

PORTFOLIO MANAGER COMMENTARY

The events that unfolded during the third quarter of 2011, like in 2008, threatened to destabilise financial markets around the world. Ongoing uncertainty about the sovereign debt crisis in Europe was overshadowed during August by the bipartisan stand-off in the US regarding the lifting of the country's debt ceiling, culminating in the downgrading of US government debt to AA. In the meantime, anaemic economic growth and increasingly worrying numbers out of China scared the few remaining bulls out of equity markets by the end of the quarter. Whilst the US debt downgrade may have been the final trigger for the August equity sell-off, the solvency of the US government does not appear to be the primary concern of markets, as evidenced by the sharp fall in US Treasury yields following the rating change.

The result of this turmoil was that global equity markets lost 16.5% of their value over the quarter, with emerging markets leading the way with a 22.5% loss (all numbers quoted in US dollars). Some developed market bond indices showed spectacular returns of over 10% as the cocktail of a flight to safety together with the completion of QE2 and the announcement of further government intervention at the long end of the US yield curve, drove yields to new record lows. Currencies became victims of large capital flows, and units like the Brazilian real lost 16% of its value against the US dollar over the quarter. Even the Australian dollar was down 9.2% over the period, and predictably, the South African rand lost 19.7% of its value against the US dollar. Against the euro the rand dropped 10.5%. This currency weakness masked the performance of the JSE equity market, which dropped 5.8% over the three months in rand terms, but 21.3% in US dollar terms. South African bonds were initially positively impacted by the global trends, but sold off during the month of September on the back of rand weakness. Over the quarter the bond index returned 2.8%, and cash 1.4%. Commodities also fell foul of this aggressive move to reduce risk in all portfolios, with copper down over 23%, platinum down nearly 12% and oil down over 5%. Predictably the gold price rose by over 8% in dollar terms, and coupled with the rand weakness, South African gold shares had their moment in the sun, with positive returns of around 20% over the three months. South African listed property proved remarkably resilient during this period of financial instability, and returned a positive 2.2% over the three months, taking the sector's year-to-date number to a positive 5.0%.

The fear expressed by global investors, retail and institutional alike, was almost tangible, leading to the VIX Index (a measure of market expectations of near-term volatility as expressed by S&P stock index option prices) surpassing levels achieved after the collapse of Lehman Brothers in 2008. In fact, the index was at 48.0 after the debt downgrade, compared to 31.7 after Lehman's. The index ended the quarter at 43.0, highlighting investors' fear that the situation in 2011 will worsen way beyond what was experienced in 2008. Whilst it is understandable that investors are fleeing risky assets during uncertain times like these, we disagree with the view that the current scenario is comparable to that of 2008. Corporate balance sheets and levels of profitability are significantly stronger than then, mainly as a result of decisive actions taken by strong management teams at the time of the 2008 crisis. Considerable deleveraging has already taken place in the financial sector, and recapitalisations have strengthened some players' balance sheets. More will be required as events unfold. In addition authorities are standing by to provide help in every conceivable way to reduce risk in the financial system. This does not mean that we can avoid the inevitable hangover in the form of significantly lower economic growth after the credit binge of the noughties; it just means, in our opinion, that perspective should be maintained to spot the opportunities during this indiscriminate sell-off of perceived risky assets.

Your fund weathered the storm reasonably well. It returned a negative 1.8% over the three months, with a year-to-date number of negative 0.1%. Whilst this number is well below the fund's benchmark and return objective, we are pleased that the fund managed to preserve capital as fear took hold of financial markets since the beginning of the year. The main reasons for this pleasing outcome were the significant amount of put options the fund held against its domestic equity holdings and the diversification benefits from holding the maximum portion of the fund in offshore currencies (25%).

The fund's two, three and five-year numbers remain ahead of its benchmark of inflation plus 6%, but clearly it is getting more difficult to achieve these targets without exposing unit holders to excessive risk in the fund.

The fund's domestic equity holdings disappointed during the recent sell-off, not displaying the defensive characteristics that we believe are inherent in most of the investment cases. New holdings in Sappi and ArcelorMittal were particularly disappointing, even though we continue to believe in the asymmetrical return profile embedded in these companies. Our platinum exposure detracted in light of the uncertain global growth outlook, as well as the threatening noises coming from Zimbabwe, where Impala Platinum owns some attractive assets. Our investments in construction shares are yet to yield positive results; again we are patient investors and are comfortable with the investment cases, even if the macro story will take time to play out. On the positive side, our exposure to AngloGold, as well as holdings in Aspen and Tiger Brands continued to serve the fund well. We have used the weakness in equity markets over the last two months to increase exposure to resources shares in particular, where our assessment shows that these shares (especially the diversified miners) are discounting a very dire outcome for commodity prices - a scenario we think is unlikely to materialise. Currency weakness in many of the operating countries is also offsetting some of the price falls impacting the share prices.

Our offshore holdings for once contributed positively during the turmoil. The currency diversification more than offset the negative foreign equity markets, and the holdings added significantly to overall portfolio return, as well as risk reduction at a portfolio level. Given the suddenness of the correction in the rand (and related emerging market currencies), we have repatriated some of our offshore holdings by entering into derivative contracts. We will continue to actively manage the offshore component of the portfolio, both from a currency and an underlying market perspective.

We continue to work hard to generate returns within acceptable risk parameters. We have been warning investors about the potential for weaker future returns than what they have become accustomed to, but as this scenario seems to be playing out, the experience is still unsettling. Investors are urged to take longer-term views with regards to fund and manager selections.

Portfolio managers

Louis Stassen and Henk Groenewald

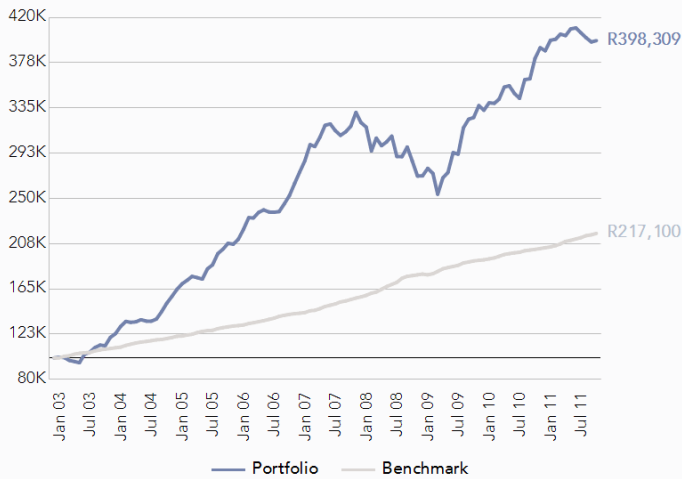
Fund category Domestic - Asset Allocation - Flexible
Fund description Aims to maintain a real growth rate of 6% per annum, and preserve capital over any rolling 36-month period.
Launch date 02 December 2002
Portfolio manager/s Louis Stassen and Henk Groenewald

Fund size R 1.97 billion
NAV 3315.52 cents
Benchmark CPI + 6%
Risk profile



PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

| Sector | 30 Sep 2011 |
|--|--------------|
| Domestic Assets | 76.5% |
| ■ Equities | 50.0% |
| Oil & Gas | 2.0% |
| Basic Materials | 10.2% |
| Industrials | 11.4% |
| Consumer Goods | 4.3% |
| Health Care | 5.1% |
| Consumer Services | 2.9% |
| Telecommunications | 3.3% |
| Financials | 9.9% |
| Technology | 0.3% |
| Derivatives | 0.6% |
| ■ Preference Shares & Other Securities | 0.1% |
| ■ Real Estate | 2.1% |
| ■ Bonds | 12.0% |
| ■ Cash (incl. currency hedge in favour of domestic assets) | 12.3% |
| International Assets | 23.5% |
| ■ Equities | 19.2% |
| ■ Real Estate | 0.2% |
| ■ Bonds | 1.0% |
| ■ Cash (incl. currency hedge against foreign assets) | 3.0% |

PERFORMANCE FOR VARIOUS PERIODS

| | Fund | Benchmark | Outperformance |
|-----------------------------|---------|-----------|----------------|
| Since Launch (unannualised) | 298.3% | 117.6% | 180.7% |
| Since Launch (annualised) | 16.9% | 11.8% | 5.1% |
| Latest 5 years (annualised) | 9.5% | 12.8% | (3.3)% |
| Latest 3 years (annualised) | 11.8% | 10.8% | 1.0% |
| Latest 1 year (annualised) | 4.4% | 11.8% | (7.4)% |
| Year to date | (0.1)% | 9.7% | (9.8)% |
| 2010 | 17.3% | 9.5% | 7.8% |
| 2009 | 22.1% | 12.3% | 9.8% |
| 2008 | (12.2)% | 16.3% | (28.5)% |

TOP 10 HOLDINGS

| As at 30 Sep 2011 | % of Fund |
|---|-----------|
| Coronation Global Managed Fund | 9.1% |
| Coronation Global Opportunities Equity Fund | 5.4% |
| Remgro Ltd | 4.3% |
| Standard Bank of SA Ltd | 4.0% |
| MTN Group Ltd | 3.3% |
| Aspen Pharmacare Holdings Ltd | 2.8% |
| Netcare Limited | 2.3% |
| Sasol Ltd | 2.0% |
| Anglo American Plc | 1.8% |
| Coronation Global Emerging Market Fund | 1.7% |

RISK STATISTICS SINCE LAUNCH

| | Fund | Benchmark |
|----------------------|---------|-----------|
| Annualised Deviation | 10.3% | 1.6% |
| Downside Deviation | 6.5% | N/A |
| Sharpe Ratio | 0.76 | N/A |
| Maximum Gain | 31.3% | N/A |
| Maximum Drawdown | (23.3)% | N/A |
| Positive Months | 65.1% | N/A |

INCOME DISTRIBUTIONS

| Declaration | Payment | Amount | Dividend | Interest |
|-------------|-------------|--------|----------|----------|
| 30 Sep 2011 | 03 Oct 2011 | 30.66 | 17.25 | 13.41 |
| 31 Mar 2011 | 01 Apr 2011 | 30.00 | 14.72 | 15.28 |
| 30 Sep 2010 | 01 Oct 2010 | 28.71 | 16.50 | 12.21 |
| 31 Mar 2010 | 01 Apr 2010 | 16.66 | 5.37 | 11.29 |

MONTHLY PERFORMANCE RETURNS

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|-----------|--------|--------|--------|------|--------|--------|--------|--------|------|------|--------|------|--------|
| Fund 2011 | 0.3% | 1.2% | (0.3)% | 1.5% | 0.3% | (1.1)% | (1.1)% | (1.0)% | 0.3% | | | | (0.1)% |
| Fund 2010 | (0.1)% | 1.1% | 3.3% | 0.4% | (2.1)% | (1.3)% | 5.1% | 0.2% | 5.3% | 2.6% | (0.7)% | 2.5% | 17.3% |
| Fund 2009 | (1.8)% | (7.1)% | 6.1% | 1.9% | 6.8% | (0.5)% | 8.5% | 2.6% | 0.5% | 3.5% | (1.3)% | 2.1% | 22.1% |

FEES (excl. VAT)

| | |
|---|--|
| Initial Fee | Coronation: 0.00% |
| Annual Management Fee - performance related* | Minimum - standard: 1.25% Minimum - discounted: 0.75% 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. The maximum fee was reduced from 3.75%, 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 performance over a rolling 12-month period, and paid to Coronation monthly. If the fund produces a return in line with or below the performance fee hurdle, the standard minimum fee will be levied. If the fund produces a negative return over a rolling 36-month period, the discounted minimum fee applies. For further information regarding our fee structure please contact us or visit our website.

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| Total Expense Ratio (TER)² | 2.84% per annum, which includes a performance fee of 1.44% |
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¹Benchmark 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).
¹Performance as calculated by Coronation as at 30 September 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 June 2011, as well as the actual performance fee incurred over the 12 months to end June 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.