



CORONATION OPTIMAL INCOME FUND
31 DECEMBER 2009

CORONATION
FUND MANAGERS

Fund purpose	Maximising total after-tax return for conservative investors
Fund sector	Domestic – Asset Allocation – TAAR
Benchmark	110% of STeFI 3 months (after tax)*
Risk profile	Cons Mod Aggr

**The benchmark and portfolio return is adjusted by the maximum individual marginal tax rate (currently 40%), over a rolling 12-month period.*



HIGHLIGHTS

- Low-risk, tax-conscious fund introduced in January 2010
- Bias towards tax-efficient assets such as equities and preference shares
- Uses hedging to reduce the risk normally associated with investing in equities
- Draws on a combination of Coronation's well-established fixed income, stock selection and hedging expertise
- Three tiered focus of return generation, capital preservation and liquidity

INVESTMENT OBJECTIVE

The fund aims to provide a higher total after-tax return than a traditional money market or pure income fund. The fund's objective is to produce a return of at least 110% of the 3-month STeFI index (after tax).

GENERAL INFORMATION

Launch date	28 January 2010
Income distribution	Quarterly (March, June, September and December)
Investment minimum	R5 000 lump sum or R500 monthly debit order
Regulation 28	Does not comply

The fund may be closed to new investors at Coronation's discretion

INVESTMENT MANDATE

The fund has a flexible mandate and is broadly diversified across asset classes, with a bias towards hedged equity and preference shares. Active asset allocation and security selection strategies appropriate to the needs of conservative investors with medium to longer time horizons are followed.

The fund can also invest in a wide variety of yielding instruments, including, but not limited to cash, government bonds, corporate bonds, listed property, preference shares and inflation-linked bonds. It can also hold international yielding instruments.

Effective exposure to equities will not exceed 20%, while exposure to perpetual preference shares and listed property will be limited to 30% respectively. Exposure to international assets is limited to 10%.

INVESTOR PROFILE

The fund is suitable for investors who are:

- tax-conscious, risk averse and have a time horizon of between 6 months and 3 years
- seeking a conservative and sustainable tax-conscious investment solution
- looking for an alternative to managed income funds that are less correlated to the interest rate cycle.

RISK OF MONETARY LOSS

The recommended investment term is six months and longer. While the fund has exposure to equities and preference shares, risk of capital loss over the short term is reduced significantly through hedging. It may however have some exposure to growth assets that will cause price fluctuations from day to day, making it unsuitable as an alternative to a money market fund over very short investment horizons (less than 6 months).

CORONATION FEES (excl. VAT)

Initial	0.00%
Annual management	0.85%

Fee Methodology

To reflect its conservative nature, the fund charges a flat management fee. Fees are accrued daily and collected monthly.

TOTAL EXPENSE RATIO (TER)

As this is a recently launched fund, the TER cannot yet be accurately determined, and will be in line, or higher, than the quoted annual management fee.

INVESTMENT PHILOSOPHY

Coronation's multi-asset funds are actively managed through an integrated process of top-down asset allocation and bottom-up security selection. Overall portfolio risk is managed through an active hedging programme, the inclusion of non-correlated asset classes as well as stocks selection that is based on our expectation of their ability to outperform the market over the longer term. We employ a common-sense valuation-driven process that identifies mispriced assets trading at discounts or premiums to their long-term business values.

Coronation takes an active approach to fixed interest portfolio management with investment decisions that are driven by proprietary research across the full spectrum of potential return enhancers. The yielding asset component of the portfolio is constructed with a long-term strategic view which is balanced by taking shorter term tactical opportunities when the market lags or runs ahead of the strategic view.

Coronation invests in instruments rated by reputable rating agencies and while the fund does invest in corporate bonds it will do so only when the yield compensates for the risk or when there is a general rise in credit spreads. All credit decisions are subject to oversight by an independently chaired Credit Committee.



ADVICE FEES

Coronation does not provide financial advice and therefore does not charge advice fees. However, investments are often placed on your behalf by a financial advisor, in which case fees are negotiated directly between you and your advisor, within the following ranges:

Initial	0.00% - 3.00%
Ongoing	0.00% - 1.00% when the initial fee is less than 1.50%
	0.00% - 0.50% when the initial fee is more than 1.50%

Sharing of annual management fees

A portion of Coronation's annual management fee may be paid to administration platforms as a subsidy for administrative and advice costs incurred when investing through these channels. Where commission and incentives are paid, these are included in the overall costs.

INVESTMENT TEAM

We have one of the most experienced and talented investment teams in the country operating in a culture of excellence and led by Chief Investment Officer Karl Leinberger.

Our Fixed Income Team is multi skilled and complemented by extensive industry experience. Each member of the six-person team provides key specialist input under the leadership of Mark le Roux.

PORTFOLIO MANAGERS

- GREG VAN TIL, *BBusSc, Honours (Finance), CFA*
Greg joined Coronation in 1998 and is head of the Quants team. He is responsible for all derivative positioning used within client portfolios both to enhance returns and provide levels of portfolio protection and is the manager of the Coronation Capital Preserver Fund (institutional investors only).
- MARK LE ROUX, *BCom*
As head of fixed interest investments Mark is responsible for the fixed interest investment process and portfolio management functions for both institutional and retail portfolios. Mark has 18 years' experience in managing traditional fixed interest portfolios (both institutional and unit trust assets) as well as hedge funds.