

## PORTFOLIO MANAGER COMMENTARY

The events that unfolded during the third quarter of 2011 once again, 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 debt ceiling, culminating in the S&P downgrade 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. While 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 the markets. US Treasury yields fell sharply following the rating change.

The result of this turmoil was that global equity markets lost 16.5% of their value (in US dollar terms) over the quarter, with emerging markets leading with a 22.5% loss. Some developed market bond indices showed spectacular returns of more than 10% as the cocktail of a flight to safety, 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 such as 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 by 21.3% in US dollar terms. Commodities also fell foul of this aggressive move to reduce risk in all portfolios, with copper down over 23%, platinum close to 12% and oil more than 5%. Predictably the gold price rose by over 8% over the quarter.

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, highlighting the fear that the situation in 2011 will worsen way beyond what was experienced in 2008. While it is understandable that investors are fleeing risky assets during 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.

The fund performed poorly against the incredibly negative backdrop, producing -10.3% return over the quarter and -6.2% on a rolling 12 month basis. Since inception the fund is still outperforming its target and the fund's volatility, downside deviation and other measures of risk confirm its low risk constraints. The market for risky assets has however blown out to proportions we thought were a one-in-a-hundred-year event three years ago. In hindsight we moved to our maximum risk allocation too early in the sell-off, closing off the opportunity to increase exposure as the crisis deepened and prices fell further. Listed property also correlated closely with equities as risky assets repriced, so despite slightly outperforming our benchmark in this sector, the portfolio effect could not be dampened.

Clearly these poor numbers are shielded somewhat in a fund reporting in rands, given the very weak performance of the currency during the past three months. In rand terms your fund was up 7.3% over the quarter, with the year-to-date number being positive 13.2%, and the 12 month lagging return 9.1%. The rest of the commentary refers to the performance of assets in dollar terms, as that is the way in which the fund is managed.

Our physical gold position, despite having been reduced into the price strength, continued to help the portfolio. Our equity selections outperformed the general equity market by some margin, but the magnitude of the price declines still negatively impacted overall performance. Even our fixed interest positions, inherently higher beta (than the conventional bond market) given the nature of these instruments, hurt overall performance. Natural gas prices continued their decline, despite large corporates starting to position themselves for when this market turns. However, the small size of this position limited the impact at portfolio level. The fund's currency positions added slightly to overall performance given that we were not exposed to any of the peripheral currencies.

Looking ahead, we can only promise investors that we will continue deploying the same strategy as before. We are at our maximum limit in terms of exposure to risky (growth) assets, and don't intend changing this exposure level as we remain excited about the opportunities on offer amidst market uncertainty. As a small consolation, we remind investors that we discount our fees for as long as our 12-month lagging returns are below zero.

**Portfolio managers**


Tony Gibson and Louis Stassen

# CORONATION GLOBAL CAPITAL PLUS [ZAR] FUND

Please note that this fund was renamed from CORONATION LATITUDE [ZAR] to the above, effective 1 February 2011.

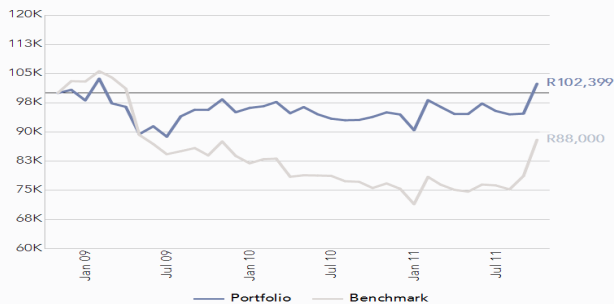
CLASS A as at 30 September 2011

**Fund category** Foreign Asset Allocation Flexible  
**Fund description** Aims to provide diversified exposure to global assets with a focus on capital preservation.  
**Launch date** 22 September 2008  
**Portfolio manager/s** Tony Gibson and Louis Stassen

**Fund size** R187.12 million  
**NAV** 106.68 cents  
**Benchmark** † 50% USD 3 month LIBOR and 50% 3 month EURIBOR  
**Performance Hurdle** Benchmark + 1.5% p.a.  
**Risk profile**  6/10

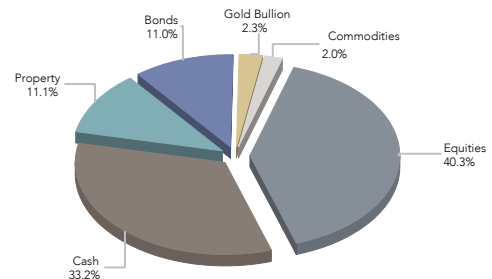
## PERFORMANCE AND RISK STATISTICS<sup>1</sup>

### GROWTH OF A R100,000 INVESTMENT



## PORTFOLIO DETAIL

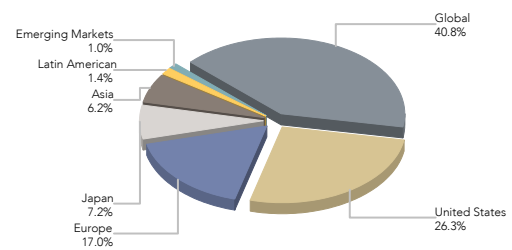
### EFFECTIVE ASSET ALLOCATION EXPOSURE



## PERFORMANCE FOR VARIOUS PERIODS (ZAR)

	Fund	Benchmark	Outperformance
Since Launch (unannualised)	2.4%	(12.0)%	14.4%
Since Launch (annualised)	0.8%	(4.3)%	5.1%
Latest 1 year (annualised)	9.1%	16.4%	(7.3)%
Year to date	13.2%	23.1%	(9.9)%
2010	(6.0)%	(12.8)%	6.8%
2009	(2.0)%	(20.4)%	18.5%

## GEOGRAPHIC ASSET ALLOCATION EXPOSURE



## PERFORMANCE FOR VARIOUS PERIODS (USD)

	Fund	Benchmark	Outperformance
Since Launch (unannualised)	23.6%	10.6%	13.0%
Since Launch (annualised)	7.5%	2.1%	5.4%
Latest 1 year (annualised)	(6.2)%	0.1%	(6.3)%
Year to date	(7.4)%	0.7%	(8.1)%
2010	5.1%	(2.5)%	7.6%
2009	26.2%	2.4%	23.8%

## CURRENCY ALLOCATION

Currency as at 30 Sep 2011	% of Fund
US Dollar	58.5%
Euro	28.9%
UK Pound Sterling	10.5%
Asia (ex Japan)	1.1%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	11.9%	14.2%
Sharpe Ratio	(0.57)	(0.84)
Maximum Gain	8.5%	17.0%
Maximum Drawdown	(14.4)%	(32.3)%
Positive Months	51.4%	37.1%

## MONTHLY PERFORMANCE RETURNS (ZAR)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	8.5%	(1.8)%	(1.9)%	0.0%	2.8%	(2.0)%	(0.9)%	0.2%	8.1%				13.2%
Fund 2010	0.4%	1.1%	(3.0)%	1.7%	(1.9)%	(1.2)%	(0.4)%	0.1%	0.8%	1.2%	(0.6)%	(4.3)%	(6.0)%
Fund 2009	5.7%	(6.1)%	(0.9)%	(7.3)%	2.3%	(2.9)%	5.9%	1.8%	0.0%	2.8%	(3.4)%	1.2%	(2.0)%

## FEES (excl. VAT)

<b>Initial Fee</b>	Coronation: 0.00%
<b>Annual Management Fee - performance related</b>	Minimum - standard: 1.35% Minimum - discounted: 0.75% Maximum: 2.85% Sharing Rate: 15.00%

\* 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 performance fee hurdle, the standard minimum fee will be levied. If the fund produces a negative return (measured in USD) over a rolling 12-month period, the discounted minimum fee applies. 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.

<b>Total Expense Ratio (TER)<sup>2</sup></b>	2.63% per annum, which includes a performance fee of 0.65%
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† Please note that the benchmark of USD 3-month LIBOR+5% p.a. has changed with effect 5 August 2008.

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.

## 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.