

The turmoil in both global and SA equity markets continued over the past few months. The oil price reached new highs which led to concerns of rising global inflation and subsequent rising interest rates and slower economic growth. This, all on top of the subprime mess of course. Global equities (MSCI World Index) had their worst first half in 25 years, the Dow Jones (US) index had its worst June since 1930 and the share price of General Motors fell to the level that it was trading in 1953. Even Warren Buffet was not immune, with the share price of Berkshire Hathaway falling by 20% over the past 6 months, its worst start to the year in the past 20 years.

Against this backdrop and the continued poor performance of SA industrial and financial equities, the Coronation Capital Plus Fund had another poor quarter. The fund is now -4.3% for the past 12 month period, which we are very disappointed with. The longer-term performance track record is more in line with the type of returns that we would expect, with the 3-year return being 13.0% per annum, the 5-year return 17.0% per annum and the return since inception 7 years ago being 15.5% - with maximum SA equity exposure at any point of 50%.

Given our view that there is exceptional value in selected areas in the equity market (as much potential upside as we have seen since 2003), we have maintained the SA equity exposure of the fund at around 45%, which is close to its maximum limit. The fund also has international equity exposure of 11%, resulting in 56% equity exposure at the portfolio level. We have slowly added to the fund's listed property exposure, which is now at 6% and as we believe preference shares to be very attractive at the moment, 3.5% of the fund is invested in this asset class. The balance of the portfolio (34%) is invested in cash and bonds, with NCDs in particular yielding an attractive 13%.

There were no significant changes to the fund's core large equity holdings (Naspers, Tiger Brands, Richemont, Remgro, SABMiller, Standard Bank and Woolworths). We did however add three new small positions over the past few months: Anglogold Ashanti, Mondi and Truworths. The South African gold miners have continued to decline despite a continually increasing rand gold price. As a result, for the first time in several years, it is our view that the valuations of these companies are starting to look attractive, with 10 P/E's on sensible long-term assumptions for the gold price and the ZAR/USD exchange rate - the two key inputs to the valuation of a gold company. Anglogold Ashanti (0.75% of fund) was particularly hard hit following the recent rights issue, which provided us with the opportunity to accumulate the shares at attractive levels. The paper and packaging sector is in our view a below average business, but Mondi's 40% share price decline puts it on a 7 P/E with a strong rand hedge element and an impressive management team in what is a difficult industry. We have invested in the PLC units (which trade at a 7% discount to the LTD units) and with continued buying post month-end, Mondi is now a 0.50% position in the fund. Truworths (0.60% of fund) is a company that we have respected for many years, but always felt was too expensive. The severe de-rating of retail shares has provided the opportunity to buy this world-class retailer well below what we believe it is worth. The next year or two will no doubt be very tough for the clothing retailers, but it is our view that this and more is now priced into the share.

The extent of short-termism, fear and panic selling is perhaps best illustrated by comparing Standard Bank (one of the fund's top 10 holdings) to a government bond. Standard Bank currently has a dividend yield of 5.7%. The yield on the R157 (long-term government bond) is 10.5%. Dividends are tax free whereas interest is taxable. Therefore the after-tax return on the R157 is 6.3% and 5.7% on Standard Bank. In other words, Standard Bank is effectively being priced never to grow its earnings again (as is the case with bonds, which obviously don't grow). For a company that has grown earnings at over 20% per annum compounded over the past 25 years, we find this very hard to believe and this anomaly provides a great opportunity for any investor who has a time horizon of a few years as opposed to a few months.

In his book 'One up on Wall Street', former Fidelity fund manager Peter Lynch lists the qualities that he believes make a successful investor. These qualities include patience, a tolerance for pain, persistence, detachment and the ability to ignore general panic. As managers of the fund all of these qualities are being tested at the moment and we have no doubt that the same is true for investors in the fund and general participants in the markets. As difficult as equity markets are at the moment and as disappointing as the fund's performance over the past year has been, it is our view that there is exceptional value in all of the fund's large holdings, with upside from current share prices to what we believe the businesses are worth typically being in the 50% -100% range, - not seen since 2003. We don't believe it is possible to predict either the economy or the stock market (and whilst people today may be forgetting that it's impossible to consistently predict what the economy or the stock market will do and therefore still try to do so, history is on our side in this argument). One's time as an investor is better spent on buying businesses that are trading well below their long-term worth and this is what we have continued to do.

The consensus economic outlook in both South Africa and globally for the next year or two is terrible and it appears that the equity markets are directly (inversely) correlated with the oil price at the moment. We have no idea when the oil price will fall, when the economic outlook will improve, or when equity markets will recover. However, whilst we are cognisant of the potential economic risks ahead (particularly the impact of oil), and in our view have taken this into account at the overall portfolio level, the one thing we do know is that valuations are currently extremely attractive and that valuation is the only variable on which one can lay one's hat. We also know from history and past experience that investors are quite often most pessimistic at exactly the wrong time.

"the argument is made that there are just too many question marks about the near term future; wouldn't it be better to wait until things clear up a bit and maintain cash reserves until current uncertainties are resolved? Before reaching for that crutch, face up to two very unpleasant facts: the future is never clear and you pay a very high price in the stock market for a cheery consensus. Uncertainty actually is the friend of the buyer of long-term values." Warren Buffet, Forbes interview, 6 August 1979.

Edwin Schultz and Gavin Joubert
Portfolio Managers

CORONATION CAPITAL PLUS

Class A
as at 30 June 2008

CORONATION
FUND MANAGERS

Fund category	Domestic Asset Allocation Targeted Absolute and Real Return
Fund description	Focused on the preservation of capital over all rolling 12-month periods. Over the medium term, the objective is to produce real growth of at least 4% per annum.
Launch date	2 July 2001

Portfolio manager/s	Edwin Schultz and Gavin Joubert
Fund size	R4.0 billion
NAV	2176.14 cents
Benchmark/performance fee hurdle	CPIX + 4% p.a.

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 June 2008
Domestic Assets	78.91%
Equity	45.17%
Basic Materials	6.42%
Industrials	5.69%
Consumer Goods	12.93%
Healthcare	1.62%
Consumer Services	12.71%
Telecommunications	3.77%
Financials	8.37%
Derivatives	(6.34%)
Preference Shares & Other Securities	3.46%
Real Estate	5.81%
Fixed Interest	8.75%
Cash	15.72%
International Assets	21.09%
Equity	11.44%
Cash	9.65%

TOP 10 HOLDINGS

As at 30 June 2008	% of Fund
Coronation World Equity Fund	5.73%
Naspers Ltd	4.58%
Tiger Brands Ltd	4.09%
ABSA Preference Shares	3.38%
Richemont Securities AG	3.30%
Remgro Ltd	3.13%
Woolworths Holdings Ltd	3.00%
Standard Bank Group Ltd	2.90%
SABMiller Plc	2.77%
Edinburgh Partners Euro Opportunity Fund	2.63%
Total	35.51%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/06/2008	01/07/2008	21.97	8.82	12.85
31/03/2008	01/04/2008	22.71	8.60	14.11
31/12/2007	01/01/2008	19.32	3.15	16.17
30/09/2007	01/10/2007	26.82	12.51	14.31

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	-3.97%	3.78%	-1.38%	-0.24%	0.33%	-4.06%						
Fund 2007	4.23%	0.32%	1.63%	2.72%	0.25%	-1.30%	-0.76%	1.09%	1.27%	2.71%	-2.30%	-0.60%
Fund 2006	3.70%	0.26%	2.55%	0.53%	-0.42%	-0.57%	0.00%	2.90%	2.45%	3.39%	2.83%	2.82%

FEES (excl. VAT)

Initial Fee*	Coronation: 0.00% (Direct)
Annual Management Fee - performance related**	Minimum - standard: 1.25% Minimum - discounted: 0.75% Maximum: 2.75% Sharing rate: 10%

* An initial fee of 0.25% will be charged on all investments placed via administration platforms like Linked Investment Service Providers (LISPs).

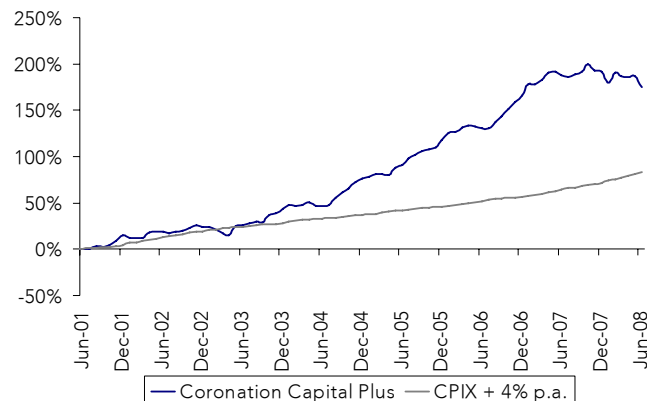
** A portion of Coronation's annual management fee may be paid to administration platforms like LISPs as a payment for administrative and distribution services.

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	-5.62%	8.78%	-14.40%
Latest 12 months	-4.36%	15.13%	-19.49%
Latest 36 months (annualised)	12.94%	11.42%	1.52%
Latest 60 months (annualised)	16.96%	10.14%	6.82%
Since inception (annualised)	15.55%	10.52%	5.03%
2007	9.46%	10.24%	-0.78%
2006	22.38%	8.97%	13.41%
2005	23.22%	8.03%	15.19%
2004	22.49%	8.29%	14.20%

RISK STATISTICS SINCE INCEPTION

	Fund	CPIX
Annualised deviation	8.04%	1.55%
Downside deviation	4.57%	N/A
Sharpe ratio	0.71	N/A
Maximum gain	29.49%	N/A
Maximum drawdown	-8.35%	N/A
Positive months	66.67%	N/A

Total Expense Ratio (TER)²

2.22% per annum, which includes a performance fee of 0.77%

When applicable, Coronation shares in the fund performance above the benchmark. This performance fee is accrued daily, based on performance over a rolling 12-month period, and paid to Coronation monthly. If the fund produces a positive return in line with or below the benchmark, the standard minimum fee will be levied. If the fund produces a negative return over a rolling 12-month period, the discounted minimum fee applies.

For further information regarding our fee structure please contact us or visit our website.