

In a down market, the fund performed well against its peer group and the benchmark. Over a rolling 3-year period the fund performed in line with its benchmark (+8.8% p.a.), while outperforming its benchmark by 0.9% p.a. (21.2% vs. 20.1%) over a rolling 5-year period. The fund remains one of the best performing funds in its category over all longer-term time periods.

Markets around the world experienced record declines in 2008. Whilst we did not escape the brutal realities of a declining market, the fund delivered an excellent performance against its peer group. We were heavily criticised for our contrarian views on commodity and construction shares. However, resisting the temptation to buy into these (deeply cyclical) sectors late in the cycle ended up contributing significantly to performance for the year.

The investment environment for investors is currently more challenging than at any time since the 1930s; the world's financial system feels as if it is unravelling, credit markets are paralysed, and the decline in stock markets and house prices has destroyed \$9 trillion in wealth in the US alone (60% of GDP). In times like this, the temptation to sell risk assets and sit in cash is immense. Many are saying that this is not the time to be brave and that at this point in the cycle you should be more concerned about preserving capital than about making returns.

While cash might help one sleep better at night, we do not think it is the right move for the long-term investor. The Fed has demonstrated that it will stop at nothing to reflate the US economy. This will ultimately prove to be inflationary, and in time the safety many see in bonds and cash will prove to be illusory as inflation erodes the real value of their hard-earned savings.

Global equities present a once-in-a-lifetime buying opportunity and we have taken full advantage of this in the fund, with heavy weightings in stocks like SAB, MTN, Naspers, and Richemont. Clients have asked us how we can recommend global equities when the world is in recession; we have just experienced the first-ever run on the global banking system and we are about to enter the first synchronized global recession since the 1930s. To add salt to the wounds, de-leveraging and inflated house prices (pretty much throughout the Anglo-Saxon world) mean that the recession is likely to be deep and long. This is a great example of the paradox of investing: 'buying low' often requires investing when newsflow is poor, and 'selling high' often requires selling when the outlook is good.

Our case for global equities is as follows:

1. *This is a crisis, but it isn't financial Armageddon.* While the economic outlook is poor, and the newsflow is unlikely to improve in the near term, we are not in financial Armageddon. In the 1930s unemployment in the US went to 25%, protectionism damaged trade, early monetary and fiscal responses were restrictive and several farming disasters damaged what was then a very agrarian economy. Today, unemployment is in single digits and the authorities are responding to the crisis with unprecedented stimulus.
2. *Prices have already corrected.* As an investor, one should never allow oneself to become too negative after a major sell-off. The market is a very efficient discounting machine and at these levels already prices in a recession, with the Dow Jones having had its 2nd worst year in history and the Nikkei its worst.

3. *Valuations are compelling.* We believe that global equities present a once-in-a-generation buying opportunity. The last time the MSCI World Index traded at current ratings was the early 1980s (also a time of very poor newsflow, but a time that proved to be an extraordinary wealth creation opportunity). Dividend yields in Europe exceed bond yields for the first time in history, Japanese stocks trade at a price to book of 0.8, 75% of stocks have dividend yields exceeding government bond yields and there are several hundred stocks with market caps below the net cash on their balance sheets (i.e. you get the business for free).
4. *When markets turn, they move quickly and no-one sees it coming.* Markets turn at the point of maximum pessimism, and always before the underlying economy. In every bear market of the last 40 years (1974, 1987, 1998, 2003) markets have posted massive gains when investors least expected it (the Dow Jones returned 64% in the 18 months after 1974, 48% in the 24 months after 1987 and 43% in the 12 months following 1998).

The pendulum has swung from greed to fear. Investors will be tested by the very poor newsflow that is likely to come from a 'wheels-off' for the global economy in the fourth quarter. We, however, remain committed to focusing on the long term. As was the case with our heavily-criticized view that commodities were overvalued, we don't know when markets will turn. But when they do, we intend being correctly positioned. Buying high quality companies with good franchises at low prices will always be the only sure path to wealth creation.

Equities declined by 9% in the quarter (resources -13%, financials -11%, industrials -4%). Although we have bought certain resource stocks (from very underweight levels), we do think that one needs to be careful. Many stocks still trade at levels significantly ahead of mid-cycle levels. We have increased our holdings in BHP Billiton and Sasol: two quality companies that offer long-term value and have the balance sheets and assets to endure a downturn.

We took profits in banks as they continued to outperform the market in anticipation of declining interest rates. Within industrials we took profits in interest rate sensitive retailers and continued building a position in MTN, now the biggest holding in the fund. We have for many years admired the company and are now able to build a substantial position in the company at very attractive ratings. We have resisted the temptation to buy construction shares. Although they have collapsed, we remain concerned that they are currently achieving unsustainably high margins. The construction market has been very tight, allowing contractors to secure unusually good terms (good margins with little contract risk). This may last for a good while longer, but it will not last forever.

In conclusion, while we do not expect markets to get easier any time soon, we will continue to take advantage of the many opportunities that volatile markets inevitably offer the long-term investor.

Karl Leinberger
Portfolio Manager

Fund category Domestic Equity General
Fund description An emphasis on active stock selection and will remain fully invested in domestic equities at all times.
Launch date 15 April 1996

Portfolio manager Karl Leinberger
Fund size R1.7 billion
NAV Class A: 5478.40 cents
Benchmark FTSE/JSE Shareholders Weighted All Share Index

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 December 2008
Domestic Assets	100.00%
Equity	99.51%
Oil & Gas	5.35%
Basic Materials	17.86%
Industrials	10.61%
Consumer Goods	14.20%
Healthcare	3.80%
Consumer Services	20.28%
Telecommunications	10.45%
Technology	0.05%
Financials	12.39%
Derivatives	4.52%
Cash	0.49%

TOP 10 HOLDINGS

As at 31 December 2008	% of Fund
MTN Group Ltd	10.31%
Naspers Ltd	8.62%
BHP Billiton Plc	6.32%
Standard Bank Group Ltd	5.85%
Sasol Ltd	5.53%
SABMiller Plc	4.66%
British American Tobacco Plc	4.47%
Compagnie Financiere Richmond SA	3.97%
Anglo American Plc	3.44%
Netcare Ltd	3.19%
Total	56.18%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/09/2008	01/10/2008	88.12	85.64	2.48
31/03/2008	01/04/2008	21.34	20.04	1.30
30/09/2007	01/10/2007	45.59	44.43	1.16
31/03/2007	01/04/2007	32.37	31.07	1.30

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	-8.91%	9.16%	-3.53%	3.79%	2.28%	-6.72%	-1.59%	3.79%	-8.42%	-9.20%	-1.35%	2.47%
Fund 2007	5.58%	-0.19%	5.32%	4.45%	-0.55%	-1.47%	0.00%	1.49%	2.33%	7.91%	-5.85%	-2.72%
Fund 2006	8.41%	-1.16%	4.57%	1.94%	-5.13%	-0.41%	-0.12%	3.41%	1.72%	7.18%	4.26%	5.92%

FEES (excl. VAT)

Initial Fee*	Coronation: 0.00% (Direct)
Annual Management Fee**	Class A: 1.25% Class R: 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

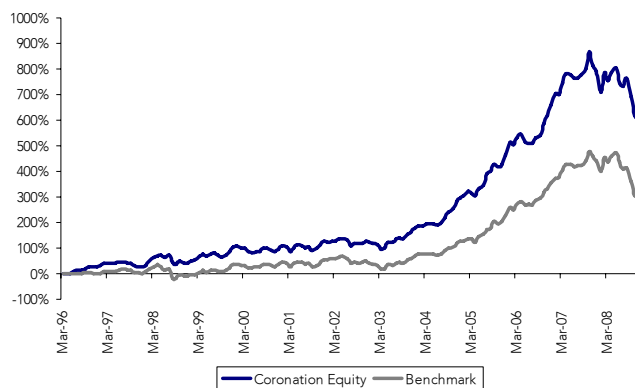
Class A: 1.43% per annum
Class R: 1.14% per annum

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	-18.45%	-21.67%	3.22%
Latest 12 months	-18.45%	-21.67%	3.22%
Latest 36 months (annualised)	8.46%	8.80%	-0.33%
Latest 60 months (annualised)	21.01%	20.09%	0.91%
Since inception (annualised)	16.88%	11.87%	5.01%
2007	16.60%	18.06%	-1.46%
2006	34.20%	39.27%	-5.07%
2005	42.31%	44.86%	-2.55%
2004	42.88%	33.90%	8.98%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	16.89%	20.64%
Sharpe ratio	0.28	-0.01
Maximum gain	47.40%	43.48%
Maximum drawdown	-27.11%	-41.00%
Positive months	62.50%	60.53%