

PORTFOLIO MANAGER COMMENTARY

The global market panic that started in August continued into September, driven primarily by the eurozone crisis and to a lesser extent by concerns over a possible hard landing in China. The market volatility continued to be extreme, with 5% daily moves being the norm. Fear has well and truly set in and most equity markets have now declined by more than 20% over the past few months. At the other end of the spectrum, US and German government bonds have appreciated by around 20% over this period. In the rush for the exits, most emerging market equities and currencies have seen significant declines, with the ZAR for example depreciating by 15% against the USD in a short two-week period. Year to date the MSCI World Index is +7.8% (in ZAR) and the JSE All Share Index is -5.8%. Despite the mess in the US and Europe, it is interesting to note that global equities have outperformed SA equities by some 13% already this year. Against this backdrop the fund has appreciated by 9.9% year to date. Over the past 10 years the fund has now generated a return of 10.8% p.a. in ZAR (or 12% in USD, which is almost 8% p.a. ahead of the 4% p.a. USD return from global equities).

The fund continues to hold no government bonds. US 10-year government bonds are now yielding 1.75%, as are German 10-year government bonds, driven down to these levels by good old fashioned fear and herd behaviour. We would argue that the balance sheets of these assets are very poor: US sovereign debt is already at very high levels and Germany's fiscal position is likely to deteriorate if the Germans want to keep the Euro intact. To do so, would require funding contributions by Germany. Besides the poor fundamentals of these assets, the valuations do not make sense to us. With inflation at 2% plus, we cannot understand the attraction of a 1.75% yield and in our view this is a bubble as big as we have seen, that will ultimately collapse just as all bubbles do.

At the same time, we continue to believe that global equities are extremely attractively valued (even more so today than a few months ago) and as a result the fund's global equity exposure is at high levels (around 72%). Whilst the sharp depreciation of the ZAR has brought it closer to fair value, the valuations of SA assets are still far less attractive than those of global assets in our view. As a result, we have largely retained the fund's significant offshore exposure. We have brought back some ZAR from offshore, but around 80% of the fund is still invested offshore and 20% in South Africa (down from 85% and 15% respectively a few months ago).

In terms of outlook, one must distinguish between the macroeconomic outlook and daily newsflow (which is poor) and valuations (which are very attractive). As previously mentioned, investors' biggest concerns today appear to be Europe and China and we will briefly discuss these two issues in more detail. Firstly, with regards to Europe, politician's inept handling of the crisis has been a large contributor to the position that we find ourselves in today. Over recent weeks however a greater sense of urgency appears to have been awakened and there are solutions to the crisis (Eurobonds, recapitalisation of the banks, etc). These solutions will require additional financial support from Germany and without this the euro as we know it will be non-existent. Either way (closer fiscal union or a break-up of the Euro), it is our view that growth in Europe is likely to be anaemic for several years and the risks (of a recession or of a banking crisis for example) are still high. As a result, we own no European banks (and are very unlikely to do so). Most of the European shares we own are not European businesses, but global businesses that generate revenue from countries all around the world and furthermore are not significantly impacted by what is happening in Europe.

A good example is Anheuser-Busch Inbev, the world's largest beer company and owner of Budweiser. The company is listed in Belgium, but today 40% of its profits come from emerging markets, most of which have growing economies and disposable incomes as well as low beer consumption. Whilst the other 60% of AB Inbev's profits come from developed markets (with the US being a large profit contributor), beer is less economically sensitive than most goods. In addition, the management team at AB Inbev run a very tight ship with a ruthless focus on costs, which will assist in protecting margins in the developed world in the event that economic conditions turn worse. AB Inbev currently trades on around 10x the free cash flow we believe it will generate over the next year, which we think is very attractive for an asset of this quality.

With regards to China, in summary, our views on the country are mixed: whilst for example we believe that China cannot continue to spend the amount it currently does on infrastructure (which is negative for commodities), we believe that the economy will shift towards a more consumer-driven economy (as opposed to an infrastructure and export-driven economy). We don't believe that China will continue to grow at the 10% rate that it has achieved over the past 30 years, but we do think a 5% - 6% growth rate over the next several years is achievable. Although low by historical standards, this would still make it one of the fastest growing economies in the world! The Chinese consumer will continue to emerge in our view, and this is where our research efforts in China are focused. For example, the fund recently added a position in Lianhua Supermarket, a food retailer with operations mainly in the Eastern area of China. Once a market darling valued at 25x earnings, the stock has halved over recent months, primarily due to concerns over slowing sales growth and increased costs. The company is still showing same-store sales growth of 6% - 7% (an organic growth rate that would be admirable in most countries, but is seen as ex-growth in China and on the Hong Kong Exchange where the stock is listed!). The company has a very strong balance sheet (large net cash position) and in our view should be able to grow earnings in the low double-digits for a number of years to come. Yet at the time of purchase, we paid only 12x earnings for this asset (lower than this if one adjusts for the net cash position). The stock is +20% since we bought it, but is still significantly undervalued in our view. There are undoubtedly risks in China, but there are also excellent investment opportunities to be found.

In summary, whilst the world appears to be in a mess, fear and panic selling have driven many assets (global equities, property and corporate bonds) down to extremely attractive levels. In our view, now is the time to be buying these assets and not selling them. One seldom makes money by investing when the outlook is rosy.

Portfolio manager

Gavin Joubert

CORONATION OPTIMUM GROWTH

CLASS A as at 30 September 2011

CORONATION 
FUND MANAGERS

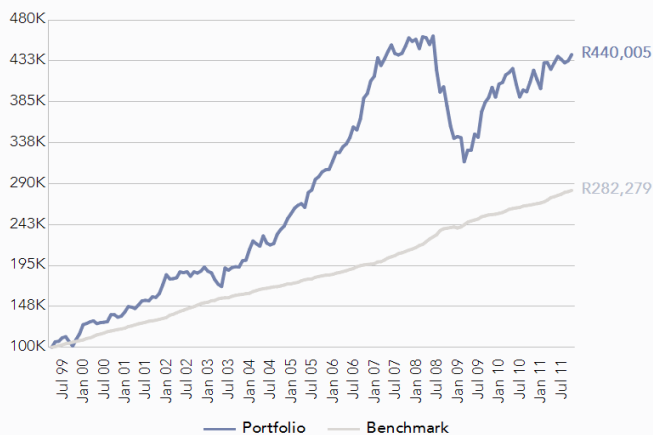
Fund category Worldwide - Asset Allocation - Flexible
Fund description An international rand-based fund that invests in a combination of local and international investments across all asset classes to deliver long-term growth.
Launch date 15 March 1999
Portfolio manager/s Gavin Joubert

Fund size R 1.13 billion
NAV 3626.01 cents
Benchmark/Performance Fee Hurdle† CPI + 5% p.a.
Risk profile



PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Sep 2011
Equities	81.5%
North America	34.3%
Europe	18.9%
Asia	13.0%
South Africa	10.2%
Latin American	4.9%
Japan	0.3%
Bonds	0.5%
Europe	0.5%
Cash	17.5%
ZAR	8.2%
Other	4.7%
USD	4.6%

RISK AND RETURNS VS BENCHMARK (ZAR)

	Fund	Benchmark	Outperformance
Since Launch (unannualised)	340.0%	182.7%	157.3%
Since Launch (annualised)	12.6%	11.5%	1.1%
Latest 10 years (annualised)	10.8%	11.3%	(0.5)%
Latest 5 years (annualised)	2.5%	11.8%	(9.3)%
Latest 3 years (annualised)	5.0%	9.8%	(4.8)%
Latest 1 year (annualised)	7.8%	10.8%	(3.0)%
Year to date	9.9%	9.0%	0.9%
Annualised Deviation	11.4%	N/A	
Sharpe Ratio	0.24	N/A	
Downside Deviation	7.0%	N/A	
Positive Months	66.0%	N/A	

TOP 10 HOLDINGS

As at 30 Sep 2011	% of Fund
Coronation Global Emerging Market Fund	6.2%
Great Wall Motor Company Ltd	3.3%
Safeway Inc	3.2%
Vodafone Group Plc	3.2%
Google Inc	3.0%
Microsoft Corp	2.6%
Community Health Systems	2.5%
Interpublic Group	2.3%
Anheuser-Busch InBev	2.2%
PPR	2.2%

PERFORMANCE FOR VARIOUS PERIODS (USD) VS MSCI WORLD (USD)

	Fund	MSCI World	Outperformance
Since Launch (unannualised)	236.6%	22.6%	214.0%
Since Launch (annualised)	10.2%	1.6%	8.6%
Latest 10 years (annualised)	12.0%	4.2%	7.7%
Latest 5 years (annualised)	1.6%	(1.7)%	3.2%
Latest 3 years (annualised)	5.6%	0.5%	5.1%
Latest 1 year (annualised)	(7.3)%	(3.8)%	(3.5)%
Year to date	(10.1)%	(11.8)%	1.7%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2011	03 Oct 2011	29.03	26.58	2.45
31 Mar 2011	01 Apr 2011	2.74	2.27	0.47
30 Sep 2010	01 Oct 2010	16.67	15.18	1.49
31 Mar 2009	01 Apr 2009	29.60	26.43	3.17

MONTHLY PERFORMANCE RETURNS (ZAR)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	7.5%	0.1%	(1.8)%	1.8%	1.8%	(0.8)%	(1.0)%	0.6%	1.7%				9.9%
Fund 2010	0.5%	2.2%	0.7%	1.1%	(4.3)%	(3.6)%	2.1%	(0.5)%	2.9%	3.3%	(2.6)%	(2.5)%	(1.3)%
Fund 2009	(0.4)%	(8.1)%	4.3%	0.0%	5.7%	(1.1)%	8.6%	2.9%	1.4%	3.1%	(2.8)%	3.9%	17.7%

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee - performance related*	Minimum: 1.00% Maximum: 3.00% 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. The maximum fee was reduced from 3.50%, 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 the fund's financial year to date performance, and paid to Coronation annually. If the fund produces a return in line with or below the performance fee hurdle for the relevant financial year to date, the minimum fee applies. For further information regarding our fee structure please contact us or visit our website.

Total Expense Ratio (TER)² 1.25% per annum, which includes a performance fee of 0.00%

[†]Benchmark 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 performance fee accrued over the above period. Although the performance fee as included in the TER is calculated over the above period, the actual performance fee calculation and payment corresponds with the funds financial year end. 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.