CORONATION INDUSTRIAL FUND

as at 31 March 2007

"A loon again…"
- British Newspaper Headline, referring to Charles, Prince of Wales, between marriages

After a short 15-month period of shared responsibility between colleague Pallavi Ambekar and myself, your fund is again in a single pair of hands. My thanks to Pallavi, who goes on to other duties. Like the prince, I find myself alone, middle-aged and somewhat puzzled by the world around me. I fully hope that the similarity ends there. The most obvious meaning of 'loon' is a nutter. Personally I have always rather liked the alternative meaning (and I'm sure Prince Charles does too), that of a bird that can swim under water. Given the present state of the markets, one needs to be able to hold one's breath for a while at a time. Co-management does have its moments: the constant check and balance of persuading your colleague of what you want to do; the forced discipline of a well-articulated investment case; the patience of having your counterpart veto your idea (or vetoing hers) and waiting until the validity of assumptions are a bit clearer. This has worked well for us. On the other hand, after a three-year bull market, things are clearly moving into a phase of greater volatility. In a sideways but range-trading market the greater nimbleness of being able to act 'a loon' might well prove beneficial.

The quarter under review was divided into two parts: the portion before 26 February 2007 when markets continued their uptrend, and the portion thereafter when a renewed set of jitters around the yen carry trade, the US housing market and emerging markets generally upset the smooth upward progression. Off its highs as of end February, the fund produced a return of 8.2% in the quarter vs 7.1% for the FTSE-JSE Industrial Index. For the 12 months ended March, the returns for the fund and index respectively were 36.3% and 34.7%. In the same order, compound annual returns for the three years to March were 43.5% and 41.4%.

With private equity transactions having become a feature of our market, the fund benefited by being able to exit Peermont, Edcon and Primedia at reasonable prices. Other shares sold included MTN, Hudaco, Mittal and AECI. In most of these cases the market sufficiently rewarded the effect of the rand's recent decline in earnings. Having sold these stocks, the fund is under exposed to rand weakness, and is actively looking for alternative rand hedge exposure. The position in JSE Ltd was also sold, having had a very good run. While we see further value here, it is no longer as compelling as some other options.

The fund continues to struggle with the valuations of construction-related stocks. During the quarter positions were established in Reunert and Iliad, playing different elements of the fixed investment boom. In both cases valuations are still reasonable. New positions were added in Value Group (regrettably just before an earnings disappointment), Amalgamated Appliances (after announcing the company-changing acquisition of Steinfurn) and AVI, an old favourite again offering compelling long-term value.

Shares that added to performance during the quarter were Primedia, Telkom, Distell, Hudaco and Famous Brands. Sovereign Foods, Tiger Wheels, Value Group and SAB Miller (after the loss of the Amstel contract) were detractors over the period. Of these, Tiger Wheels was by far the most disappointing. We correctly anticipated a split of the business between retail and manufacturing, and a recovery in the bulk of the offshore manufacturing business. The manufacturing recovery was premised on an improvement in macro industry conditions, one which did in fact play out as expected. Of great disappointment was a large loss sustained in a specific factory, due to a management issue. We continue to explore the limits of the term 'vasbyt' on this one.

As we have warned often in the past, our market is no longer inexpensive. There are however still ample value opportunities for the Fund to exploit. A sufficient margin of safety in the valuation of every stock is akin to the loon's ability to hold its breath under water. Even should the water become choppy, the canny bird should survive.

Dirk Kotzé
Portfolio Manager

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CORONATION FUND MANAGERS

Fund category	Domestic Equity Industrial	Benchmark	FTSE/JSE Africa Industrial Index
Launch date	1 July 1998	Fund description	Invests in a broad range of domestic industrial shares.
Portfolio manager	Dirk Kotzé		
Fund size	R105.6 million		
NAV	5048.19 cents		
Annual management fee	1.14% (incl VAT)		

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2007
Domestic Assets	100.00%
Equity	97.87%
Industrials	2.59%
Consumer Goods	18.42%
Healthcare	2.16%
Consumer Services	59.26%
Telecommunications	3.92%
Financials	11.52%
Real Estate	0.17%
Cash	1.96%
International Assets	0.00%

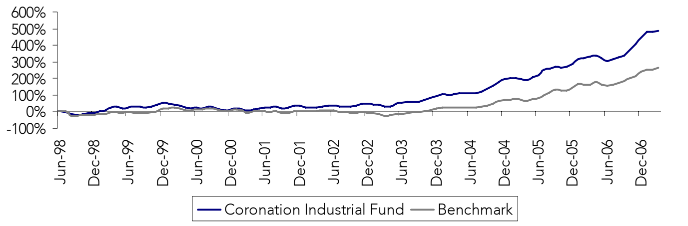
PERFORMANCE AND RISK STATISTICS

	Fund	Benchmark
Year to date	8.18%	7.12%
Latest 12 months	36.31%	34.66%
Latest 36 months (annualised)	43.53%	41.36%
Latest 60 months (annualised)	37.20%	27.69%
Since inception (annualised)	22.94%	15.47%
Annual deviation since inception	17.56%	21.66%
Sharpe ratio	0.67	0.20
Maximum gain	55.54%	61.72%
Maximum drawdown	-21.40%	-29.29%
Positive months	65.71%	66.67%

TOP 10 HOLDINGS

As at 31 March 2007	% of Fund
Naspers Ltd – N ordinary shares	7.90%
Woolworths Ltd	6.96%
Adcorp Holdings Ltd	5.36%
Richemont Securities AG	5.25%
Spar Group Ltd	4.92%
Famous Brands Ltd	4.87%
Bidvest Group Ltd	4.70%
Remgro Ltd	4.44%
Tiger Automotive Ltd	4.38%
Mvelaphanda Group Ltd	4.33%
Total	53.11%

CUMULATIVE PERFORMANCE SINCE INCEPTION



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

ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
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%
2002	8.15%	-10.37%	18.51%
2001	20.06%	-2.20%	22.26%
2000	-26.27%	-10.82%	-15.46%
1999	67.70%	50.17%	17.53%
1998	-9.24%	-20.66%	11.42%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2007	6.31%	0.15%	1.60%									
B'mark 2007	3.49%	0.26%	3.23%									
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%
B'mark 2006	7.40%	-0.70%	5.82%	2.23%	-6.21%	-1.27%	1.58%	5.94%	3.82%	5.06%	4.88%	7.87%

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