

'Extreme Commodities'

"Another thing I think should be avoided is extremely intense ideology because it cabbages up one's mind. You see it a lot with T.V. preachers (many have minds made of cabbage) but it can also happen with political ideology. I have what I call an iron prescription that helps me keep sane when I naturally drift toward preferring one ideology over another and that is: I say that I'm not entitled to have an opinion on this subject unless I can state the arguments against my position better than the people who support it. I think only when I've reached that state am I qualified to speak. This business of not drifting into extreme ideology is a very, very important thing in life."

Charlie Munger

The quote above is from Charlie Munger, Warren Buffet's lesser known, more idiosyncratic partner. It is common cause that extreme ideologies (or fanaticism) have done the world more harm than good. They have most often found an outlet in religions and politics, and it is most dangerous when the two are mixed. In financial markets, fanaticism has found a perfect partner in greed which has resulted in gold rushes, manias and bubbles throughout history.

The biggest problem with extremism is the inability to see the other side, to walk in another's shoes. It is in general not built on consideration and open-mindedness, but on judgement and intolerance. It seems a great pity that fanaticism does not find natural release in acts of 'extreme kindness' or 'extreme tolerance'.

In investment markets there are many extreme views. In the resources sector, eloquent speakers convince you that commodities are running out and prices will go up for ever, while others try to convince you of an imminent collapse in global demand. The share of voice for the different arguments is dependent upon recent performance. Today the snorts of the bulls are most audible, while they were difficult to detect amongst the roar of the bears in 1998 or even 2001.

In the fund, we prefer to take Mr. Munger's advice and stay away from extremes. When we value companies, we focus on all the factors driving valuations. For mining companies these are mainly prices, volumes and costs.

Based on our analysis we take strong actions in the fund, taking large positions in certain companies. These may sometimes be viewed as extreme. However, these extreme positions are never based on fanatical views about commodity prices, super cycles or on our guesses of the next 12 months relative performance. More often than not, the positions we take are based on factors that are under the control of the companies we invest in, and not solely on our forecasts of commodity prices.

We cannot ignore prices as they are a very important driver of the value of our companies. It is however one of the inputs where we have less certainty and it is particularly difficult to predict prices a year or two from now.

The circumstances that caused current prices were extreme. Supply could not keep up to very strong demand growth and this has led to critically low metal inventories. For continued high metal prices, you need demand to continue to surprise and supply to continue to under perform. We don't expect this to last for ever and expect lower prices in the medium term.

With a very strong bull market behind us (and continuing since quarter end) worrying about the future certainly seems to have been silly in hindsight. We sometimes feel like Mark Twain when he said: "I'm an old man and I've known a great many troubles, but most of them never happened."

We are however strengthened in our resolve to keep on worrying by a further quote from Charlie: "You can say, who wants to go through life anticipating trouble? Well I did. All my life I've gone through life anticipating trouble. And here I am, going along in my 84th year and like Epectitus, I've had a favoured life. It didn't make me unhappy to anticipate trouble all the time and be ready to perform adequately if trouble came. It didn't hurt me at all. In fact it helped me."

Over the quarter the fund delivered a 7.25% return. For the six months to June it returned 28.05% and 48.45% over the last 12 month period. This compares to the 26.3% and 41.2% produced by the benchmark over the same periods. We are happy with the companies represented in the portfolio currently, and believe that on a relative basis, this will continue to provide investors with a decent share of upside potential while providing adequate performance if trouble develops.

Very little changed amongst our top 10 holdings relative to last quarter. Our top three holdings are still BHP Billiton, Impala Platinum and Sasol. BHP Billiton (20%) and Sasol (9.9%) were positive contributors, and BHP again outperformed Anglo American (6.9%). Impala (-5.3%) was the worst performing platinum share over the quarter, and significantly underperformed junior platinum companies (even after a significant correction in their share prices). This makes us more excited about the outlook for this premium quality company. After continued good performance, we have reduced our holdings in Mvelaphanda Resources and Mittal Steel. We still see some value in these shares, but have found better opportunities elsewhere. We have started the third quarter with more new investment ideas than we have had in a while, and look forward to reporting back in three months time.

Henk Groenewald
Portfolio Manager

Fund category	Domestic Equity Resources & Basic Industries
Fund description	Invests in a broad range of resource and basic industry counters that are affected by changes in the commodity cycle.
Launch date	1 October 1999

Portfolio manager	Henk Groenewald
Fund size	R160.3 million
NAV	7744.99 cents
Benchmark/performance fee hurdle	Resources & Basic Industries Sector Mean

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2007
Domestic Assets	85.10%
Equity	81.53%
Oil & Gas	10.61%
Basic Materials	65.38%
Consumer Services	0.81%
Derivatives	4.73%
Cash	3.57%
International Assets	14.90%
Equity	13.65%
Cash	1.25%

TOP 10 HOLDINGS

As at 30 June 2007	% of Fund
BHP Billiton Plc	16.58%
Sasol Ltd	10.61%
Impala Platinum Holdings Ltd	9.84%
Mvelaphanda Resources	6.59%
Anglo American Plc	6.41%
Exxaro Resources Ltd	5.09%
Anglogold Ltd	3.77%
African Oxygen Ltd	3.52%
Mittal Steel SA	3.08%
Gold Fields Ltd	2.99%
Total	68.48%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/03/2007	01/04/2007	41.93	34.84	7.09
30/09/2006	01/10/2006	34.32	30.33	3.99
31/03/2006	01/04/2006	169.56	160.77	8.79
30/09/2005	01/10/2005	43.09	37.01	6.08

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2007	5.81%	3.21%	9.33%	3.02%	2.87%	1.20%						
Fund 2006	10.32%	-5.97%	8.00%	6.12%	-0.09%	9.03%	-3.33%	4.25%	1.61%	5.54%	5.38%	1.79%
Fund 2005	3.00%	8.37%	0.67%	-5.79%	12.94%	2.93%	6.16%	1.88%	10.92%	-3.04%	5.56%	5.91%

FEES (excl. VAT)

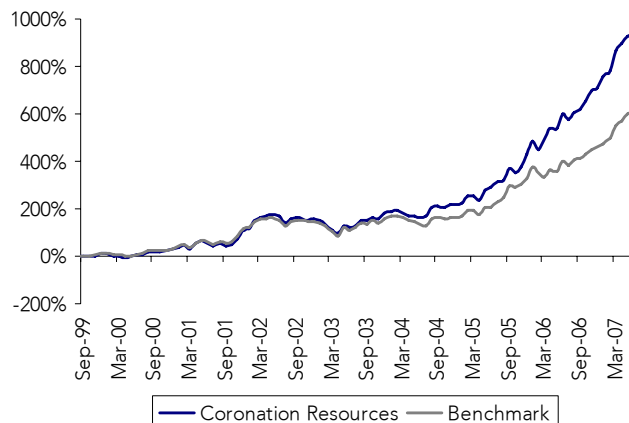
Initial Fee*	Coronation: 0.00% (Direct)
Annual Management Fee**	1.00%
*An initial fee of 0.25% will be charged on all investments placed via administration platforms like Linked Investment Service Providers (LISP's).	
**A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.	
Total Expense Ratio (TER)²	1.23% 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	28.05%	26.26%	1.79%
Latest 12 months (annualised)	48.45%	41.25%	7.19%
Latest 36 months (annualised)	54.66%	49.96%	4.70%
Latest 60 months (annualised)	29.40%	26.00%	3.41%
Since inception (annualised)	34.12%	31.96%	2.16%
2006	50.13%	46.05%	4.08%
2005	60.04%	55.63%	4.40%
2004	13.37%	6.94%	6.42%
2003	9.23%	6.09%	3.14%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	22.30%	21.76%
Sharpe ratio	1.08	1.01
Maximum gain	93.37%	75.65%
Maximum drawdown	-23.81%	-23.54%
Positive months	66.67%	64.52%