



**Reviewed financial  
results for the  
first full year  
of listing**

# Agenda

- Summary of results
- Coronation Fund Managers
- Business reviews:
  - SA institutional
  - SA retail
  - International
- Financials
- Strategy and positioning
- Transformation
- Prospects



# Summary

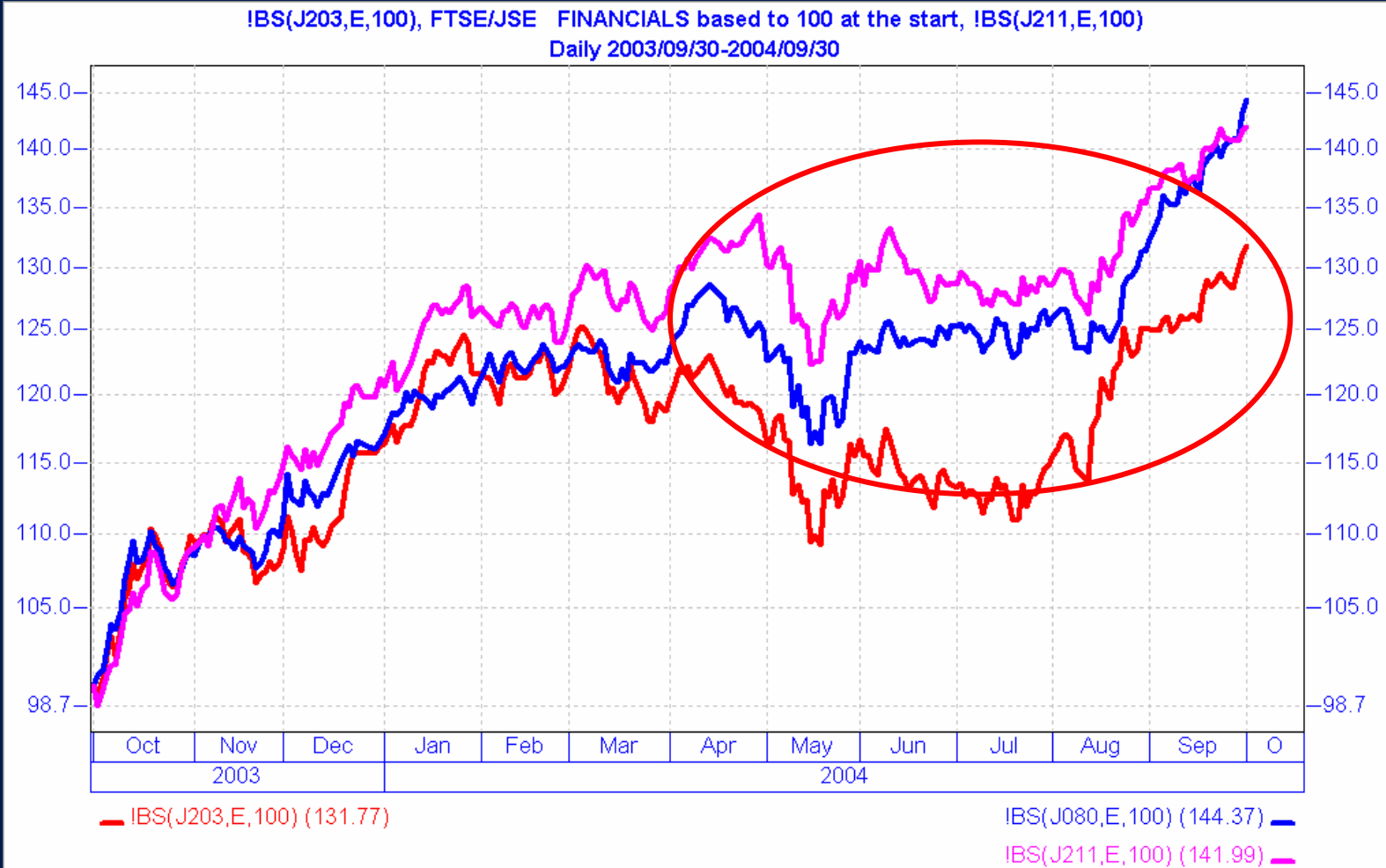
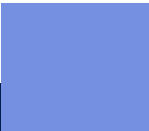


# Operating Environment

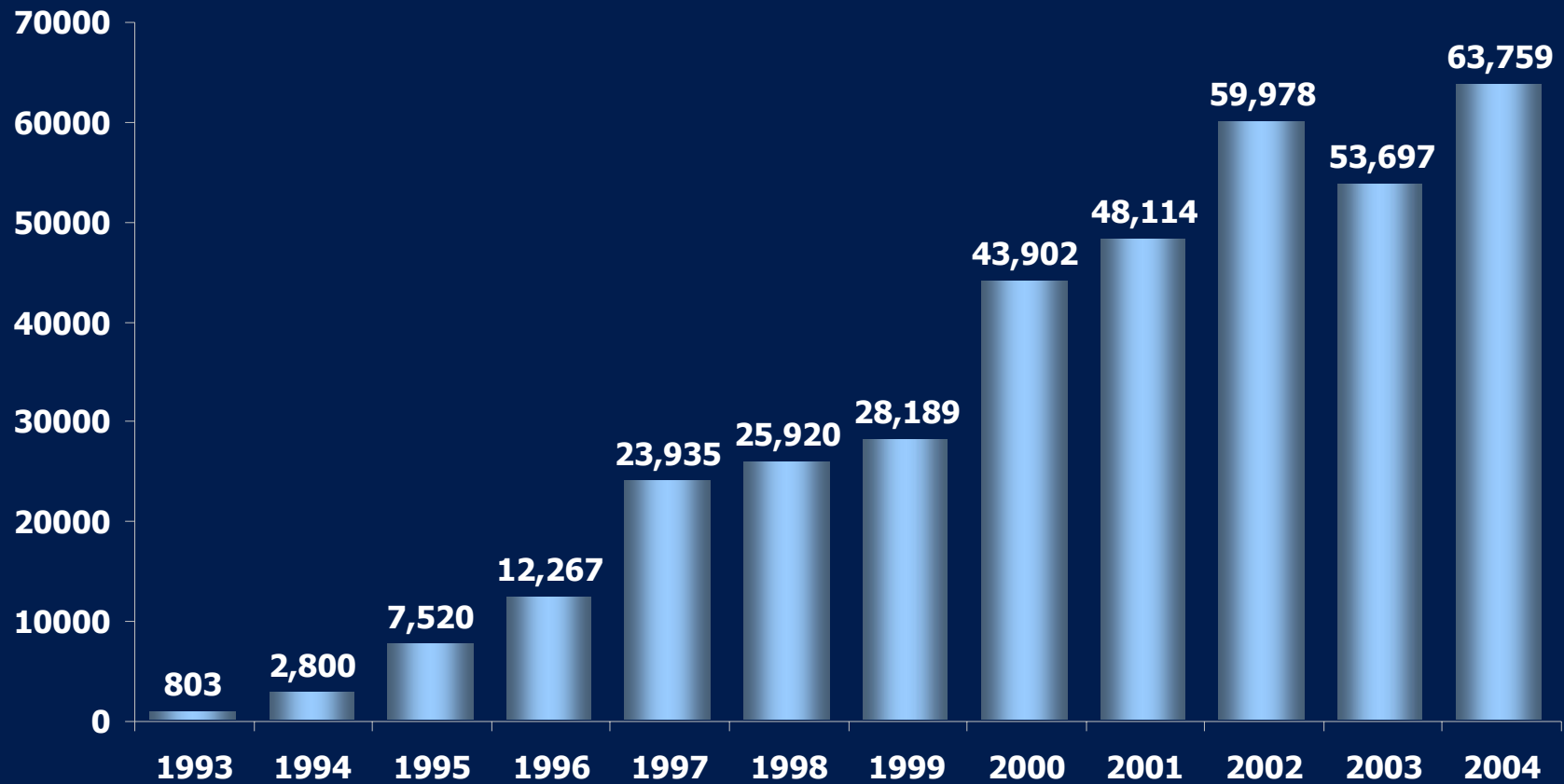
- Favourable operating environment:
  - Sound global economy
  - Significantly above average domestic equity return of 36%
  - A cumulative decline of 6% in domestic interest rates
  - Inflation which continued its downward cycle
  - A persistently strong rand (strengthening by 7.21% to a level of R6.48/US\$1)



# Market Movements

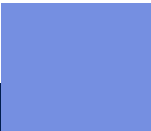


# Assets under Management

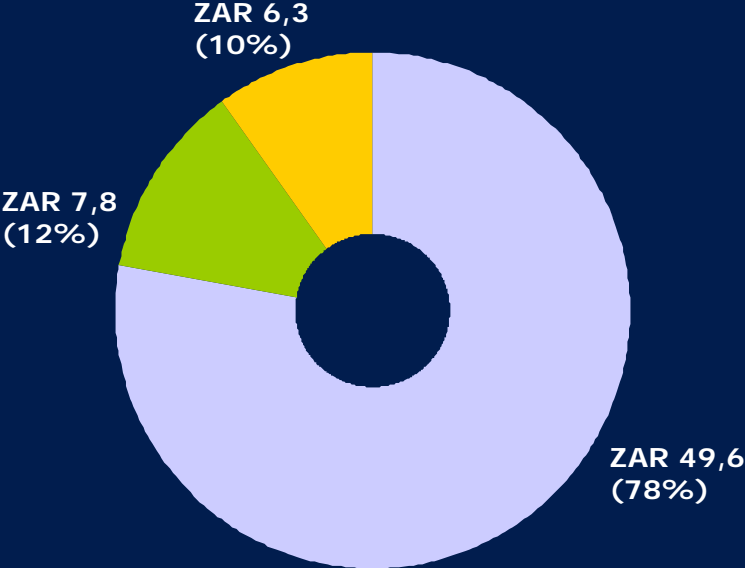


# Composition of Assets under Management

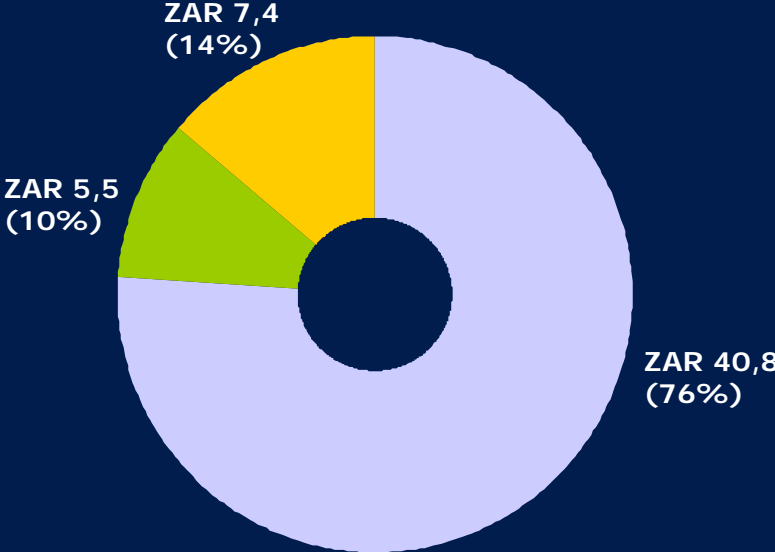
Business split between Institutional, Retail & International



## 2004



## 2003



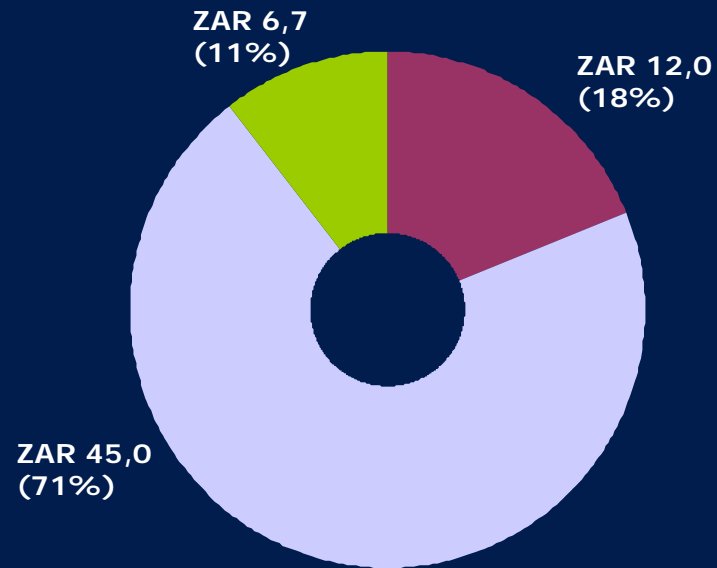
 Institutional       Retail       International



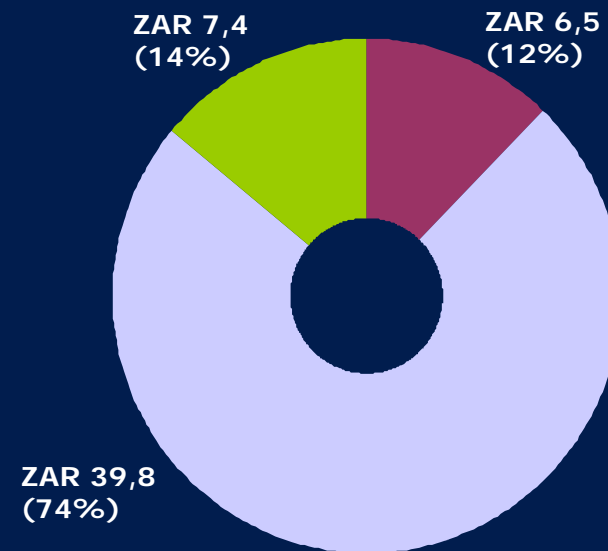
# Composition of Assets under Management

## Business split between asset classes

2004



2003



Fixed Interest

Equity

International

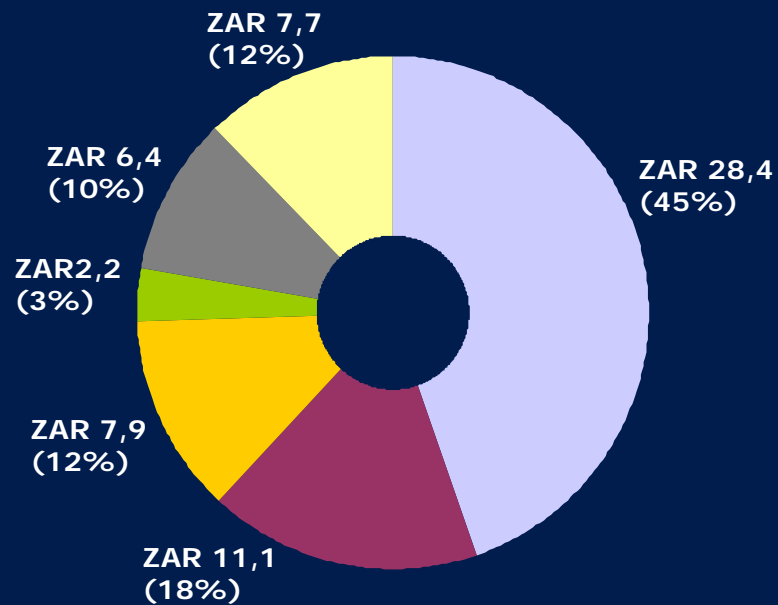




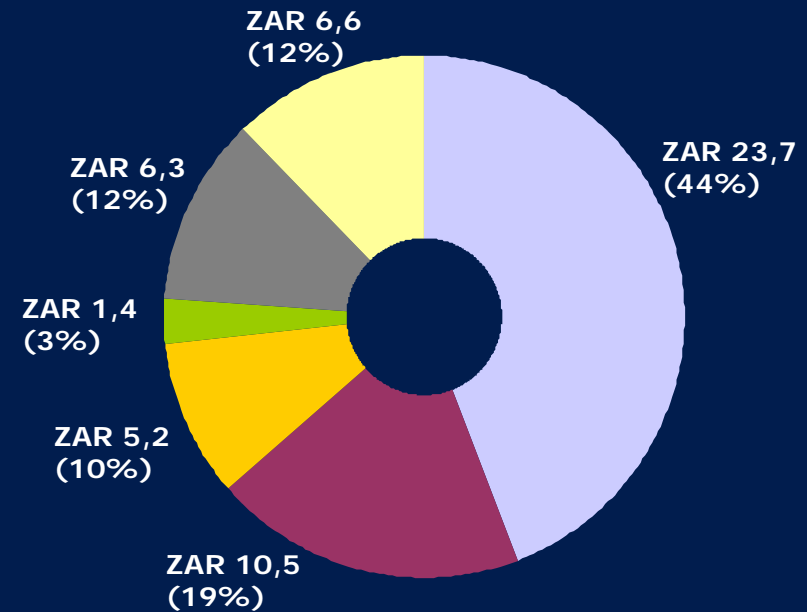
# Composition of Assets under Management

## Business split between business unit

2004



2003



Segregated
  Pooled
  Multi-Managers
  Private Clients
  Alternative Investments
  Retail



# Summary of Results

<b>Headline Earnings</b>	<b>R129.5 million</b>
<b>Headline EPS</b>	<b>33.9 cents</b>
<b>Dividend</b>	<b>25 cents</b>



# Summary

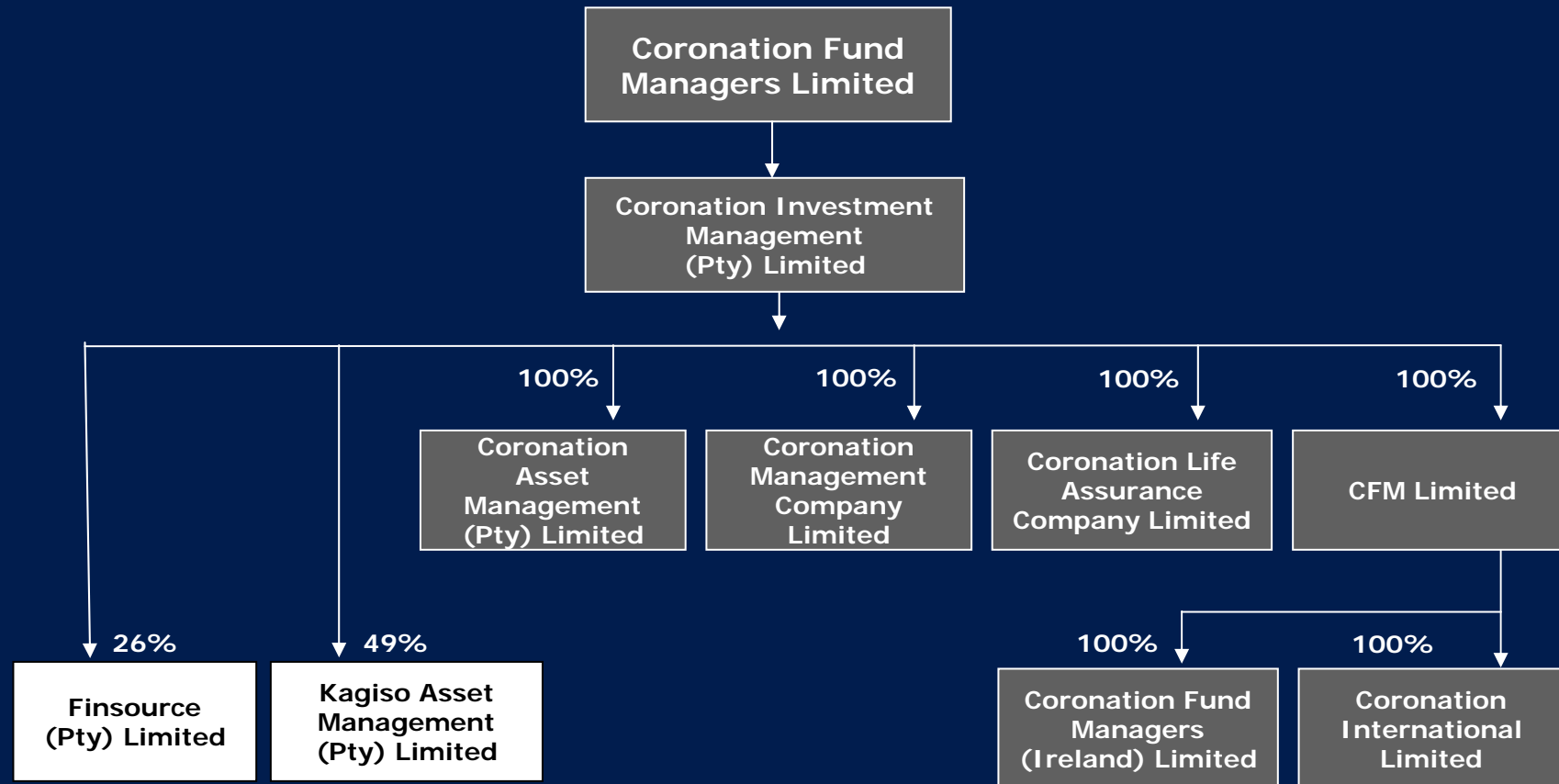
- Solid performance
  - SA business – good local performance due to:
    - Strong recurring income
    - Better than expected performance fees
    - Superior local investment returns
  - International business – satisfactory results in light of:
    - Strengthening rand
    - Difficult market environment - hedge and absolute return funds under considerable pressure



# **Coronation Fund Managers**

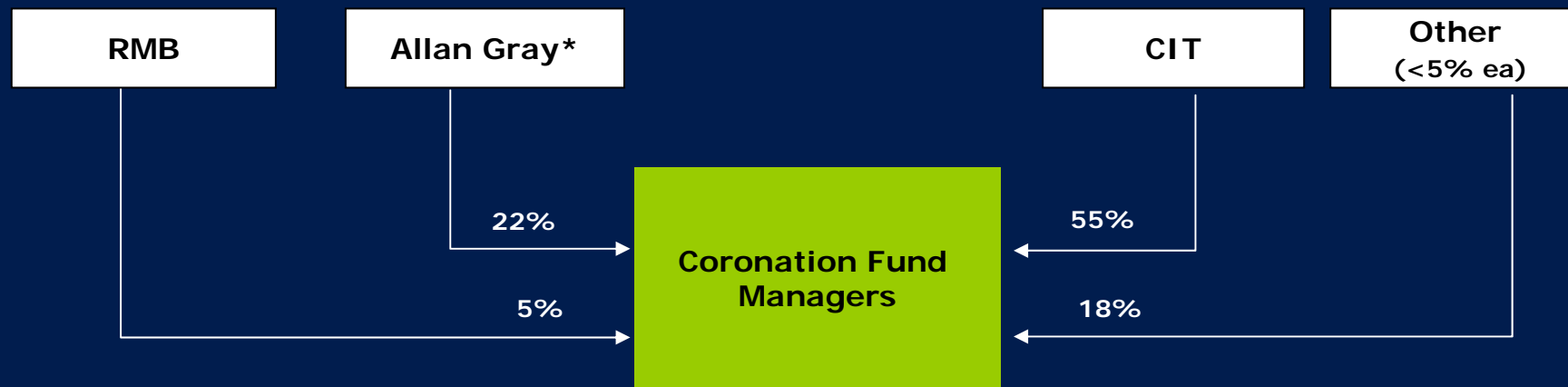


# Corporate Structure



# Shareholding

As at 30 September 2004



*\* On behalf of clients*



# **Review of SA Institutional Business**



# SA Institutional Industry

- SA institutional industry characterised by:
  - Net outflows
  - Lack of growth in total asset pool
  - Continuing emphasis on move from traditional balanced mandates to specialist mandates





# SA Institutional

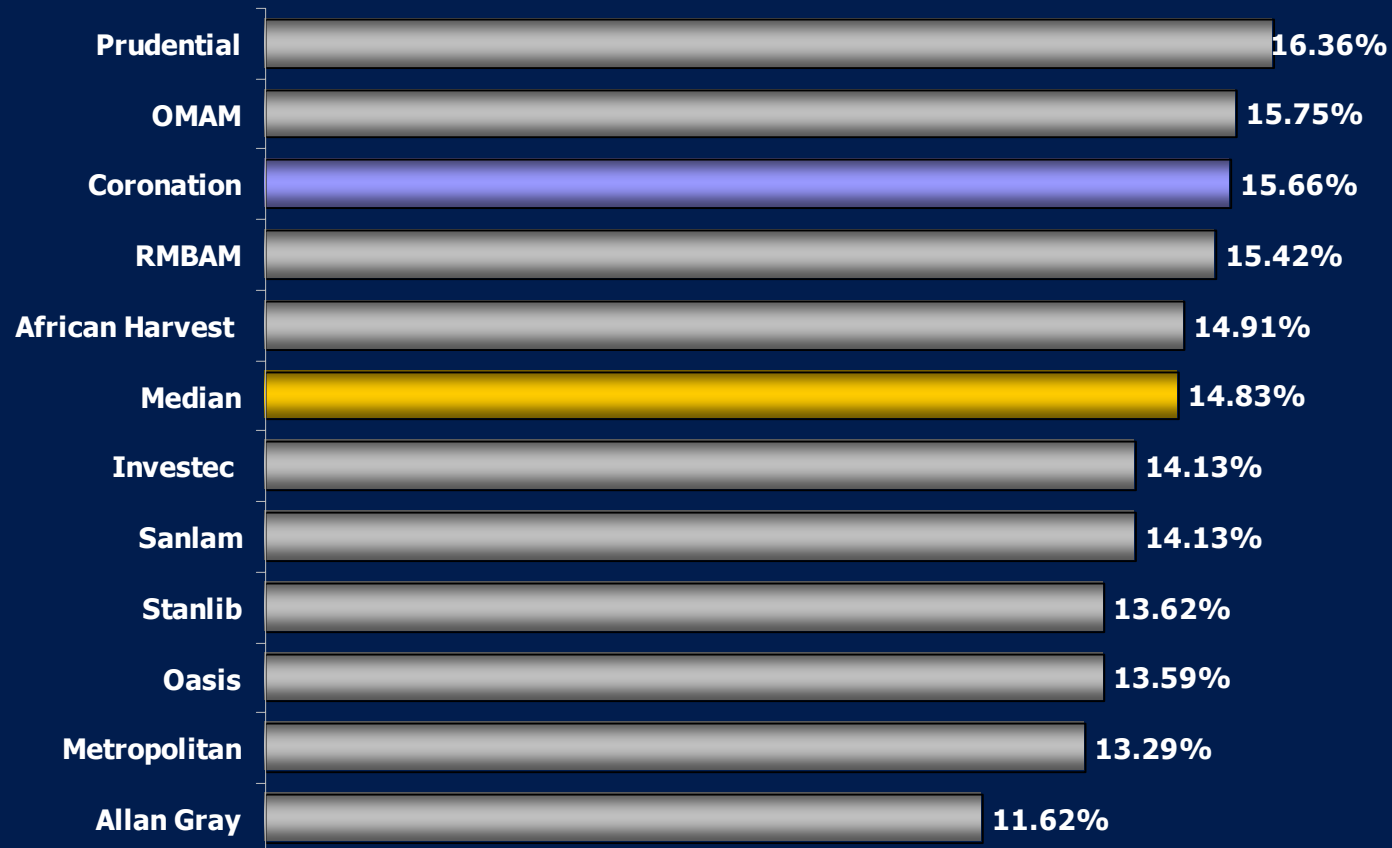
- Assets under management: R49.6 billion
- Number of institutional clients: 282
- Exceptional investment performance:
  - SA balanced portfolios – Ranked 2<sup>nd</sup> over one year in Alexander Forbes SA Large Manager Watch survey (30 September 2004)
  - Global balanced portfolios – Ranked 2<sup>nd</sup> for the eight years since inception in Alexander Forbes Global Large Manager Watch survey (30 September 2004)



# SA Institutional Performance

## Global Large Manager Watch

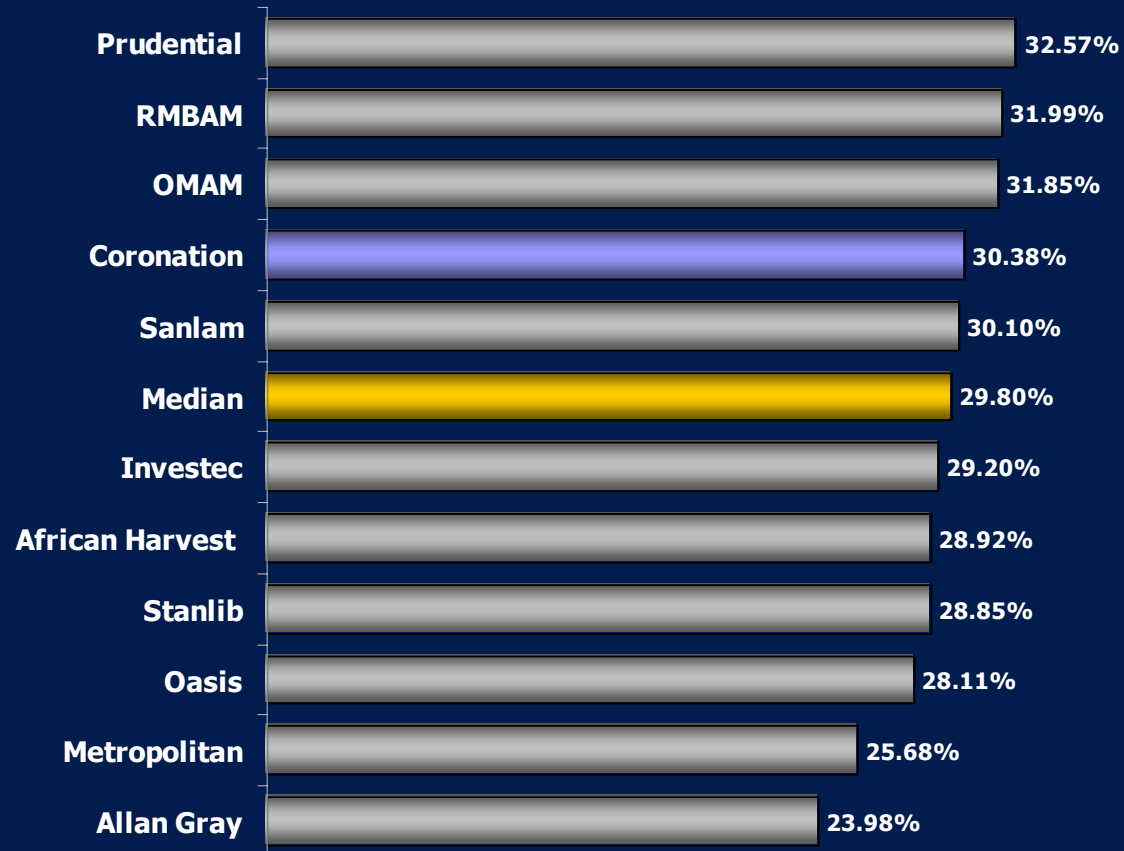
YTD ended 30 September 2004



Source: Alexander Forbes

# SA Institutional Performance

Global Large Manager Watch  
1 year ended 30 September 2004

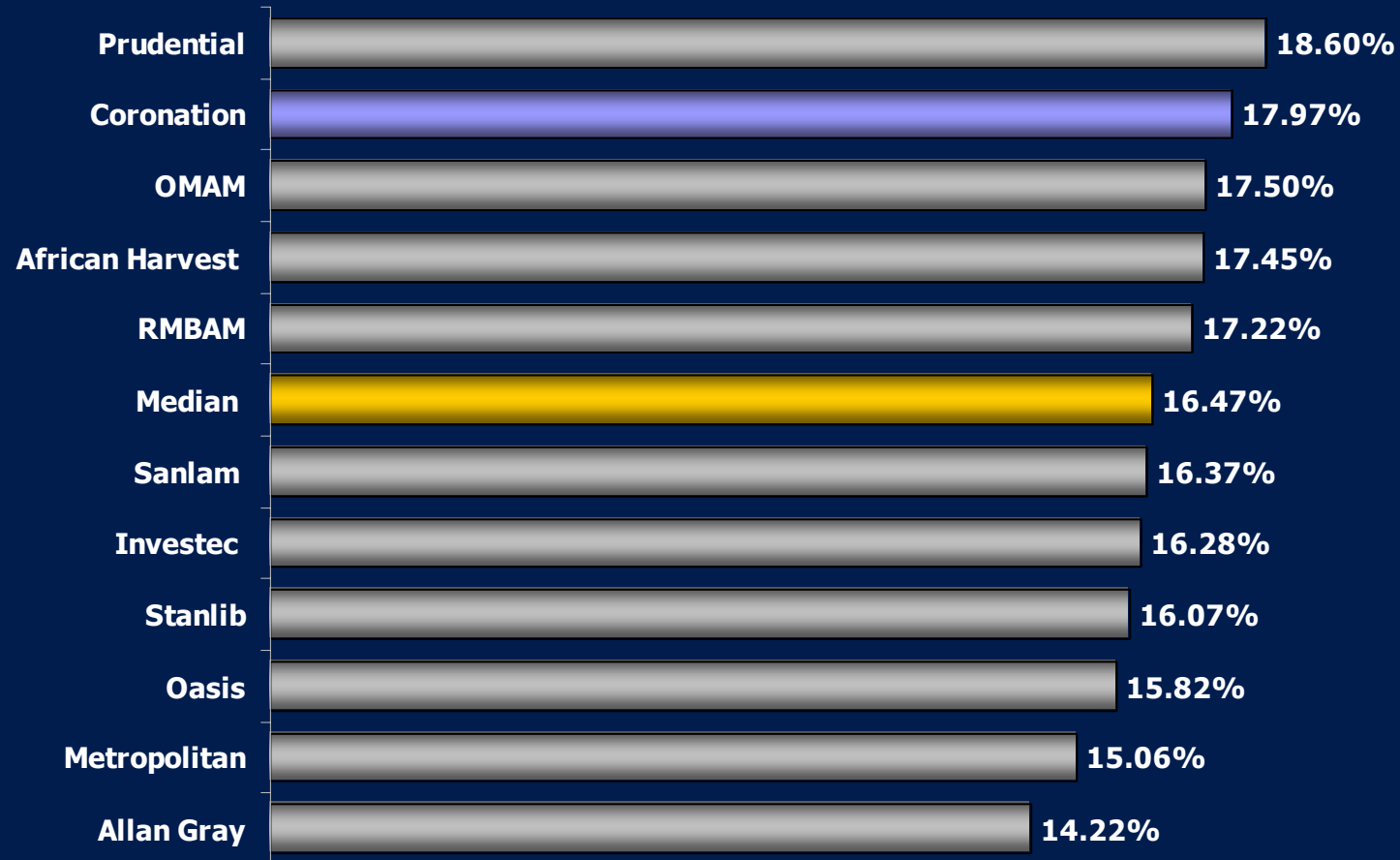


Source: Alexander Forbes

# SA Institutional Performance

## SA Large Manager Watch

YTD ended 30 September 2004

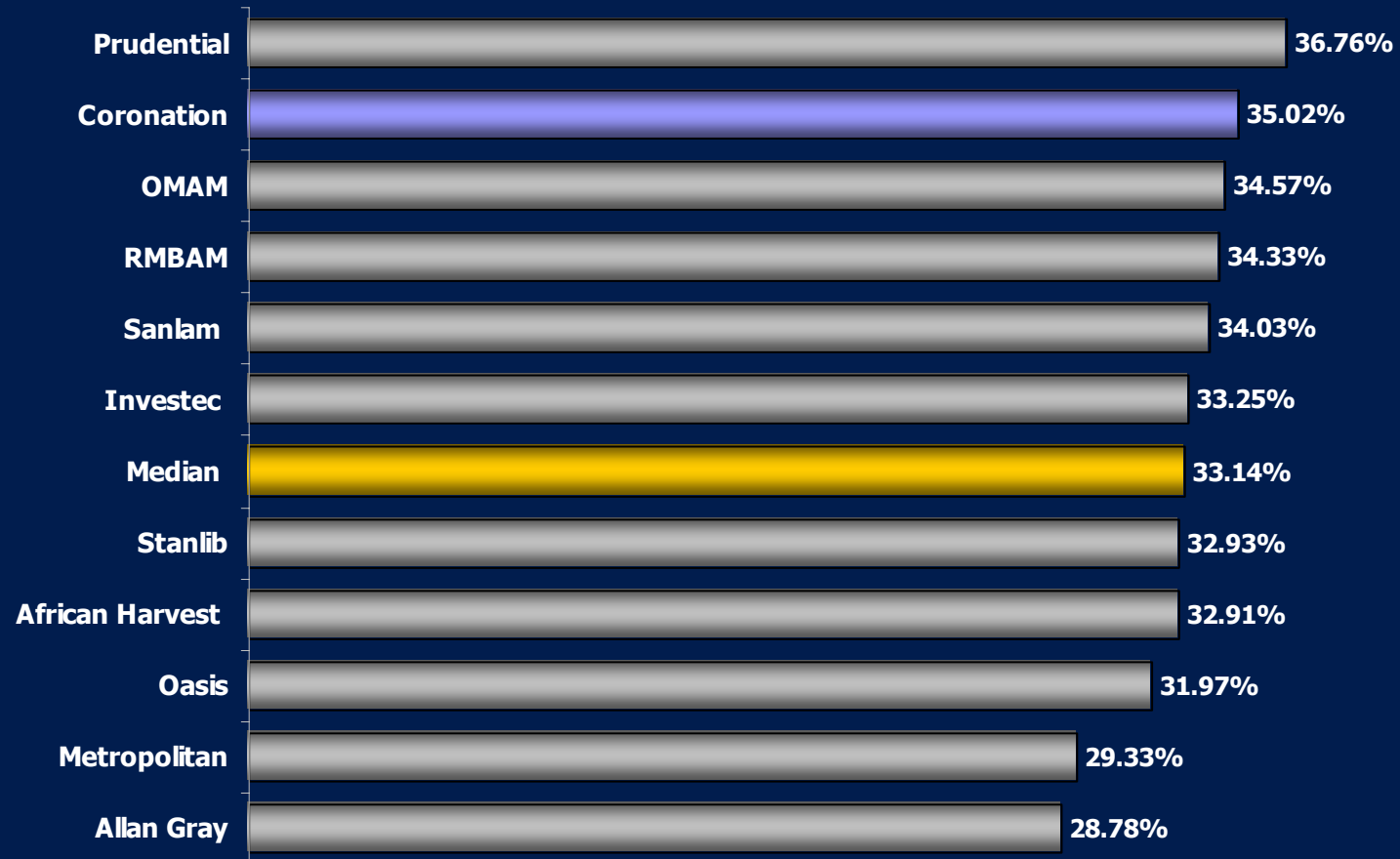


Source: Alexander Forbes

# SA Institutional Performance

## SA Large Manager Watch

1 year ended 30 September 2004



Source: Alexander Forbes

# SA Institutional

- Coronation Fund Managers:
  - 11-year track record of superior investment returns
  - Acknowledged in industry as managers of equity, absolute and now fixed interest portfolios
  - Focused on clients - a team of client fund managers who understand client needs
- Exciting growth area: Parastatal and trade union retirement fund arena

*Client service is the cornerstone of our success; through it, we recruit new business, learn a lot about clients and forge relationships that endure. Two thirds of new business comes from existing clients."*



# **Review of SA Retail Business**

A large, horizontal red brushstroke graphic that spans across the middle of the page, partially overlapping the title text. The stroke is thick and has a textured, painterly appearance with some white speckling and feathered edges.

# SA Retail

## Industry

- The collective investments industry:
  - Grew by 39% fuelled by strong domestic equity performance
  - Net new inflows into absolute, property, managed fixed interest and money market funds
  - Marked improvement in the flow of assets into equity and managed funds
  - Net outflows from rand denominated foreign funds





# SA Retail

- Assets under management:
  - Including international R8.7 billion
  - Excluding international R7.8 billion
- Business development:
  - Market share improved to 6%
  - Share of net flows in Q4 of 11%
  - Achieved most new business in fixed income & real estate



# SA Retail

- Performance:
  - 16th consecutive 1st or 2nd place in Plexus Survey
  - All managed funds delivered over key 36 month period
  - International, Smaller Companies & relative equity performance only (minor) detractors

*"Fund managers need to be brutally honest: alpha is 98 percent hard work and two percent inspiration based on accumulated experience"*

**Source: KPMG Report: 2004**



# SA Retail

Industry: market share – total assets



Ranking based on all assets (R303.3bn of total industry assets; 9/04)

1	Stanlib	R51.9bn
2	ABSA	R38.6bn
3	Sanlam	R28.4bn
4	Investec	R27.5bn
5	M-Cubed	R26.4bn
6	Old Mutual	R23.3bn
7	Allan Gray	R17.1bn
8	Investment Solutions	R13.8bn
9	Nedbank	R11.0bn
10	Prudential	R10.1bn
<b>11</b>	<b>Coronation (3%)</b>	<b>R8.7bn</b>



# SA Retail

Industry: market share – long-term single managers



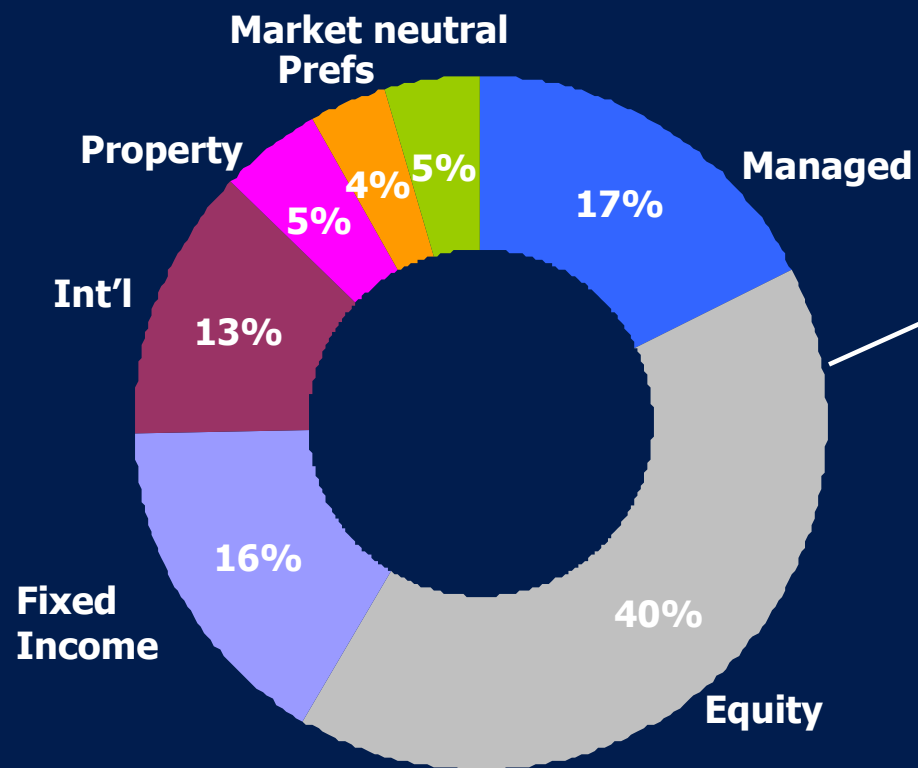
Ranking excl. cash, multi-managed assets, FOF, white-labels (R119.2bn; 10/04)

1	Allan Gray (14%)	R17.2bn
2	Investec (14%)	R16.4bn
3	Old Mutual (13%)	R15.6bn
4	Stanlib (13%)	R15.5bn
<b>5</b>	<b>Coronation (6%)</b>	<b>R7.7bn</b>
6	Sanlam (6%)	R7.6bn
7	Polaris (4%)	R4.8bn
8	ABSA (4%)	R4.8bn
9	Nedcor ex Polaris (4%)	R4.7bn
10	RMB (4%)	R4.5bn
11	Marriott (4%)	R4.2bn



# SA Retail

## Industry – breakdown by product type



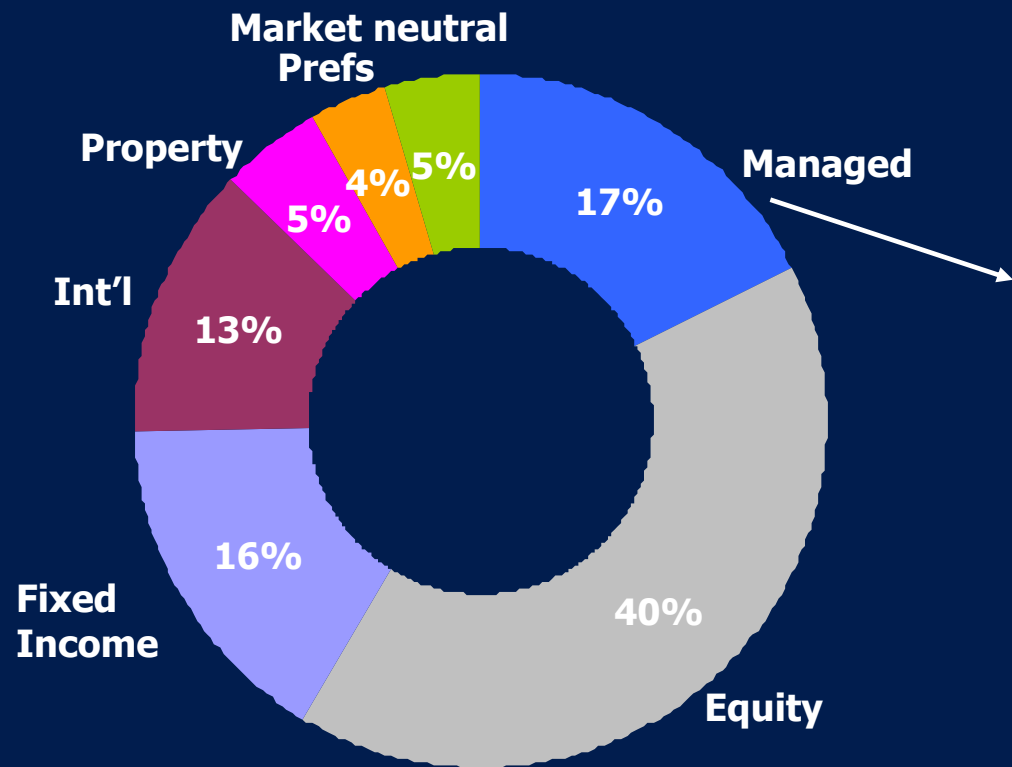
### EQUITY

1.	Old Mutual	20.4%
2.	Allan Gray	12.4%
3.	Investec	12.0%
4.	Polaris	9.9%
5.	Stanlib	9.3%
6.	Sage	5.1%
7.	Coronation	5.0%



# SA Retail

## Industry – breakdown by product type



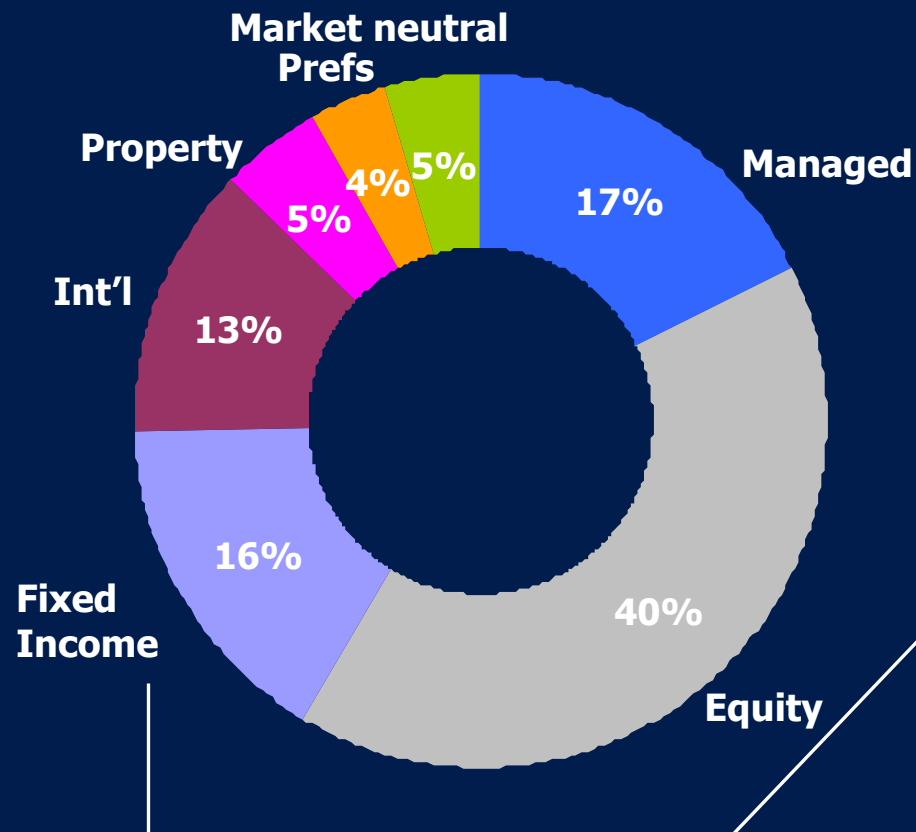
MANAGED

1.	Allan Gray	43.1%
2.	Coronation	8.5%
3.	Investec	8.4%
4.	Old Mutual	5.5%
5.	Stanlib	5.2%



# SA Retail

## Industry – breakdown by product type



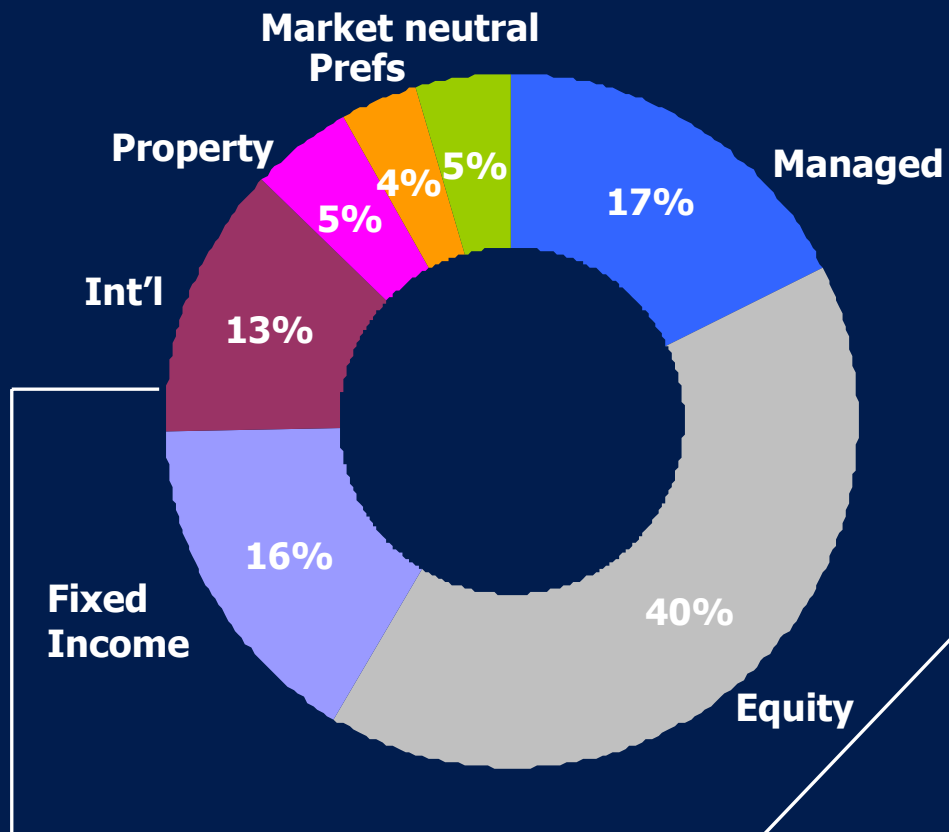
### FIXED INTEREST

1. Stanlib 30.9%
2. Investec 23.1%
3. Old Mutual 10.0%
4. Coronation 6.7%
5. RMB 5.8%



# SA Retail

Industry – breakdown by product type



INTERNATIONAL		
1.	Stanlib	19.3%
2.	Old Mutual	16.2%
3.	Investec	15.3%
4.	Sanlam	14.8%
5.	Coronation	9.4%

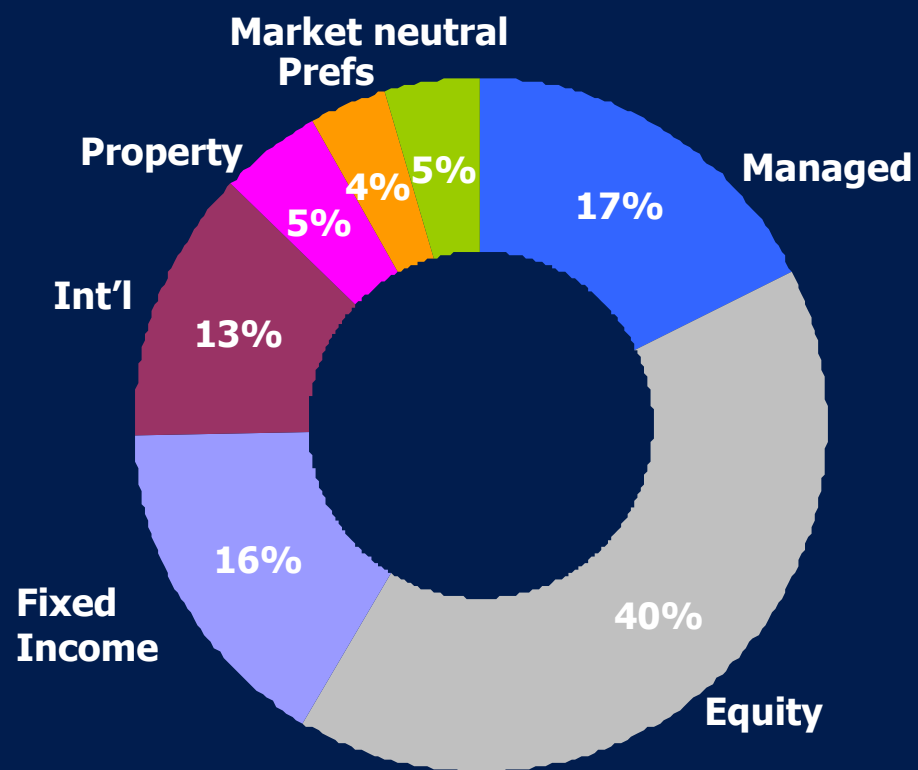


Source: ACI Statistics; University of Pretoria Unit Trusts Survey #63



# SA Retail

## Industry – breakdown by product type



### REAL ESTATE

1. Marriott 58.8%
2. Stanlib 18.2%
3. Coronation 11.7%

### MARKET NEUTRAL

1. Investec 38.3%
2. Allan Gray 30.7%

### PREFERENCE SHARES

1. ABSA 75%
2. Sanlam 25%



# **Review of International Business**



# International Industry



- Hedge fund industry continues to experience rapid growth in institutional assets:
  - 8 000 funds > US\$1 trillion
  - Inflows of US\$108 billion (September 2003 – June 2004)



# International

- Assets under management remained stable at US\$1 billion
- Solid investment performance
- International new business encouraging



# International


- Business strategy:
  - Strong team
  - Robust investment process
  - Continue to make significant inroads from business development perspective
  - Well positioned to compete for international assets



# Financials




# Snap shot results



	2004	2003
Earnings	126,537	60,869
Headline earnings	129,507	60,925
Headline EPS		
Normal	33.9	15.9
Diluted	33.5	15.9
NAV per share	59.0	39.3



# Snap shot results



	2004	2003
ROE	67.3%	48.7%
Cost to income	52.4%	52.8%
Segment contribution		
SA	84.0%	63.0%
International	16.0%	37.0%
Annuity income as % of operating income	67.7%	65.8%





# Financial Summary

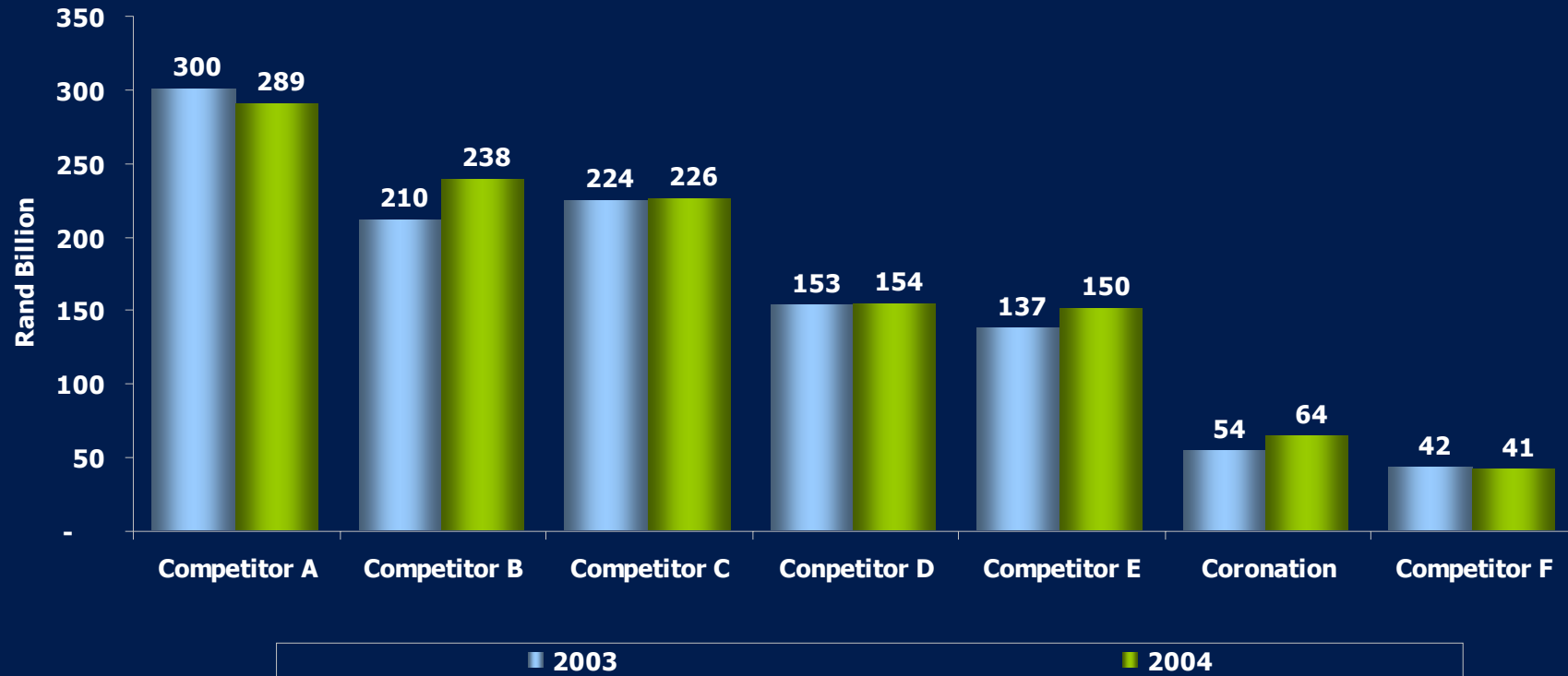
2004

Revenue	R389,0m
Performance fees	R107,2m
Management Fees	R263,0m
Others	R 19,0m
Operating Expenses	R219,6m
PBT	R169,4m
Tax	R 43,0m
PAT	R126,5m



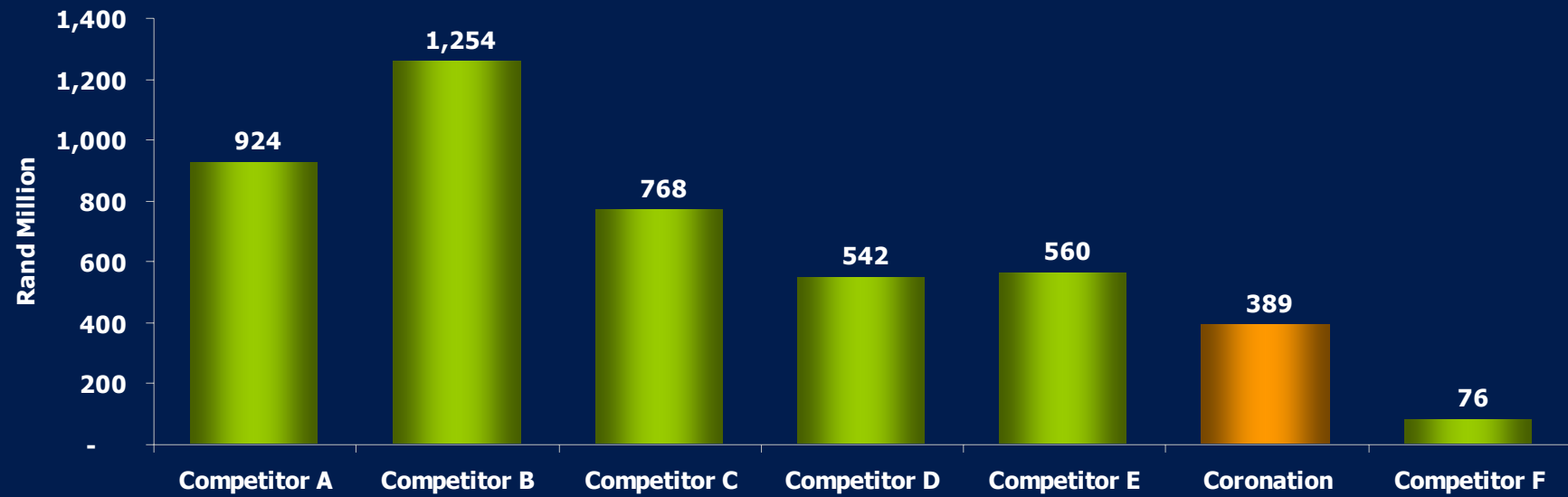
# Competitor Analysis

## Assets under management



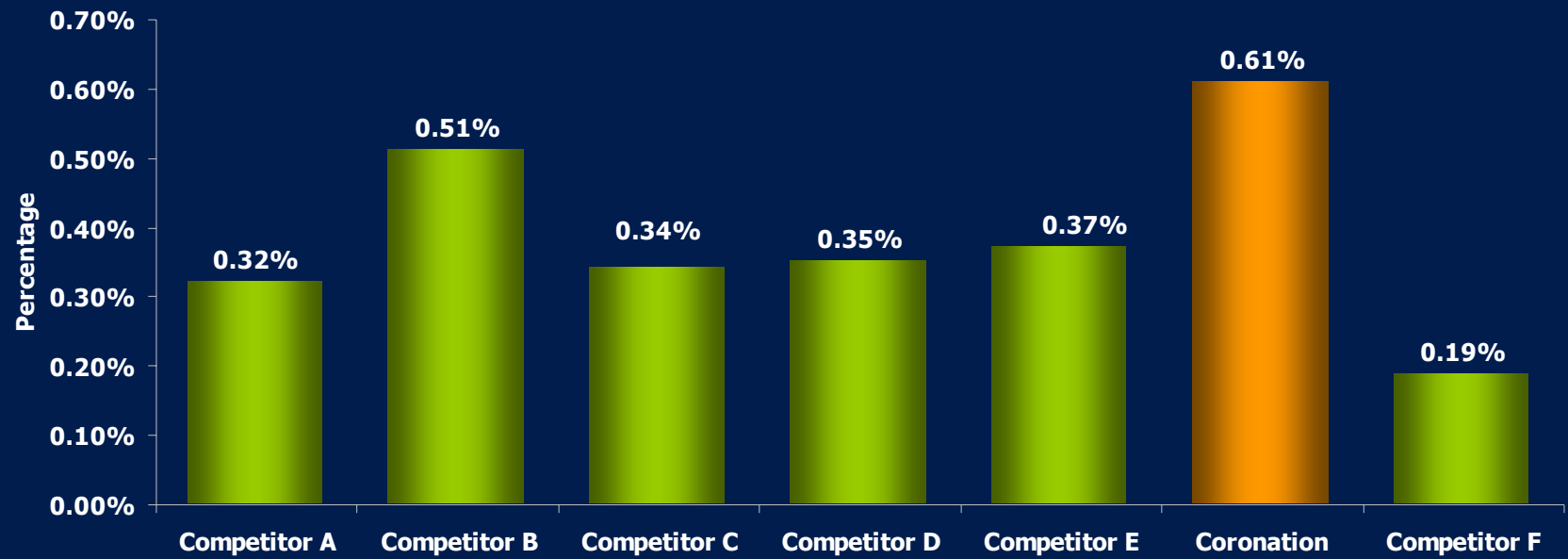
# Competitor Analysis

## Revenue



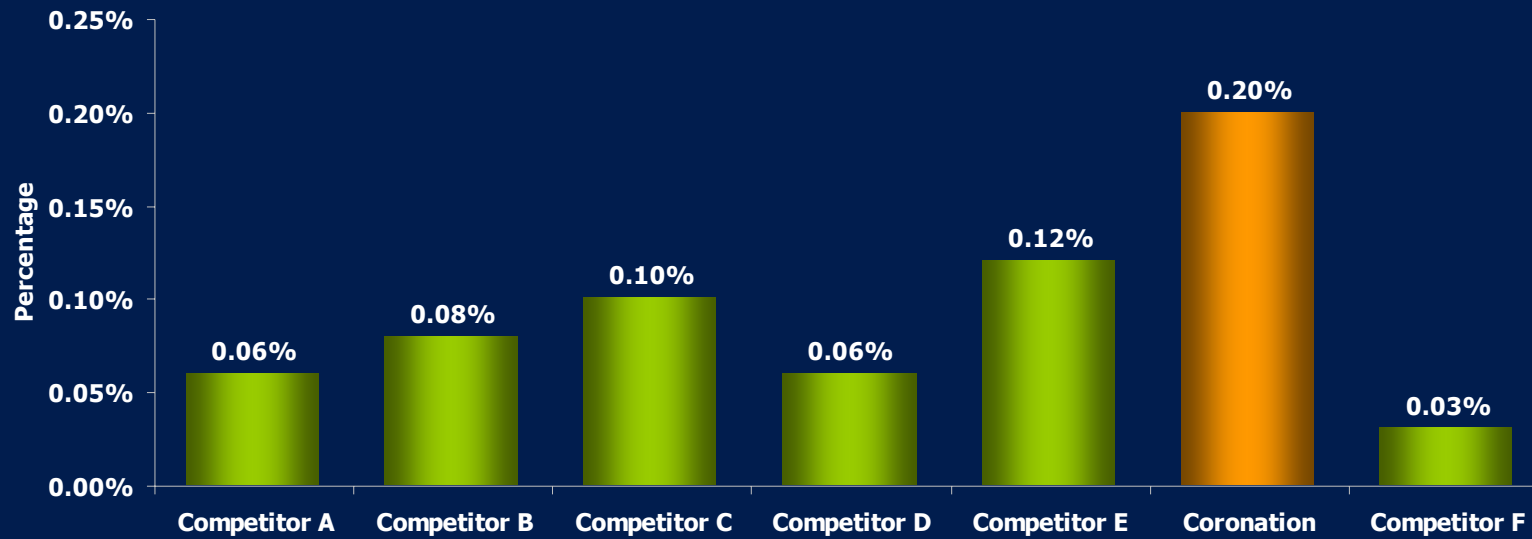
# Competitor Analysis

Revenue as % of AUM



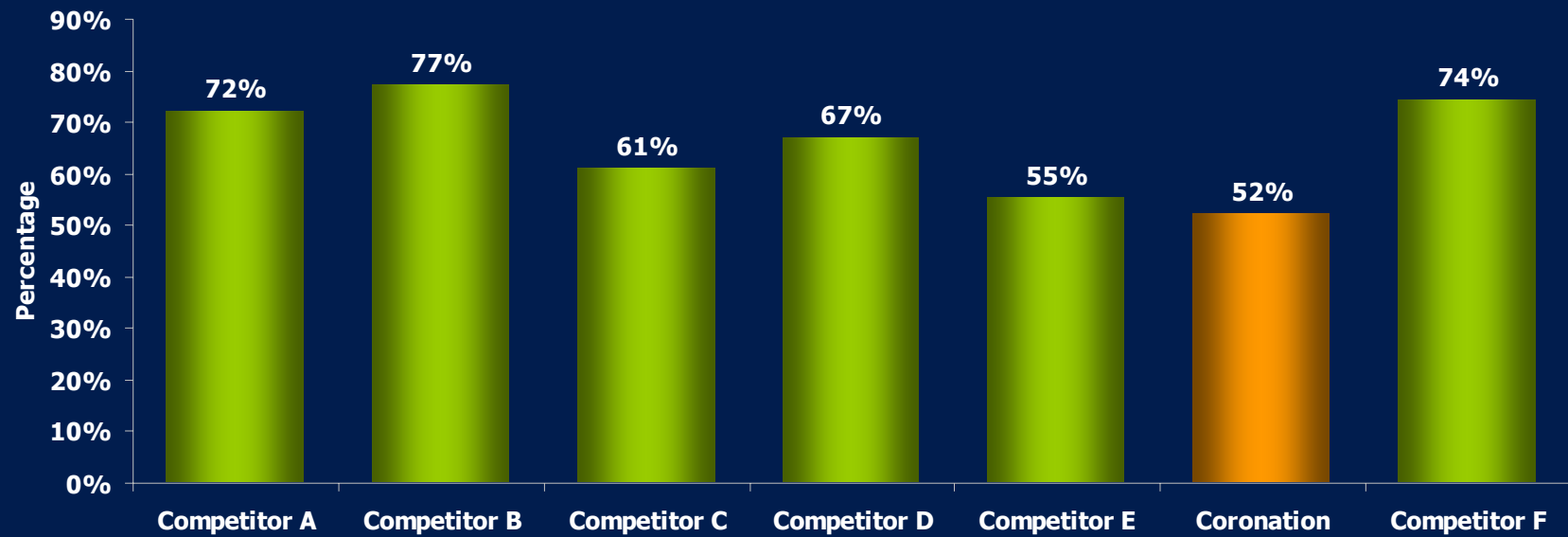
# Competitor Analysis

Operating Profit as % of AUM

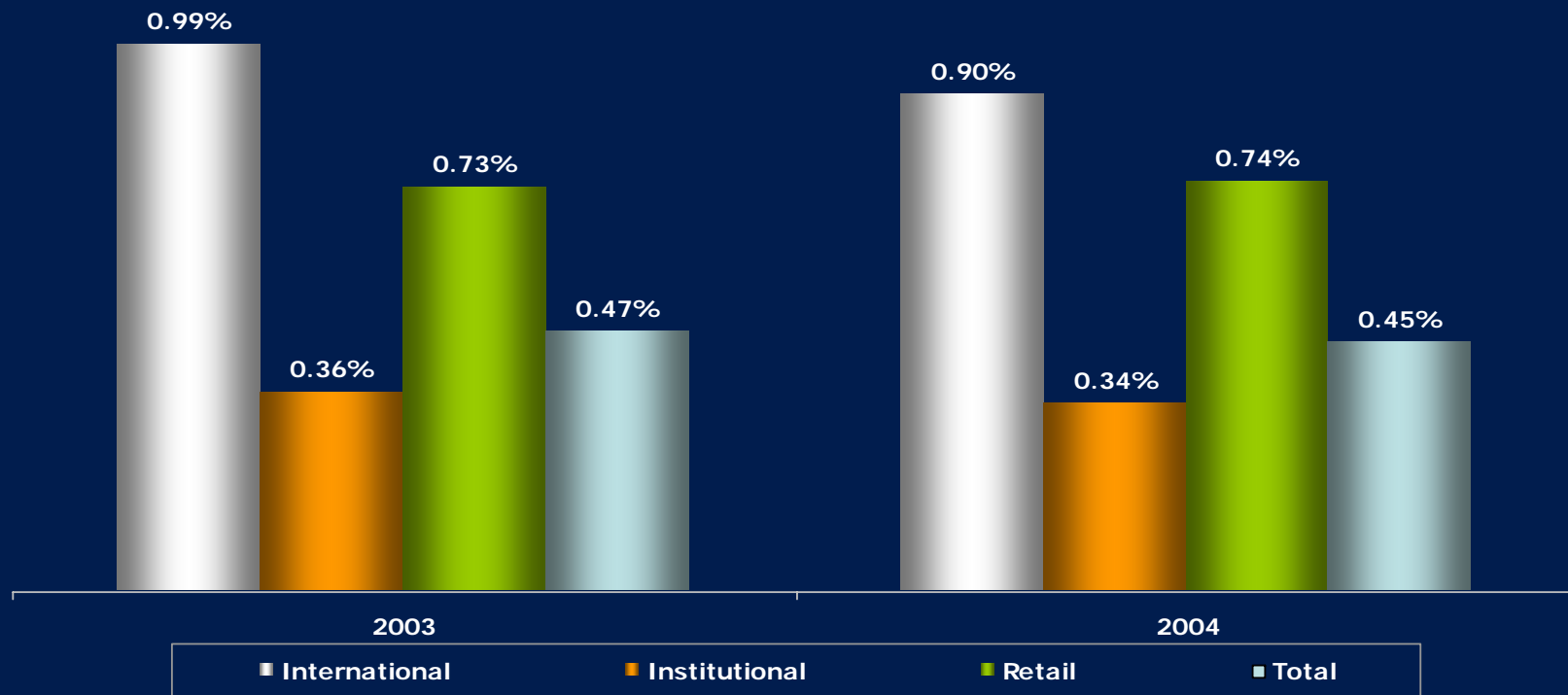


# Competitor Analysis

## Cost-to-Income Ratio



# Average Fixed Fee



# Funds subject to performance fees as a % of AUM



Institutional	44%
Retail	29%
International	64%
<hr/>	
Total	44%
<hr/>	





# Cost base – per month



	2004	2003
International (USD)	441,000	395,000
SA (ZAR)	9,140,000	9,028,000
Total (ZAR)	11,110,000	10,970,000



# Group Balance Sheet



	Reviewed as at 30 Sept 2004 R'000	Audited as at 30 Sept 2003 R'000
<b>ASSETS</b>		
Equipment	5 684	5 889
Investment in associates	3 706	7 563
Financial investments	120 575	136 205
Long-term receivable	1 660	-
<b>Non-current assets</b>	<b>131 625</b>	<b>149 657</b>
Financial investments	6 690	6 859
Securities held for trading	14 378	39 339
Trade receivables	65 727	33 887
Other receivables	20 967	6 287
Cash and cash equivalents	143 667	157 029
<b>Current assets</b>	<b>251 429</b>	<b>243 401</b>
<b>Total assets</b>	<b>383 054</b>	<b>393 058</b>

<b>EQUITY AND LIABILITIES</b>		
Ordinary share capital	38	38
Preference share capital	1	1
Share premium	93 561	93 561
Non-distributable reserve	(9 242)	(3 916)
Distributable reserve	141 373	60 523
<b>Total shareholders' interest</b>	<b>225 731</b>	<b>150 207</b>
Policyholders' funds	11 386 588	10 623 395
Linked assets backing policyholders' funds	(11 386 588)	(10 623 395)
Interest-bearing borrowing	38 871	118 009
Deferred tax liability	11 661	35 402
<b>Non-current liabilities</b>	<b>50 532</b>	<b>153 411</b>
Trade payables	69 046	78 464
Taxation owing	37 745	10 976
<b>Current liabilities</b>	<b>106 791</b>	<b>89 440</b>
<b>Total equity and liabilities</b>	<b>383 054</b>	<b>393 058</b>



# **Strategy and Positioning**



# Strategy and Positioning

## Focus

At the time of listing, we stated that “we will **remain focused** on the core competencies of providing **consistent superior investment performance**, innovative products and exceptional client service, and to retain a **high return on capital** and maintain the **low level of fixed costs**”.

This has been, and will remain, our long-term focus.



# Strategy and Positioning

- 2<sup>nd</sup> largest independent fund manager in South Africa  
(independent of a bank or life company)
- A business of substance and quality
- Sustainable, independent and profitable
- Optimal blend of a small entrepreneurial business and professional medium-sized operation

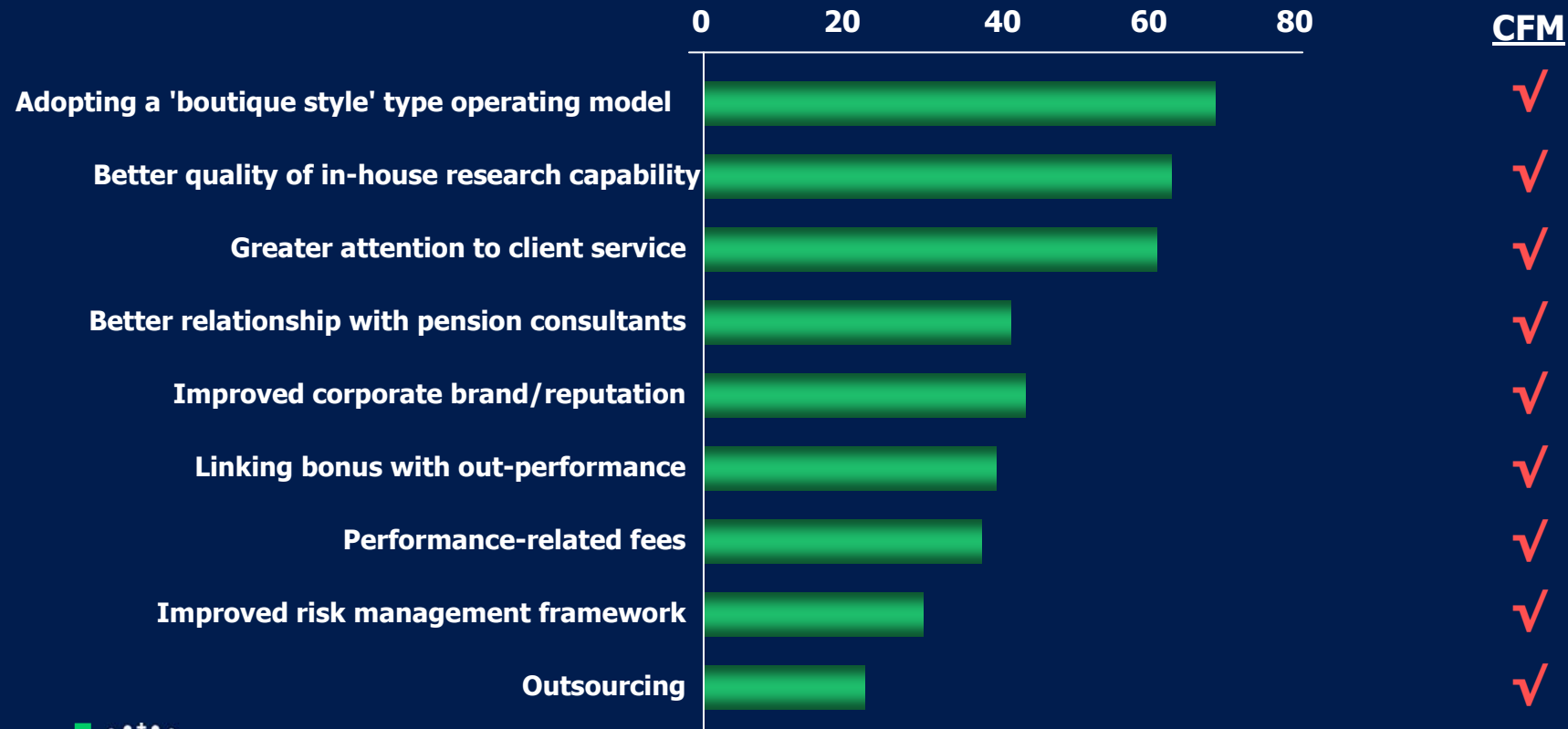
*Putting performance and clients above all else means concentrating on core activities and forming alliances with third party suppliers for the rest.*



**Source: KPMG Report: 2004**

# Staying ahead of the competition

Which structural factors have helped your company to contain the fall in profits in the last two years and which are likely to boost your profits in the next two years?



Source: KPMG Report: 2004

# Transformation



# Transformation

## Progress and Plans

- We recognise that broad-based sustainable transformation is the route to greater business success and positive social impact
- We have embraced transformation at all levels of our business where we seek equality across lines of race, culture and gender





# Transformation

## Progress and Plans

- Our key focus areas are to:
  - Continue to employ talented black individuals who will further enrich the diversity of our staff complement – currently our staff composition is 44% black
  - Procure services from suppliers who are committed to transformation – 41% of our suppliers are black owned, influenced or empowered
  - Focus our corporate social investment on empowering individuals through the acquisition of entrepreneurial skills, and therein uplifting and creating sustainable communities
  - Introduce a broad-based black economic empowerment partner at ownership level



# Prospects



# Prospects

- Rank high as one of South Africa's most successful, most innovative fund management companies
- Consistently strong investment performance track record
- Exceptional client service
- Extraordinary team of people, locally and offshore



Undiluted focus on fund management

# Questions

A large, horizontal, yellow brushstroke graphic that tapers at both ends, positioned behind the word 'Questions'.