

During a volatile quarter, the fund managed to eke out a positive return of 5.3% vs 4.7% for the benchmark. For the 12 months ended June, the returns for the fund and benchmark respectively were 53.1% and 48.9% while compound annual figures for three years, in the same order, now stand at 45.4% and 43.0%.

The spectacular return of the last 12 months again underscores our caution going forward, as signalled clearly in our last few reports. Global events have since taken a turn for the worse. Long bond yields in developed countries have kicked up substantially, indicating that we may finally have reached the long-expected inflexion point of the global liquidity cycle. For the first time in a while, there is a more serious debate internationally about whether inflation will again become a force in global economies. Driven by high food and energy costs, the local inflation outlook has also worsened considerably and with it the interest rate outlook. On the back of this, banks and consumer cyclicals in particular have been hard hit in the last few weeks.

As always when markets pass a turning point, the initial price adjustment appears indiscriminate, equally affecting most stocks. For the stock picker, this is not the best news. While we feel happy with having beaten the index over three years, in all modesty the excess return does not appear to be commensurate with our efforts. Perhaps tougher times ahead will create a greater divergence between this portfolio and the index. The fund has been positioned defensively and is in good shape to face such tougher economic times.

The fund is managed with little regard for a benchmark or the holdings of competitors. It is however most instructive to review the holdings of other managers in the industrial space and compare these to our own. This reveals that various industrial funds have performed with remarkable similarity despite significant differences in positioning. This might be about to change. In discussing our recent trading, it may be helpful to focus on a few examples of where our thinking and positioning differ from others.

The fund holds no exposure to traditional credit retailers such as clothing and furniture companies. A high exposure to Woolies (50% food) has been maintained, while the position in Spar was beefed up. What other retail exposure there is, (Mr Price, Cashbuild, Verimark) is cash-based and has company-specific attraction.

Along with the rest of Coronation, I believe that banks are a better way to maintain exposure to the cyclical consumer market. In an industrial fund, Mvela Group provides an attractive exposure to ABSA. The position here has been increased. Mvela also offers exposure to Life Healthcare. During the quarter, a position was established in Medi-Clinic. With the pre-existing Netcare position, the fund now has exposure to all three local healthcare groups. This sector has clear non-cyclical and defensive properties.

The sale of MTN during the previous quarter was followed up by that of Telkom in this one. Relative to peers, having no telecom exposure at all is a significant stance. My sense is that these companies are no longer attractively priced, and that the telecoms space is becoming increasingly competitive.

The last area of significant difference remains fixed investment. With the exception of (the purchase on listing, and subsequent sale of) Raubex, the valuations on construction companies remain too high.

Other defensive purchases during the quarter were Afrox, Mobile, and Johnnic Communications. A small position in Steinhoff was established: a paradoxical example of revising our view and joining the consensus! The stock had simply become too cheap, a fact unfortunately signalled by large director buying later on the same day we had started to buy it. SAB Miller was sold, as was Tiger Wheels; the latter sale closing a disappointing chapter and proving that investment return is often uncorrelated with research effort. The fund retains a big position in sister company Tiger Automotive.

Dirk Kotzé
Portfolio Manager

Fund category Domestic Equity Industrial
Fund description Invests in a broad range of domestic industrial shares.
Launch date 1 July 1998

Portfolio manager Dirk Kotzé
Fund size R114.3 million
NAV 5301.99 cents
Benchmark/performance fee hurdle FTSE/JSE Africa Industrial Index

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2007
Domestic Assets	100.00%
Equity	96.71%
Basic Materials	0.63%
Industrials	6.08%
Consumer Goods	18.30%
Healthcare	5.40%
Consumer Services	59.64%
Financials	6.66%
Real Estate	1.38%
Cash	1.91%
International Assets	0.00%

TOP 10 HOLDINGS

As at 30 June 2007	% of Fund
Naspers Ltd – N ordinary shares	7.41%
Mvelaphanda Group Ltd	6.55%
Spar Group Ltd	6.15%
Bidvest Group Ltd	5.53%
Famous Brands Ltd	5.43%
Woolworths Ltd	5.42%
Richemont Securities AG	5.07%
Tiger Automotive Ltd	4.59%
Remgro Ltd	4.28%
AVI Ltd	4.09%
Total	54.52%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/03/2007	01/04/2007	14.67	11.23	3.44
30/09/2006	01/10/2006	38.88	35.09	3.79
31/03/2006	01/04/2006	42.71	40.74	1.97
30/09/2005	01/10/2005	36.67	36.67	0.00

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2007	6.31%	0.15%	1.60%	6.60%	0.50%	-1.68%						
Fund 2006	8.29%	1.23%	2.16%	1.98%	-4.53%	-3.70%	1.89%	3.68%	2.40%	7.90%	7.17%	7.44%
Fund 2005	1.26%	0.15%	-1.32%	-2.48%	6.82%	2.95%	10.56%	2.55%	3.47%	-1.41%	1.46%	7.22%

FEES (excl. VAT)

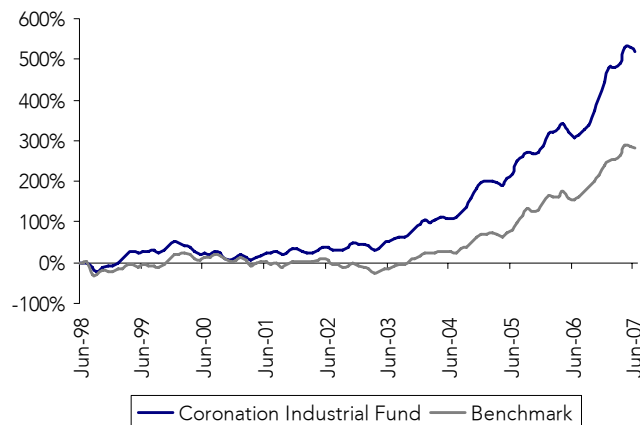
Initial Fee*	Coronation: 0.00% (Direct)
Annual Management Fee**	1.00%
*An initial fee of 0.25% will be charged on all investments placed via administration platforms like Linked Investment Service Providers (LISP's).	
**A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.	
Total Expense Ratio (TER)²	1.21% per annum

Advice Costs (excluding VAT)

- Initial and ongoing advice fees may be facilitated on agreement between the Client and Financial Advisor.
- An initial advice fee may be negotiated to a maximum of 3% and is applied to each contribution and deducted before investment is made.
- Ongoing advice fees may be negotiated to a maximum of 1% per annum (if initial advice fee greater than 1.5% is selected, then the maximum annual advice fee is 0.5%), charged by way of unit reduction and paid to the Financial Advisor monthly in arrears. This annual advice fee is not part of the normal annual management fee as disclosed above.
- Where commission and incentives are paid, these are included in the overall costs.

PERFORMANCE AND RISK STATISTICS¹

CUMULATIVE PERFORMANCE SINCE INCEPTION



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	13.95%	12.15%	1.79%
Latest 12 months (annualised)	53.14%	48.93%	4.21%
Latest 36 months (annualised)	45.48%	43.07%	2.41%
Latest 60 months (annualised)	36.11%	28.29%	7.82%
Since inception (annualised)	22.94%	15.60%	7.35%
2006	41.12%	41.86%	-0.74%
2005	35.03%	35.46%	-0.42%
2004	53.35%	46.59%	6.76%
2003	32.27%	25.24%	7.03%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	17.43%	21.44%
Sharpe ratio	0.68	0.21
Maximum gain	55.76%	61.72%
Maximum drawdown	-21.40%	-29.29%
Positive months	65.74%	65.74%