

Coronation interims defy own CE's caution

SURE KAMHUNGA
Financial Services Editor

CORONATION Fund Managers' half-year revenue rose 32%, boosted by strong inflows to the retail business and an increase in assets under management.

Its strong performance defied a cautious warning by CEO Hugo Nelson in a review of the previous financial year — that Coronation could not guarantee the same strong performance it made in the year to September last year, due to volatile global conditions.

This week, Mr Nelson said he preferred to err on the side of caution even though Coronation seemed to be showing signs of continued strong performance in its core revenue segments.

"It is always unwise to think that everything keeps going well but we are quite happy in the six months that things have continued to go well," he said.

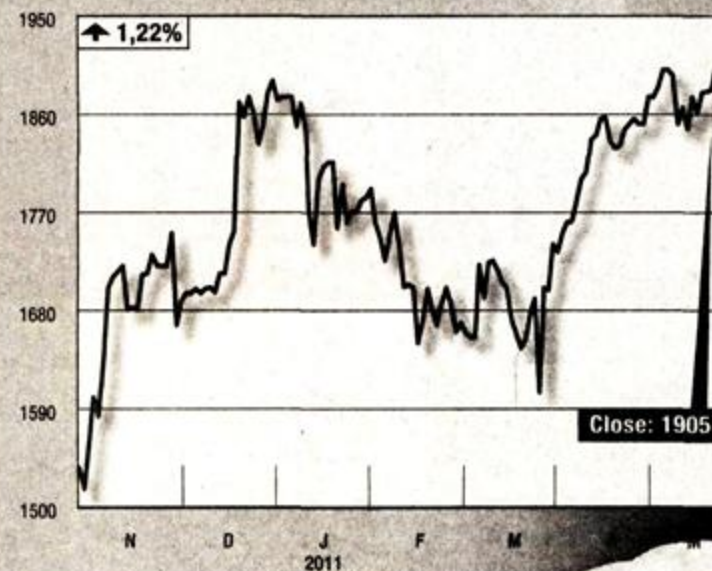
"We have continued to perform well regardless of whether we are talking of the institutional space or the retail business, and have continued to deliver a very good performance."

Coronation's strategy is to focus on investing over a long time-horizon rather than focusing on short-term gains.

Mr Nelson said it would also continue focusing on equities as opposed to, for example, government bonds.

CORONATION BOOSTED BY STRONG INFLOWS

Share price, daily close (cents)



- Half-year revenue rose 32%
- Profit increased to R299m from R226,5m
- Coronation will continue with its generous dividend policy
- There was a 57% increase in interim dividends to 80c per share

Graphic: RUBY-GAY Source: I-NET BRIDGE

"We remain cautious from an investment point of view," Mr Nelson said. "We prefer at the moment equities as an asset class over fixed income or bonds. The reason we are cautious about

bonds, other than inflation-linked bonds, is that governments in general have issues with too much debt and that is why we are concerned, particularly about government bonds around the world.

"We tend to prefer developed markets' equities (like in) Europe (and) America over, for example, the JSE in terms of valuation."

Revenue increased to nearly R865m to March this year, up

from R654m in the comparative six months last year.

Profit went up 32% to R299m from R226,5m, while assets under management went up to R231bn from R203bn (restated).

CORONATION

Half Year	2011	2010
Revenue (Rm)	864,7	654,8
Pretax (Rm)	449,5	346,9
Net income (Rm)	299	226,5
Diluted HEPS (c)	81,7	64,8
Dividend (c)	80	51

Mr Nelson said operating expenses rose 32% to R445m due to Coronation's business model, where costs normally rise or decline depending on the growth or fall in revenue.

"Part of the reason (why costs went up) is the business model we have, where roughly between about 60% and 70% of the costs are variable in nature.

"If we grow revenue, those costs escalate, but if revenue falls, they contract. The biggest component of our costs is mainly remuneration and third-party costs, such as distribution and administration costs," he said.

Coronation will continue with its generous dividend policy, he said, referring to the 57% increase in the interim dividend to 80c.

"We said at the end of last year that we will distribute a minimum of 75% of the cash generated and we want to be consistent with that," Mr Nelson said.

"Because of the business model we have such a flexible cost base, which means that the cash we generate (does) not have to be hoarded," he said.

kamhungas@bdfm.co.za

HUGO NELSON