

Coronation to stick to winning strategy

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CORONATION Fund Managers
CEO Hugo Nelson yesterday used the American term "if it ain't broke, don't fix it" to explain why he has no plans to change the firm's strategy after it posted record earnings for the year to September.

"We are happy with the business performance and the ability of our team so it is a case of doing more of the same," Mr Nelson said. "Don't fix it if it's not broken, so we are not looking to change anything."

While Cadiz Asset Managers posted tepid earnings growth in the six months to September, Coronation presented a different and better

CORONATION		
FULL YEAR	2011	2010
Revenue (Rbn)	1,7	1,3
Pretax (Rm)	938	685
Net income (Rm)	623	440
Diluted HEPS (c)	176	128
Dividend (c)	172	127

picture. The JSE-listed firm's annual revenue to September rose 34% to R1,7bn, diluted headline earnings went up 38% to 176c per share, and profit was up 42% to R624m.

Cadiz this week blamed the performance on some of its units, such as the securities unit which suffered from market uncertainty and thin trading volumes.

Mr Nelson said although business conditions were tough, Coronation's

strong franchise in SA and other markets had helped it to navigate the storms. Markets had been choppy while investor confidence had been buffeted by global events such as the turmoil in Europe, he said.

"We have a year where performance of the funds has continued to go well, and that performance has fed through into strong revenue and earnings performance that we have reported," Mr Nelson said.

"In our business, it is very (much) centred on performance and so when that works well, and fortunately it has continued for several years, it has had a beneficial impact on the business," he said.

In addition, continuing tough cost management had also helped, Mr

Nelson said, singling out the retail unit, which experienced strong inflows of up to R20bn in the year under review.

He said Coronation's Africa Frontiers Fund had exceeded performance targets despite the upheaval in North Africa, which analysts said sapped investor confidence in emerging markets and resulted in capital flight estimated then at as much as \$30bn.

Mr Nelson said investor interest in Africa remained strong but he did not think there was a "wave" of investment, particularly in equity markets. "While people are interested in Africa, there has been a lot of turmoil in some of the investible components of the African market,

which has caused investors to be cautious," he said.

"It is a wave of sentiment and not necessarily in investment flows."

Discussing the results, Mr Nelson said assets under management increased by 21%, to R247bn from R203,5bn in September last year, which he attributed to the firm's track record of "excellent" stock picking and asset allocation.

"As one of (SA's) largest managers of third-party assets ... our first priority is to consistently deliver the best possible returns across all client mandates. To achieve this it is imperative that our business does not grow to a level that impedes our ability to deliver outperformance."

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