

## PORTFOLIO MANAGER COMMENTARY

The fund has outperformed its benchmark by 1% p.a. over a rolling 3-year period (11.2% versus 10.2% p.a.) and by 1.8% p.a. over a rolling 5-year period (10.9% versus 9.1% p.a.). The fund is one of the top performing funds in its sector over all meaningful periods.

Global news continues to be dominated by the sovereign debt crisis in Euroland. The lack of decisive action by the European Central Bank (ECB) and the European Union in resolving the Greek crisis allowed contagion to spread from the periphery to Spain and Italy. This resulted in the bond market bidding up the yields of these countries to levels where they would be unable to finance their deficits. Unlike Greece, Spain and Italy are too big to fail and given the entwined nature of the European banking system, any default would have dire consequences for the global economy.

Investor uncertainty was also fuelled by political wrangling in the US that resulted in a last minute decision by congress to raise the debt ceiling to combat a weakening economy. This culminated in ratings agency, Standard and Poor's, downgrading US debt – the first time in the country's history. This led to widespread panic as investors fled to safe-haven assets, resulting in a significant appreciation in the gold price and sharp compression in the yields of US treasuries notwithstanding the credit downgrade. Developed and emerging equity markets sold-off aggressively with massive intra-day volatility. This culminated in the US Federal Reserve committing to maintain interest rates at close to zero levels until at least mid-2013. Even the ECB has softened its stance on inflation given the precarious state of the global economy.

The combination of accommodative global monetary and fiscal policy together with rising food and oil prices is likely to lead to higher inflation. In this scenario, equities remain our preferred asset class for producing inflation-beating returns. We increased our equity exposure during the quarter on the back of the market panic and hold close to what we consider to be an overweight position. We continue to favour global over domestic equities – multinational blue-chip companies are the cheapest they have been in three decades with attractive dividend yields (especially when compared to cash) and pristine balance sheets. We remain at the maximum allowed offshore exposure.

The All Share Index returned -5.8% for the quarter. Financials were the best performer with a -3.1% return. Industrials returned -3.3% and resources were the worst performer, with a -10% return. Resource stocks have been poor performers in response to disappointing global economic growth and renewed fears that world may slip back into recession. We used this opportunity to add to the diversified miners (specifically Anglo American), Sasol and the paper stocks. While most commodity prices remain high, we believe that resources offer value, with selected resource shares trading at less than 10 times our assessment of normal earnings and have moved slightly overweight. We, however, remain underweight gold and platinum producers given our concerns over declining grades and enormous cost pressures faced by these businesses (labour, electricity and water).

Banks returned -3.3% for the quarter, underperforming other financials. Banks are currently unloved by the market and this is reflected in their significant underperformance relative to the market. We believe earnings are low (low net interest margins and high bad debts) and this, coupled with a low rating, presents an attractive investment proposition. We remain overweight banks given attractive valuations at 9 times our assessment of normal earnings and price-to-book ratios of 1.7 times.

Inflation continues to tick up in South Africa with August CPI coming in at 5.3%. We remain bearish on the inflation outlook given the significant cost pressure being exerted by administered prices (most notably electricity tariffs), property rates and taxes, rising food prices and high wage settlements without the commensurate productivity gains. We expect CPI to breach the upper end of the South African Reserve Bank's 3 to 6% target band either later this year or early next year with risk to the upside. As a result, we expect the next meaningful move in interest rates to be higher, although the timing may be pushed out given the global economic environment. We continue to believe the rand is overvalued and have approximately 60% of the fund invested in rand hedges such as MTN, SABMiller, Naspers and Bidvest.

The earnings of the average industrial company are up four times since the start of the decade and even more so for consumer-facing businesses. We believe it will be a challenge to defend and grow off this base. Consequently, we own very little retailers, other than Woolworths and Mr Price and remain defensively positioned. We continue to find value in selected small caps with approximately a third of the fund invested in shares outside the ALSI40.

The bond market had a good quarter, returning 2.8% and outperforming cash which returned 1.4%. We remain underweight conventional bonds and believe that current yields do not compensate investors for upside risks to inflation and yield pressure from heavy issuance expected in the future. We maintain good exposure to corporate bonds where spreads have tightened and are trading close to our assessment of normal levels. We also find value in inflation-linked bonds given our view that there is upside risk to inflation expectations over the next few years. Listed property enjoyed a very strong quarter, returning 2.2%. At current levels, property yields are still too low and no longer offer value, especially in light of the once in a lifetime bull market enjoyed by property over the last decade.

In conclusion, there is no shortage of uncertainties in the global economy. As a result, markets are likely to remain volatile and challenging for some time to come. As a long-term investor, this is not bad news as times of uncertainty often create opportunities when emotion trumps reason. We look forward to capitalising on these opportunities.

**Portfolio managers**

Karl Leinberger and Quinton Ivan

# CORONATION BALANCED PLUS

CLASS A as at 30 September 2011

**CORONATION**  
FUND MANAGERS

**Fund category** Domestic - Asset Allocation - Prudential Variable Equity  
**Fund description** A fully managed investment solution diversified across the various asset classes and sectors. Its asset allocation is compliant with Regulation 28 of the Pension Funds Act.  
**Launch date** 15 April 1996  
**Portfolio manager/s** Karl Leinberger and Quinton Ivan

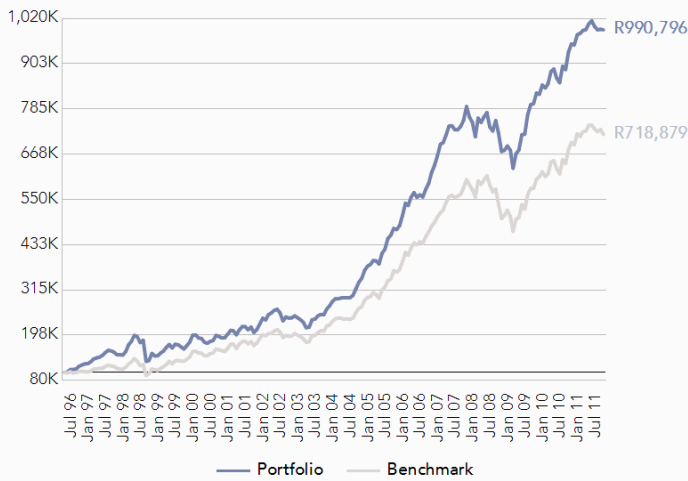
**Fund size** R15.25 billion  
**NAV** 5594.50 cents  
**Benchmark** Composite (63% equity, 22% bonds, 10% international, 5% cash)

**Risk profile**



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

### GROWTH OF A R100,000 INVESTMENT



## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Sep 2011
<b>Domestic Assets</b>	<b>74.5%</b>
■ <b>Equities</b>	<b>44.3%</b>
Oil & Gas	4.2%
Basic Materials	11.6%
Industrials	4.3%
Consumer Goods	4.5%
Health Care	1.8%
Consumer Services	6.5%
Telecommunications	3.9%
Financials	8.2%
Technology	0.1%
Derivatives	(0.8)%
■ <b>Preference Shares &amp; Other Securities</b>	<b>0.6%</b>
■ <b>Real Estate</b>	<b>3.9%</b>
■ <b>Bonds</b>	<b>15.2%</b>
■ <b>Cash (incl. currency hedge in favour of domestic assets)</b>	<b>10.5%</b>
<b>International Assets</b>	<b>25.5%</b>
■ <b>Equities</b>	<b>23.4%</b>
■ <b>Real Estate</b>	<b>1.0%</b>
■ <b>Bonds</b>	<b>2.3%</b>
■ <b>Cash (incl. currency hedge against foreign assets)</b>	<b>(1.2)%</b>

## PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Launch (unannualised)	890.8%	618.9%	271.9%
Since Launch (annualised)	16.0%	13.6%	2.4%
Latest 15 years (annualised)	15.3%	13.8%	1.5%
Latest 10 years (annualised)	17.1%	15.5%	1.6%
Latest 5 years (annualised)	10.9%	9.1%	1.8%
Latest 3 years (annualised)	11.2%	10.2%	1.0%
Latest 1 year (annualised)	6.2%	5.8%	0.4%
Year to date	1.3%	(0.2)%	1.6%
2010	15.4%	15.9%	(0.4)%
2009	23.0%	19.1%	3.9%

## TOP 10 HOLDINGS

As at 30 Sep 2011	% of Fund
Coronation Global Opportunities Equity Fund	15.6%
Coronation Global Emerging Markets Fund	5.0%
Sasol Ltd	4.2%
MTN Group Ltd	3.9%
Standard Bank of SA Ltd	3.7%
Anglo American Plc	3.0%
SABMiller Plc	2.8%
Naspers Ltd	2.6%
BHP Billiton Plc	1.9%
Capital Shopping Centre Group	1.6%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	15.0%	13.9%
Sharpe Ratio	0.32	0.17
Maximum Gain	57.9%	29.3%
Maximum Drawdown	(34.3)%	(31.9)%
Positive Months	66.5%	63.8%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2011	03 Oct 2011	57.67	25.81	31.86
31 Mar 2011	01 Apr 2011	54.44	27.10	27.34
30 Sep 2010	01 Oct 2010	54.08	21.60	32.48
31 Mar 2010	01 Apr 2010	41.79	9.75	32.04

## MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	0.4%	0.8%	0.2%	1.5%	0.8%	(1.5)%	(0.9)%	0.2%	(0.1)%				1.3%
Fund 2010	(0.9)%	1.2%	3.8%	0.8%	(2.7)%	(1.3)%	5.0%	(1.0)%	5.1%	2.2%	(0.2)%	2.7%	15.4%
Fund 2009	(1.6)%	(6.9)%	6.0%	1.5%	5.9%	0.2%	7.0%	3.4%	0.3%	3.5%	(0.4)%	2.9%	23.0%

## 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 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. <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 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.

## Total Expense Ratio (TER)<sup>2</sup>

1.39% per annum

## 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.