) and the general financial sector (-4.9%). The fund's quarterly return has impacted negatively on the 1-year relative performance (6.4% compared to 6.9% for the benchmark). Over the longer periods of 3 and 5 years the fund continues to outperform its benchmark with annualised returns of 13.0% (index 8.4%) and 8.9% (index 6.3%) respectively.

While as fund managers we are cognisant of the benchmark against which we are evaluated, we do not manage the fund by starting with the index and 'tweaking' it to reflect our stock-picking views. Those stocks in which we have high conviction of long-term value will feature prominently in the portfolio (subject to regulatory limits), and those where we lack conviction will not feature at all. We make the assumption that you (the investor) wish to obtain maximum exposure to financial equities and at the same time mitigate the risk of capital loss. For this reason, the fund remains as close as possible to being fully invested at all times, but in a fully invested equity sector fund such as this there are limits to the ability one has to protect capital – i.e. the former is achievable, the latter not over short periods of time. Volatility in returns is something that is an inevitable consequence of being invested in a fund such as this. However, what we attempt to guard against is a permanent loss of capital, and this influences which stocks are absent from the portfolio.

Old Mutual is an example of a stock that is large in the index but that does not feature in the portfolio for reasons we have expressed in previous commentaries. Over the long term this has contributed meaningfully to the absolute performance of the fund (see chart below), but over shorter time periods can detract. The March quarter is an example of this: after posting an improved set of results and more stable financial position, Old Mutual has increased 15% in value, placing it amongst the top sector performers for the quarter. Naturally the fund has suffered in relative terms as a result.



Old Mutual is not the only detractor from performance. The fund's two large holdings in small cap financial shares, Coronation and the JSE Limited, delivered negative returns. More significantly, as followers of the fund will know, we have a far more positive view on the long-term value on offer in the South African banks and are as close to being fully weighted in these stocks as we are able. The banks delivered a marginally positive return for the quarter, but Standard Bank, the fund's largest holding, was down 3.3%. Some of this was justified – the bank delivered disappointing results, is having to realign its international strategy, and has incurred significant restructuring costs in doing so. However, the core investment case for all banks, being a significant reduction in bad debts, an improvement in net interest margins, and the release of surplus capital was in part evident in the most recently published results and will continue to play out in the next 12 to 24 months. We continue to believe that banks' earnings are below normal, in all likelihood will overshoot normality over this time period, and we expect the shares to re-rate accordingly.

Our investable universe is a relatively small one, and for this reason we regularly revisit and test our investment views on all stocks both present in and absent from the portfolio, weighing up the return opportunity against the inherent risk of capital loss. Following the recent disclosure of full year financial results, we have done this once again and find no reason to substantially alter our view on the suitable composition of the portfolio. We continue to believe it is well positioned to deliver superior long-term growth, while at the same time mitigating the risk of a permanent loss of capital.

**Portfolio managers**

Neill Young and Godwill Chahwahwa

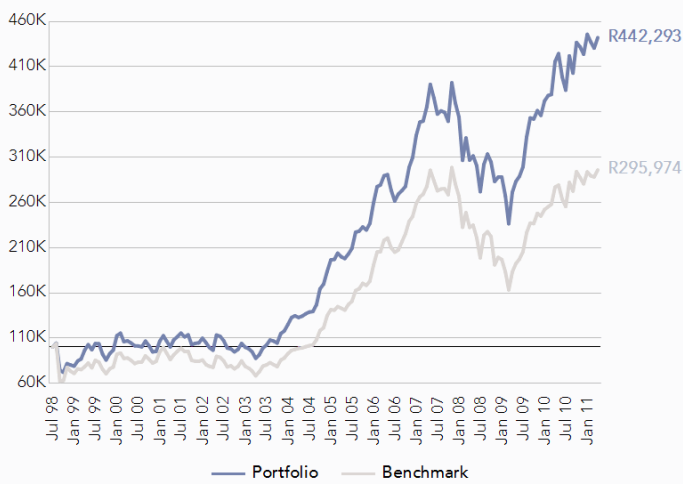
**Fund category** Domestic - Equity - Financial  
**Fund description** Invests in a broad range of financial shares, including banks, insurance and investment companies.  
**Launch date** 01 July 1998  
**Portfolio manager/s** Neill Young and Godwill Chahwahwa

**Fund size** R215.02 million  
**NAV** 2987.50 cents  
**Benchmark** FTSE/JSE Financial Index  
**Risk profile**



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

### GROWTH OF A R100,000 INVESTMENT



### PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	342.3%	196.0%	146.3%
Since Inception (annualised)	12.4%	8.9%	3.5%
Latest 10 years (annualised)	16.0%	13.1%	2.9%
Latest 5 years (annualised)	8.8%	6.3%	2.6%
Latest 3 years (annualised)	13.0%	8.4%	4.6%
Latest 1 year (annualised)	6.4%	6.9%	(0.5)%
Year to date	(0.8)%	0.7%	(1.5)%
2010	19.8%	16.6%	3.2%
2009	29.2%	28.0%	1.2%
2008	(18.7)%	(26.2)%	7.5%

### RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	21.7%	23.5%
Sharpe Ratio	0.08	(0.07)
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(39.7)%	(45.3)%
Positive Months	59.5%	60.1%

### MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	(2.0)%	(1.5)%	2.7%										(0.8)%
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%

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2011	
<b>Domestic Assets</b>	<b>98.0%</b>	
■ <b>Equities</b>	<b>93.1%</b>	
Industrials	1.8%	
Financials	91.3%	
■ <b>Real Estate</b>	<b>4.2%</b>	
■ <b>Cash</b>	<b>0.7%</b>	
<b>International Assets</b>	<b>2.0%</b>	
■ <b>Real Estate</b>	<b>2.0%</b>	

### TOP 10 HOLDINGS

As at 31 Mar 2011	% of Fund
Standard Bank of SA Ltd	23.2%
FirstRand	13.5%
ABSA Group Ltd	10.7%
MMI Holdings Ltd	9.9%
Nedbank Group Ltd	9.5%
Investec Bank Limited	6.4%
Discovery Holdings Ltd	6.0%
Capital Shopping Centre Group	4.2%
Coronation Fund Managers Limited	3.9%
Liberty Holdings Ltd	2.9%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
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
30 Sep 2009	01 Oct 2009	11.75	10.77	0.98

## 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.

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 March 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 December 2010. 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>	1.47% 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.