

## UNIT TRUSTS ABRIDGED ANNUAL REPORT 2014



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# REPORT BY THE CHAIRMAN AND MANAGING DIRECTOR

At Coronation, Trust is Earned™ is more than an advertising strapline. For us it is a *modus operandi* that is entrenched in our investment philosophy and culture. In a world of diminishing trust, we believe that placing our clients at the centre of all decision-making is critical to ensuring our continued ability to deliver on your long-term investment objectives. At the end of another very successful year for our unit trust business, we would like to thank you for the ongoing trust you place in our ability to manage your investments.

The collective investment schemes industry continues to gain share of the country's overall savings pool, which remains stagnant. Over the year, Coronation continued to attract a disproportionate level of industry flows, with total net inflows amounting to R32 billion across our domestic fund range. This incredible support from investors places us as the largest manager of long-term retail assets in South Africa, with a market share of 15.1% (September 2013: 13.6%).

Across the industry, investors continue to strongly favour multi-asset funds (aimed at pre- and post-retirement investors), which is a core competency for Coronation. Multi-asset funds now represent 49% of total industry assets (2009: 22%). Managed income and money market funds saw outflows of more than R42 billion in the September 2014 quarter, largely as a result of a negative investor response to the losses in lower-risk funds caused by the collapse of African Bank during August. Coronation was largely unaffected by this change in sentiment as our lower-risk funds had no exposure to African Bank, recording small inflows into our income and money market funds over this period. Industry flows into international funds doubled when compared to 2013. We continued to gain market share in all major market sectors in 2014.

## INVESTMENT PERFORMANCE

The defining characteristic of Coronation's investment philosophy is our commitment to long-term investing. While many of our peers are forced to take short-term action because they are under massive pressure to do well this month, this quarter, this year – we take the long-term view. We believe that being able to make decisions over the next five to ten years gives us an incredible advantage, and we are grateful that the majority of our clients allow us this opportunity.

During the year, the performance of our fund range saw us named Raging Bull South African Management Company of the Year for the second consecutive year, and Morningstar Best Large Fund House for the fourth year in a row. While these industry accolades provide some means of a peer benchmark, our rankings in the performance tables are a more accurate barometer of our continued ability to add long-term value to investors. As at 30 September 2014, all domestic and international flagship funds ranked in the first quartile of their respective Morningstar categories since launch, the highlights of which include:

- Coronation Top 20 has outperformed its benchmark by 5.6% p.a. (after fees) since launch in October 2000.
- Coronation Balanced Plus, the no. 1 multi-asset high equity fund in South Africa since launch in April 1996, has outperformed its average competitor by 2.7% p.a. (after fees) over the same period.
- Coronation Balanced Defensive, the no. 1 multi-asset low equity fund in South Africa since inception in February 2007, has outperformed inflation by 4.8% p.a. (after fees) over the same period.

- Coronation Strategic Income, the no. 1 multi-asset income fund since inception in July 2001, has outperformed cash on average by 2.9% p.a. (after fees) over the same period.
- Coronation Global Opportunities Equity [ZAR] Feeder, the no. 1 global equity general fund in South Africa since inception in August 1997, has outperformed the global equity market by 1.5% p.a. (after fees in rands) over the same period.
- Coronation Global Managed [ZAR] Feeder, the no. 1 global multi-asset, high equity fund in South Africa since inception in October 2009, has outperformed its composite benchmark by 1.6% p.a. (after fees in rands) over the same period.

## REGULATORY UPDATE

### ● Retirement reform

In last year's report we highlighted that clients could expect the implementation of certain key outcomes in the medium term, as part of National Treasury's retirement reform process. These included the provision of default post-retirement income options by trustees; harmonised and more targeted tax incentive rules across pension, provident and retirement annuity funds; and the gradual introduction of tighter preservation requirements of accumulated retirement capital.

Despite a three-year consultation process on the latter key outcome, and the publication of the enabling legislative framework in the 2013 Tax Laws Amendment Bill, organised labour mustered such significant

opposition to the proposals that the implementation date has been delayed to allow for further consultation. The ensuing consultation process will include a revisiting of the debate around introducing a more comprehensive social security system, which if implemented may result in a shift of cash flows and assets away from the current private retirement industry. However, the likelihood of successfully implementing comprehensive social security is severely constrained by the tight fiscal space in which South Africa currently finds itself.

We furthermore believe this surprise hiatus will have a negative effect on the country's already worryingly low household savings rate (1.7% of GDP in 2013), which is unfortunate given that achieving a higher level of long-term savings is a vital contributor to higher levels of economic growth.

### ● Introduction of tax-free savings accounts

While progress on Treasury's other priority areas remains at a standstill, the introduction of tax-free savings accounts for non-retirement saving will go ahead as planned. These products are expected to provide additional incentives to a broader range of taxpayers to invest in existing investment products such as our range of unit trust funds, and should, to some extent, lead to a deepening of the savings and investment market. Individual participation will be regulated through annual and lifetime contribution limits. The first accounts are expected to be launched from March 2015, with a Coronation product planned later in 2015. More details will be communicated in due course.

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- Treating Customers Fairly and Retail Distribution Review

Coronation fully supports the Financial Services Board's (FSB) Treating Customers Fairly (TCF) initiative, which provides a principles-based approach to ensure that reasonable client outcomes are central to industry culture. Further entrenching this initiative is the FSB's Retail Distribution Review (RDR), which was released for comment in November 2014. Aimed at reducing conflicts of interest within the industry, RDR will have a fundamental impact on the industry.

A key focus in the year ahead will be discussion on the 55 proposals included in RDR, including the enhanced disclosure of information to retail clients, specifically the standardisation of fund fact sheets and cost disclosure across the collective investments industry. Ahead of this development, the Association for Savings and Investment SA (ASISA) has voluntarily adopted an effective annual costs (EAC) model to aid in product comparison across various providers, enhanced disclosure of total expense ratios (TERs) by including the transaction costs, and is in the process of setting a best practice guideline for the calculation and disclosure of performance fees in unit trust funds.

## CLIENT-CENTRIC FOCUS

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Understanding the needs of our clients and responding in a manner that is both professional and caring are essential for exceptional service delivery. An integral part of our business is clear communication. In the spirit of the TCF initiative, our aim in the year ahead is to enhance our documentation to make it easier for clients to understand our products and, more importantly, choose the right fund/product for their individual needs.

As part of this process we have recently launched a new website, which features empowering investment tools as well as enhanced online security. We have also created a printed investor handbook *Your investment with Coronation – everything you need to know* to help new clients make the most of their relationship with us.

We continue to encourage investors to choose a fund or combination of funds that match their unique set of needs and objectives and, where appropriate, to seek advice from a financial advisor.

## PRODUCT DEVELOPMENTS

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We will be expanding our range of international funds with the launch of a Global Equity unit trust fund during the course of next year. As mentioned earlier in this report, we will also add a new tax-free savings account to our product range upon finalisation of the regulatory framework. In turn, as part of our ongoing review of the suitability and long-term viability of our product range, we decided to close the Coronation Optimal Income Fund on 30 June 2014. This decision was supported by limited investor interest in the fund since its launch in January 2010.

## GOVERNANCE

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In line with good corporate governance practice, the role of chairman is held by independent non-executive director, Mr Shams Pather. This change was effected on 14 January 2014. In addition, on 1 February 2014, Ms Lulama Boyce was appointed as an independent non-executive director. The board comprises three independent non-executive directors and two executive directors, as profiled on page 7.



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## LOOKING AHEAD

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As an active, long-term investment manager, we measure success by our investment track record and clients' experience in our funds. It is therefore important to remind investors that a successful track record ultimately comes with many testing years. As our chief investment officer Karl Leinberger explains on page 5 of this report, it is often during these periods of underperformance that we are sowing the seeds for the harvest (long-term outperformance) to come.

Despite the tough economic and market environment that inevitably lies ahead, we will persist in applying our proven long-term investment philosophy and robust investment process across our fund range and, consistent with our client charter (see page 18), ensure that we continue to deliver both superior investment outcomes and excellent levels of service to all our clients.



# REPORT BY THE CHIEF INVESTMENT OFFICER

While markets were buoyant for a large part of the year, concerns have resurfaced about the increasingly divergent outlook for global economies. Only the US appears to be on a firm footing, while most of the other major economies look increasingly challenged and fragile. Geopolitical tensions have added to concerns about market prospects.

Given the many unknowns in the current environment, the most dangerous thing we can do when investing clients' money is to pretend we have all the answers. Overconfidence in investing can be extremely perilous.

At Coronation, we diligently stick to our investment philosophy, which is defined by its commitment to the long term. Most managers face enormous pressure to perform well over twelve-month periods. This results in poor long-term decisions. The ability to focus on a time horizon of five years and longer allows us to invest in assets that we believe are trading at substantial discounts to our assessment of their underlying long-term value.

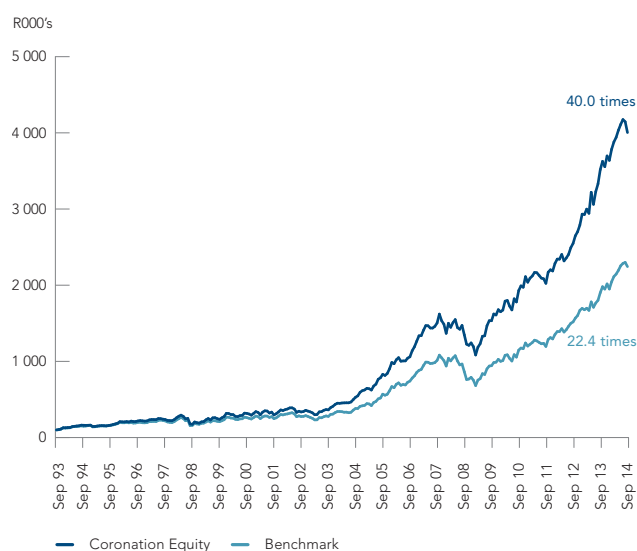
Over our more than 20-year history, our best long-term investment decisions have been at odds with the wisdom of the day. While we don't seek to be contrarian, we often are. For example, as the global financial crisis played out in 2008 and 2009, we aggressively bought equities and property while others were selling. And in 2010 to 2011, when the rand was strong and domestic stocks were rallying, we bought offshore assets.

It is these forward-looking decisions that underpin Coronation's track record of having delivered compelling long-term outperformance. As an example, an investment in the equity market on the day that Coronation opened for business would have grown

your money 22.4 times, whereas a similar investment in our longest-running institutional equity portfolio (see following graph) would have grown your money 40 times.



## A COMPELLING LONG-TERM TRACK RECORD



Source: Morningstar as at 30 September 2014

Currently, our positive long-term view on the commodity sector is at odds with the market consensus. Resource shares have fallen sharply amid declining commodity prices. The downturn is likely to be prolonged given the excesses of the boom period and ongoing uncertainty about the Chinese economy.

Commodity prices are now close to the marginal cost of production and below our estimate of normalised price levels. Ultimately, mid-cycle prices are determined by the costs of production. This underpins the investment case for our preferred resource shares, which we believe offer a substantial upside.

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We do not expect the cycle to turn any time soon and, while we have high conviction that the resource sector offers value, our positions in the shares are not yet material enough to be portfolio-defining.

## INVESTMENT REVIEW

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Given the anaemic growth environment, we believe that interest rates are likely to remain lower for longer. In such an environment, equities remain our preferred asset class for producing inflation-beating returns. We continue to favour global over domestic equities.

Apart from many of the global companies listed on the JSE and certain resource stocks, we find the South African market unattractive. Domestic equities remain expensive, even after the recent correction. We are avoiding locally focused businesses due to their high earnings bases and high ratings, as well as given the poor outlook and the structural problems plaguing the domestic economy.

Unlike many other countries, South Africa has not improved its fundamentals following the global financial crisis. In 2009, its twin deficits (the fiscal deficit plus the current account deficit) were fair compared to many developed economies. South Africa did not take the tough decisions required to deal with its problems. As a result, the country's twin deficits are now among the worst in the world. In addition, local companies have been rendered uncompetitive by prolonged strikes, labour regulation, electricity shortages and rising input costs.

The overall valuations in global equity markets remain reasonable, although these assets now offer less upside following a very strong performance over the past

five years. The recent period of low volatility, favourable economic recovery and stable geopolitics appears to be coming to an end.

Global bonds offer very little value. In the US, the Federal Reserve will continue to look towards the normalisation of policy and thus bond yields should rise in time.

South African government bonds are looking more reasonable as domestic inflation has likely peaked in the current cycle and could remain comfortably below 6% for a while. Still, we continue to remain generally underweight in local bonds.

## LOOKING AHEAD

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We have been cautioning investors for some time to expect lower returns from markets. It is important to understand that the past two decades have not been normal and that the strong performance should not be extrapolated into the future. We believe that in the coming years, alpha (outperformance of the market) will increasingly be a must-have and not a nice-to-have.

The global economic recovery is on tenuous footing, and recent turbulence is a reminder that markets are fragile. Volatility, however, typically presents an opportunity to long-term investors. We therefore welcome adverse market movements as an opportunity to add value in our client portfolios.

Amid short-term market uncertainty, we will continue to strive to identify long-term value, and deliver a superior performance relative to benchmarks over the long run.

# BOARD OF DIRECTORS



## SHAMS PATHER

Independent non-executive chairman, 64  
BBusSc, BCom (Hons), MBA



Shams has been a member of the board since 2012 and was appointed in the position of chairman in January 2014. He also chairs the board of Coronation Fund Managers Ltd. Shams has more than 30 years' experience in the asset management industry. From 1974 to 2003 he worked at Norwich Union, Colonial Mutual Life Assurance, Southern Life and Real Africa Asset Management. Directorships include Oceana Group Ltd, Lungisa Industrial (Pty) Ltd, Lungisa Technologies (Pty) Ltd, Lungisa Investment Holdings (Pty) Ltd, Centre for Proteomics and Genomics Research and Kagiso Tiso Holdings (Pty) Ltd. Shams is also a member of the UCT Joint Investment Council.



## ANTON PILLAY

Managing director, 44  
BBusSc, CA(SA), CFA, AMP (Harvard)



Anton has been a member of the board since February 2013. He also is chief executive officer and a member of the board of Coronation Fund Managers Ltd. He joined Coronation from BoE (Pty) Ltd in January 2006. During his career with BoE/Nedbank he held a number of key positions and directorships, including assistant general manager of the private bank, general manager of group investments and head of private banking. He has extensive knowledge and experience of the investment and banking industry.

## PIETER KOEKEMOER

Executive director, 44  
CA(SA), CFP, CFA



Pieter is head of the personal investments business at Coronation Fund Managers Ltd. Before joining Coronation in August 1998, Pieter spent time at Sanlam, where he was involved in the restructuring of the business prior to demutualisation, and at Coopers & Lybrand in Johannesburg. He also chaired the Association of Collective Investments of South Africa, and was a member of its board from 2000 to 2008. He is currently deputy chair of ASISA's (Association for Savings and Investment SA) economics, savings and policy board committee and convenor of its standing committee on retirement reform. Pieter has been a member of the board since March 1999.



## LULAMA BOYCE

Independent non-executive director, 35  
BCom (Hons), CA(SA)



Lulama is a senior lecturer and deputy head of department at the University of Johannesburg. She graduated from the University of Cape Town in 2002 and served her articles at Grant Thornton Johannesburg. She is a former account manager of the Industrial Development Corporation (IDC) and was part of the Transport and Financial Services business unit from 2008 to 2011. She is a former project finance consultant and served on the audit committee of Automotive Supplier Park (ASP) – 2007 to 2009. Lulama was appointed to the board on 1 February 2014 and is an independent non-executive director of Coronation Fund Managers Ltd and Coronation Life Assurance Company Ltd.



## ALEXANDRA WATSON

Independent non-executive director, 58  
BCom (Hons), CA(SA)



Alexandra is the Richard Sonnenberg Professor of Accounting at the University of Cape Town, where she is the coordinator of teaching and learning in the college of accounting. She is a former chairman of the accounting practices committee, the technical accounting committee of SAICA (South African Institute of Chartered Accountants), and was an independent director of Coronation Investments and Trading Ltd. Alexandra has been an independent non-executive director since August 2012. She also is an independent non-executive director of Coronation Fund Managers Ltd and Coronation Life Assurance Company Ltd and chairs the council of Herschel Girls School. With effect from 1 January 2014, she has been a board member of the Global Reporting Initiative.





# REPORT OF THE TRUSTEE

We, Standard Chartered Bank, Johannesburg Branch, in our capacity as trustee of the Coronation Unit Trust Scheme (the Scheme), have prepared a report in terms of Section 70(1)(f) of the Collective Investment Schemes Control Act, 45 of 2002, as amended (the Act), for the period 1 October 2013 up to and including 30 September 2014 (the Report). The Report is available from us and/or Coronation Management Company (RF) (Pty) Limited (The Manager).

This letter is an abridged version of the Report.

Having fulfilled our duties as required by the Act, we confirm that the Manager of the Scheme has in general administered the Scheme:

- (i) within the limitations on the investment and borrowing powers of the Manager imposed by the Act, and
- (ii) in accordance with the provisions of the Act and the trust deeds.

Should any investor require a copy of the Report, kindly contact the Manager.

Chantell Kruger  
Senior Manager  
Trustee Services

Kerin Lyn Sader  
Head of Compliance  
South and southern Africa

31 October 2014

# DOMESTIC FLAGSHIP FUND RANGE

Coronation offers a range of domestic and international funds to cater for the majority of investor needs. These funds share the common Coronation DNA of a disciplined, long-term focused and valuation-based investment philosophy and our commitment to provide investment excellence.

INVESTOR NEED	FUND AND BENCHMARK	1-YEAR ANNUAL RETURN TO SEPT 2014	1-YEAR ANNUAL RETURN TO SEPT 2013	5-YEAR ANNUAL RETURN TO SEPT 2014	10-YEAR ANNUAL RETURN TO SEPT 2014	CUM RETURN SINCE LAUNCH*	FUND DESCRIPTION AND LAUNCH DATE
LONG-TERM CAPITAL GROWTH	Top 20	9.6%	34.1%	18.8%	22.1%	1 517.0%	A focused portfolio of our top stock picks on the JSE. Invested in 15–20 shares selected from the 50 largest companies listed on the JSE, compared to the 40–60 shares held by the average equity fund. This concentration means that investors must have a longer time horizon. <i>Launched in October 2000</i>
	FTSE/JSE Top 40 Index	15.2%	29.0%	17.9%	18.3%	740.6%	
	Alpha	(5.6%)	5.1%	0.9%	3.8%	776.1%	
	Balanced Plus	13.6%	27.5%	16.4%	17.7%	1 604.1%	Best investment view across all asset classes. Ideal for pre-retirement savers as it is managed in line with the investment restrictions that apply to pension funds. If you are not saving within a retirement vehicle, consider Market Plus, the unconstrained version of this mandate. <i>Launched in April 1996</i>
	Composite equities, bonds and cash benchmark <sup>1</sup>	13.4%	21.3%	15.7%	16.2%	1 098.5%	
	Alpha	0.1%	6.2%	0.7%	1.5%	505.6%	
INCOME AND GROWTH	Capital Plus	10.4%	18.6%	12.7%	13.9%	496.5%	Focused on providing a growing regular income. The fund has a higher risk budget than the typical income-and-growth fund, making it ideal for investors in retirement seeking to draw an income from their capital over an extended period of time. <i>Launched in July 2001</i>
	CPI	5.9%	6.0%	5.3%	6.1%	120.2%	
	Alpha	4.4%	12.7%	7.5%	7.8%	376.3%	
	Balanced Defensive	10.3%	16.6%	12.8%	–	126.8%	A lower risk alternative to Capital Plus for investors requiring a growing regular income. The fund holds less growth assets and more income assets than Capital Plus and has a risk budget that is in line with the typical income-and-growth portfolio. <i>Launched in February 2007</i>
	CPI	5.9%	6.0%	5.2%	–	62.6%	
	Alpha	4.4%	10.6%	7.6%	–	64.3%	
INCOME ONLY	Strategic Income	7.8%	7.9%	9.7%	9.6%	298.3%	Conservative asset allocation across the yielding asset classes. Ideal for investors looking for an intelligent alternative to cash or bank deposits over periods from 12 to 36 months. <i>Launched in July 2001</i>
	Cash	5.4%	5.0%	5.7%	7.3%	180.2%	
	Alpha	2.4%	2.8%	4.1%	2.3%	118.1%	

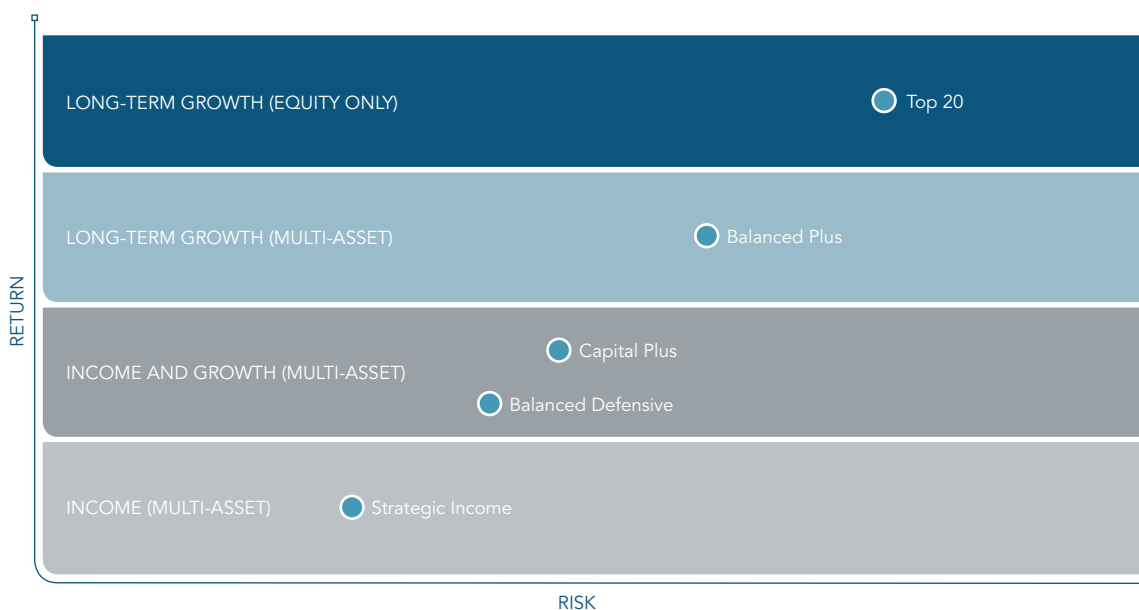
Source: Morningstar as at 30 September 2014

<sup>1</sup> Benchmark for Balanced Plus comprises: 63% Equity (Capped All Share Index), 22% Bonds (All Bond Index), 10% Foreign (60% MSCI Equity gross, 25% JP Morgan Global Bond Index, 15% JP Morgan US\$ 3-month Treasury Bill) and 5% Cash. New benchmark for the period commencing 1 October 2014 comprises: 52.5% Domestic Equity (SWIX), 22.5% Bonds (ALBI), 5% cash (STF3M), 14.5% Global Equity (ACWI), 3.5% Global Bonds (WGBI) and 2.0% Global Cash (USD3MLIBOR).

\* Cumulative returns since launch to 30 September 2014

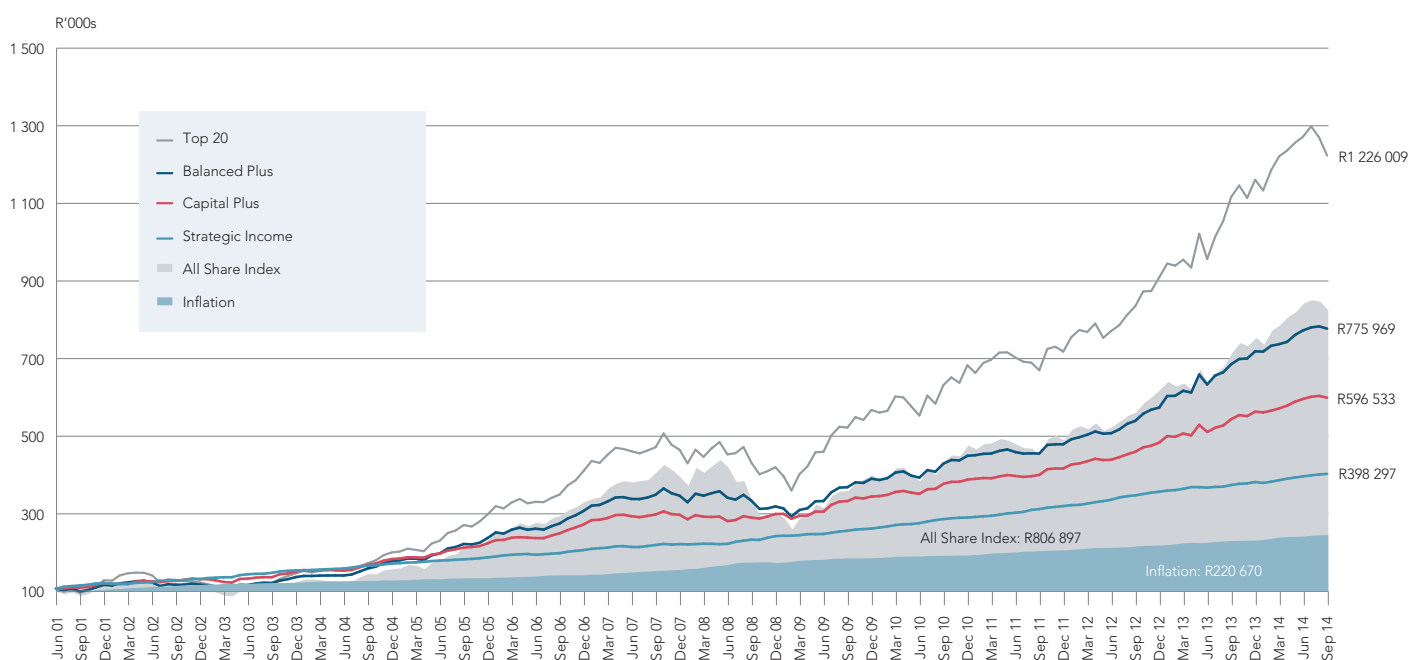
## EXPECTED RISK VERSUS RETURN

Expected risk and return positioning for the domestic flagship funds after all income reinvested and all costs deducted.



## GROWTH OF R100 000 INVESTED IN OUR DOMESTIC FLAGSHIP FUNDS ON 1 JULY 2001

Value of R100 000 invested in Coronation's domestic flagship funds since inception of Capital Plus on 1 July 2001 as at 30 September 2014. All income reinvested for funds; FTSE/JSE All Share Index is on a total return basis. Balanced Defensive is excluded as it was only launched on 2 February 2007.



Source: Morningstar as at 30 September 2014

# INTERNATIONAL FLAGSHIP FUND RANGE

INVESTOR NEED	FUND AND BENCHMARK	1-YEAR ANNUAL RETURN TO SEPT 2014	1-YEAR ANNUAL RETURN TO SEPT 2013	3-YEAR ANNUAL RETURN TO SEPT 2014	5-YEAR ANNUAL RETURN TO SEPT 2014	CUM RETURN SINCE LAUNCH*	FUND DESCRIPTION AND LAUNCH DATE
LONG-TERM CAPITAL GROWTH	Global Emerging Markets Flexible [ZAR] <sup>1</sup>	12.7%	41.6%	25.0%	16.3%	114.6%	Our top stock picks from companies providing exposure to emerging markets. The US dollar fund remains fully invested in equities at all times, while the rand fund will reduce equity exposure when we struggle to find value. <i>Launched in December 2007</i>
	MSCI Emerging Markets	17.8%	22.3%	20.1%	13.6%	61.3%	
	Alpha	(5.0%)	19.3%	4.9%	2.7%	53.4%	
	Global Opportunities Equity [ZAR] Feeder <sup>1</sup>	21.0%	48.8%	29.9%	18.6%	686.2%	A focused portfolio of the best global equity managers. We will typically invest with 6–10 managers who share our valuation-based and long-term oriented investment philosophy. The fund can invest in all equity markets around the world, and is actively managed across geographies and currencies. <i>Launched in August 1997</i>
	MSCI World Index	26.9%	46.0%	32.5%	20.9%	522.3%	
	Alpha	(5.9%)	2.8%	(2.6%)	(2.3%)	163.9%	
	Global Managed [ZAR] Feeder <sup>1</sup>	18.5%	43.2%	28.1%	–	125.4%	A global balanced fund reflecting our best long-term global investment view for investors seeking to evaluate outcomes in hard currency terms. Will invest in different asset classes and geographies, with a bias towards growth assets in general and equities in particular. <i>Launched in October 2009</i>
	Composite equities and bonds benchmark <sup>2</sup>	21.0%	32.9%	23.7%	–	111.0%	
	Alpha	(2.6%)	10.3%	4.4%	–	14.4%	
CAPITAL PRESERVATION	Global Capital Plus [ZAR] Feeder <sup>1</sup>	13.6%	30.5%	19.9%	13.0%	76.3%	A low-risk global balanced fund reflecting our best long-term global investment view moderated for investors with smaller risk budgets. We offer both hedged and houseview currency classes of this fund. In the case of the former, the fund aims to preserve capital in the class currency over any 12-month period. <i>Launched in November 2008</i>
	50% Libor + 50% Euribor	9.1%	24.2%	11.2%	7.6%	20.9%	
	Alpha	4.6%	6.3%	8.7%	5.4%	55.4%	
CASH ALTERNATIVE	Global Strategic USD Income [ZAR] Feeder	15.5%	–	–	–	14.4%	An intelligent alternative to dollar-denominated bank deposits over periods of 12 months or longer. <i>Launched on 30 August 2013</i>
	110% of 3-month Libor	12.8%	–	–	–	10.2%	
	Alpha	2.7%	–	–	–	4.2%	

Source: Morningstar as at 30 September 2014

<sup>1</sup> Returns are in rands. For US\$ returns, refer to the funds and products section of [www.coronation.co.za](http://www.coronation.co.za)

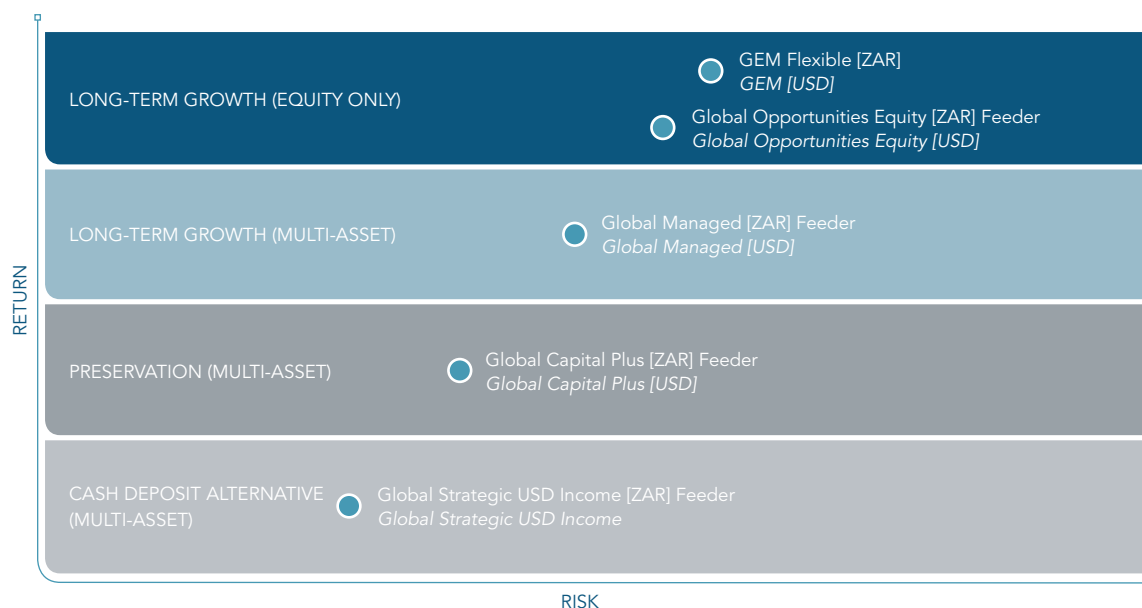
<sup>2</sup> Benchmark for the Coronation Global Managed Fund comprises: 60% MSCI World (TR) Index and 40% Citigroup World Government Bond Index.

\* Cumulative returns since launch to 30 September 2014

Figures are quoted from Morningstar as at 30 September 2014 for a lump sum investment and are calculated on a NAV-NAV basis with income distributions reinvested. Collective Investment Schemes in Securities (unit trusts) are generally medium- to long-term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily an indication of future performance. Participatory interests 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. A schedule of fees and charges is available on request from the management company. Pricing is calculated on a net asset value basis, less permissible deductions. Forward pricing is used. Commission and incentives may be paid and, if so, are included in the overall costs. Coronation is a member of the Association for Savings and Investment SA (ASISA).

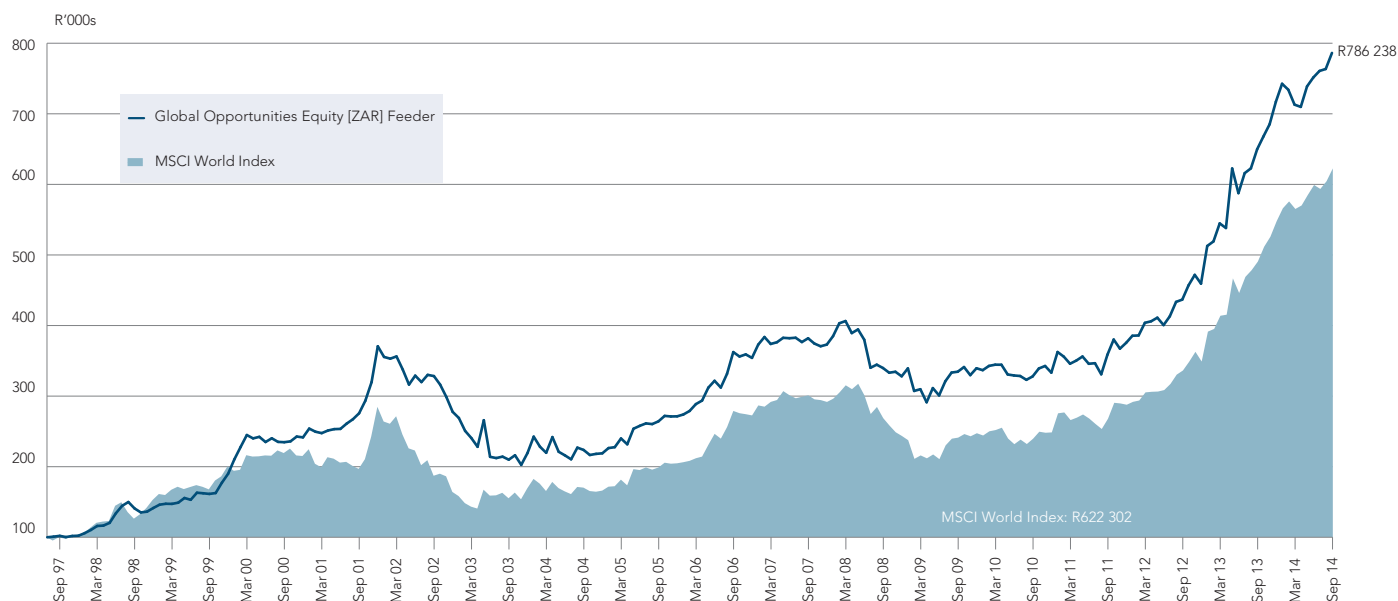
## EXPECTED RISK VERSUS RETURN

Expected risk and return positioning for both rand and dollar-denominated funds after all income reinvested and all costs deducted.



## GROWTH OF R100 000 INVESTED IN GLOBAL OPPORTUNITIES EQUITY [ZAR] FEEDER ON 1 AUGUST 1997

Value of R100 000 invested in Global Opportunities Equity [ZAR] Feeder on 1 August 1997 as at 30 September 2014. All income reinvested for funds; MSCI World Index is on a total return basis. Global Capital Plus [ZAR] Feeder, Global Emerging Markets Flexible [ZAR], Global Managed [ZAR] Feeder and Global Strategic USD Income [ZAR] Feeder, which were launched between 2007 and 2012, have not been included.



Source: Morningstar as at 30 September 2014



## SPECIALISED FUND RANGE

FUND	1-YEAR ANNUAL RETURN TO SEPT 2014	1-YEAR ANNUAL RETURN TO SEPT 2013	5-YEAR ANNUAL RETURN TO SEPT 2014	10-YEAR ANNUAL RETURN TO SEPT 2014	TOTAL RETURN SINCE LAUNCH	FUND DESCRIPTION AND LAUNCH DATE
LONG-TERM GROWTH FUNDS						
Equity	11.9%	36.1%	19.3%	20.2%	2 029.4%	A less concentrated equity-only option than Top 20 representing our best domestic equity view. <i>Launched in April 1996</i>
Market Plus	12.8%	30.4%	17.7%	18.2%	903.5%	Best investment view across all asset classes. Ideal multi-asset fund for discretionary savers. <i>Launched in July 2001</i>
Optimum Growth	18.4%	44.1%	19.2%	14.8%	839.4%	Best rand risk-adjusted returns from a global multi-asset portfolio. <i>Launched in March 1999</i>
INCOME AND GROWTH FUNDS						
Property Equity	16.2%	12.6%	20.1%	20.5%	1 232.3%	A sector-specific equity fund that invests in quality listed property assets. <i>Launched in November 2000</i>
INCOME FUNDS						
Money Market	5.6%	5.1%	5.9%	7.4%	237.5%	Aims to provide a higher level of income than fixed deposits and call accounts. <i>Launched in October 1999</i>
Optimal Income	5.2%*	4.9%	–	–	29.7%	Provides a higher total after-tax return than a traditional money market or pure income fund. <i>Launched in January 2010</i>
Preference Share	11.4%	0.8%	8.3%	–	66.3%	An income-producing, tax-efficient fund that primarily invests in preference shares for investors with a short investment horizon (less than three years). <i>Launched in October 2006</i>
Jibar Plus	6.1%	5.9%	6.8%	7.6%	269.8%	A conservative short-term parking vehicle for capital. <i>Launched in April 2000</i>
BUILDING BLOCK FUNDS						
Bond	6.9%	4.0%	9.8%	9.2%	613.6%	Provides well-diversified exposure to the South African bond market. <i>Launched in August 1997</i>
Financial	23.2%	29.7%	20.7%	18.6%	802.0%	A sector-specific equity fund of our top financial services stock picks. <i>Launched in July 1998</i>
Industrial	16.7%	44.4%	25.7%	23.8%	1 922.2%	A sector-specific equity fund of our top industrial stock picks. <i>Launched in July 1998</i>
Resources	10.3%	11.8%	9.3%	16.0%	1 272.7%	A sector-specific equity fund of our top resources stock picks. <i>Launched in October 1999</i>
Smaller Companies	13.4%	25.6%	16.2%	16.6%	890.9%	A sector-specific equity fund of our top small- and mid-capitalisation stock picks. <i>Launched in April 1997</i>

Source: Morningstar as at 30 September 2014

For full details on fund fees please visit the Personal Investments section of [www.coronation.co.za](http://www.coronation.co.za) or contact Client Service on 0800 22 11 77.

\* Please note that Optimal Income was closed on 30 June 2014. Performance quoted for the period 1 October 2013 to 30 June 2014.

# SCHEDULE OF DISTRIBUTIONS

## DISTRIBUTION TO UNIT HOLDERS FOR THE YEAR ENDED 30 SEPTEMBER 2014 (CENTS PER UNIT)

FUND NAME AND CLASS	31 DECEMBER 2013	31 MARCH 2014	30 JUNE 2014	30 SEPTEMBER 2014
Balanced Defensive Class A	1.09	1.41	1.24	1.45
Balanced Plus Class A		77.25		77.90
Bond Class R		54.13		54.86
Capital Plus Class A	19.93	27.73	22.04	26.52
Equity Class A		94.24		119.30
Financial Class A		36.41		54.61
Global Emerging Markets Flexible [ZAR] Class A		0.00		0.00
Global Capital Plus [ZAR] Feeder Class A		0.00		0.00
Global Managed [ZAR] Feeder Class A		0.00		0.00
Global Opportunities Equity [ZAR] Feeder Class A		0.00		0.00
Industrial Class A		88.89		119.77
Jibar Plus Class A	15.59	15.82	16.90	17.64
Market Plus Class A		68.07		86.71
Optimal Income Class A*	0.94	0.52	0.30	0.00
Optimum Growth Class A		9.60		33.53
Preference Share Class A	0.96	2.02	0.91	2.20
Property Equity Class A	32.68	78.75	33.32	79.44
Resources Class A		78.10		70.89
Smaller Companies Class R		53.40		69.57
Strategic Income Class A	21.47	22.43	22.12	23.40
Top 20 Class A		106.31		174.93

FUND NAME AND CLASS	2013			2014								
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
Money Market Class A	5.16	5.16	5.16	6.32	6.32	6.32	6.32	6.32	6.32	6.32	6.32	6.32

\* Please note this fund was closed on 30 June 2014.

Distributions history shown for primary unit class of each fund. Distributions history for other unit classes are available from Client Service on request.  
Contact 0800 22 11 77 or [clientservice@coronation.co.za](mailto:clientservice@coronation.co.za)

# ABRIDGED FINANCIAL STATEMENTS

## CORONATION FUNDS ABRIDGED INCOME STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

Rand	Balanced Defensive	Balanced Plus	Bond	Capital Plus	Equity	Financial
Net income from operations before finance costs	2 956 907 903	6 984 224 027	15 609 939	1 970 207 114	804 727 246	67 497 817
Total finance costs	984 577 155	1 051 544 457	17 970 124	512 587 440	119 860 980	6 395 379
Distributions	982 691 038	1 045 779 363	17 970 124	511 045 145	118 237 124	6 395 379
Withholding tax on foreign dividends	1 886 117	5 765 094	–	1 542 295	1 623 856	–
<b>Change in net assets attributable to unit holders</b>	<b>1 972 330 748</b>	<b>5 932 679 570</b>	<b>(2 360 185)</b>	<b>1 457 619 674</b>	<b>684 866 266</b>	<b>61 102 438</b>

Rand	Global Capital Plus [ZAR] Feeder	Global Emerging Markets Flexible [ZAR]	Global Managed [ZAR] Feeder	Global Opportunities Equity [ZAR] Feeder	Global Strategic USD Income [ZAR] Feeder	Industrial
Net income from operations before finance costs	202 519 342	297 691 760	413 387 004	762 681 569	77 958 770	160 255 727
Total finance costs	(11 866)	5 191 722	(96 887)	–	–	16 332 614
Distributions	–	–	–	–	–	15 850 933
Withholding tax on foreign dividends	(11 866)	5 191 722	(96 887)	–	–	481 681
<b>Change in net assets attributable to unit holders</b>	<b>202 531 208</b>	<b>292 500 038</b>	<b>413 483 891</b>	<b>762 681 569</b>	<b>77 958 770</b>	<b>143 923 113</b>

Rand	Jibar Plus	Market Plus	Money Market	Optimal Income	Optimum Growth	Preference Share
Net income from operations before finance costs	68 024 465	742 717 077	614 111 548	12 472 048	610 889 173	29 541 502
Total finance costs	68 526 314	136 147 805	614 111 548	4 964 158	37 646 707	18 426 257
Distributions	68 526 314	134 891 007	614 111 548	4 964 158	26 264 469	18 426 257
Withholding tax on foreign dividends	–	1 256 798	–	–	11 382 238	–
<b>Change in net assets attributable to unit holders</b>	<b>(501 849)</b>	<b>606 569 272</b>	<b>–</b>	<b>7 507 890</b>	<b>573 242 466</b>	<b>11 115 245</b>

Rand	Property Equity	Resources	Smaller Companies	Strategic Income	Top 20
Net income from operations before finance costs	317 348 988	16 751 722	22 993 090	1 664 592 051	1 877 363 076
Total finance costs	95 906 669	2 860 091	3 484 068	1 330 687 156	502 322 921
Distributions	95 906 669	2 799 259	3 484 068	1 329 496 964	496 371 802
Withholding tax on foreign dividends	–	60 832	–	1 190 192	5 951 119
<b>Change in net assets attributable to unit holders</b>	<b>221 442 319</b>	<b>13 891 631</b>	<b>19 509 022</b>	<b>333 904 895</b>	<b>1 375 040 155</b>

# CORONATION FUNDS ABRIDGED BALANCE SHEETS

## AS AT 30 SEPTEMBER 2014

Rand	Balanced Defensive	Balanced Plus	Bond	Capital Plus	Equity	Financial
Total assets	36 308 293 709	68 800 068 860	293 142 770	22 976 931 471	7 649 974 235	413 895 303
Total liabilities, excluding net assets attributable to unit holders	655 451 181	932 138 483	16 686 525	271 459 054	154 521 437	4 583 695
<b>Net assets attributable to unit holders</b>	<b>35 652 842 528</b>	<b>67 867 930 377</b>	<b>276 456 245</b>	<b>22 705 472 417</b>	<b>7 495 452 798</b>	<b>409 311 608</b>

Rand	Global Capital Plus [ZAR] Feeder	Global Emerging Markets Flexible [ZAR]	Global Managed [ZAR] Feeder	Global Opportunities Equity [ZAR] Feeder	Global Strategic USD Income [ZAR] Feeder	Industrial
Total assets	2 069 447 915	3 314 087 635	3 567 819 567	5 573 570 654	647 940 962	1 183 111 110
Total liabilities, excluding net assets attributable to unit holders	3 658 218	202 616 877	14 962 627	2 419 838	7 509 421	31 873 892
<b>Net assets attributable to unit holders</b>	<b>2 065 789 697</b>	<b>3 111 470 758</b>	<b>3 552 856 940</b>	<b>5 571 150 816</b>	<b>640 431 541</b>	<b>1 151 237 218</b>

Rand	Jibar Plus	Market Plus	Money Market	Optimal Income	Optimum Growth	Preference Share
Total assets	1 319 936 565	6 906 519 588	10 777 050 494	3 799 779	4 749 486 125	284 132 460
Total liabilities, excluding net assets attributable to unit holders	22 570 030	156 783 621	58 554 125	3 799 607	242 372 062	6 871 706
<b>Net assets attributable to unit holders</b>	<b>1 297 366 535</b>	<b>6 749 735 967</b>	<b>10 718 496 369</b>	<b>172</b>	<b>4 507 114 063</b>	<b>277 260 754</b>

Rand	Property Equity	Resources	Smaller Companies	Strategic Income	Top 20
Total assets	2 217 715 238	189 975 524	202 156 861	22 507 770 215	22 348 138 369
Total liabilities, excluding net assets attributable to unit holders	38 728 007	1 939 026	9 383 401	462 762 520	638 216 297
<b>Net assets attributable to unit holders</b>	<b>2 178 987 231</b>	<b>188 036 498</b>	<b>192 773 460</b>	<b>22 045 007 695</b>	<b>21 709 922 072</b>

# COMPANY INFORMATION

## DIRECTORS

Shams Pather (Chairman)<sup>†</sup>, Anton Pillay (Managing Director), Lulama Boyce<sup>†</sup>, Pieter Koekemoer, Alexandra Watson<sup>†</sup>

<sup>†</sup> *Independent non-executive*

## COMPANY SECRETARY

Lee-Anne Parenzee

## REGISTRATION NUMBER

1995/010002/07

## BANKERS

Nedbank Corporate Services, South Wing, Clock Tower Precinct, V&A Waterfront, Cape Town 8001

## AUDITORS

Ernst & Young Inc., Ernst & Young House, 35 Lower Long Street, Cape Town 8001

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The source of the performance figures is Morningstar. All performance figures are calculated using net asset value prices with income reinvested. These collective investment funds are offered by Coronation Management Company (RF) (Pty) Limited, a wholly-owned subsidiary of Coronation Fund Managers Limited. Coronation Management Company is a member of the Association for Savings and Investment SA (ASISA). Collective investment funds 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. Forward pricing occurs at 15:00 each business day. Units 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. Commission and incentives may be paid and, if so, are included in the overall costs. Copies of the audited financial statements are available on request.



## The Coronation Client Charter

we strive to  
always put  
clients first

we have an  
unwavering  
commitment  
to the long  
term

we focus on  
producing top  
performance  
over all  
meaningful  
periods

we are  
uncompromising  
about ethics

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