

Recent instability in global financial markets did not spare the local industrial sector. The fund delivered -10.7% for the quarter against the benchmark return of -6.4%. On a one-year view the fund returned -8.2% while the index delivered +3.0%. Disappointingly, the magnitude of this 11% gap pulled the fund below the benchmark over three years.

The divergence in performance of the fund and the index over one year (and the recent quarter) warrants further analysis. SAB Miller, MTN and Richemont each constitute approximately 15% of the index weighting. Each of these counters has outperformed the index over one year. The fund has been underweight these three index heavyweights and until recently, did not own any MTN. While we are cognisant of the benchmark, we manage the fund on a clean slate basis, taking large positions in our high conviction ideas. This philosophy has served us well in the past and we have every confidence that our patience will again be rewarded.

We are certainly being visited by 'interesting times' as promised by the infamous Chinese curse. It has been a time of adapting to rapid changes in the macro environment. As managers, we feel optimistic for a number of reasons: Firstly, we are pleased with our positioning going forward, secondly the big setback in the market, move in the rand and adjustment to economic prospects have been made and we look ahead with more certainty and from a lower base; lastly the predictable pendulum between optimism and pessimism has swung low and we are again offered good quality at attractive prices. What more could an investor want?

The performance drivers highlighted in previous quarters remain largely in place. We foresaw headwinds for the consumer and probable weakness of the rand and sought to hedge against both. We bargained on our larger positions in Naspers, Bidvest, Woolworths, Remgro, Richemont and AVI, to weather these storms. Last quarter we reported that the position in Tiger Brands had been raised. The after-effects of the price-fixing issue and management changes have inhibited the performance of this stock, whose defensive earnings streams and superb branded portfolio are now offered at excellent value, particularly in an otherwise frail consumer market. Generally, we saw SA industrials badly affected by global instability and rising risk premiums. As so often in the past, foreign investors were especially active in abandoning ship. Almost every company we spoke to recently, confirmed that their foreign shareholding had declined significantly. The resultant sell-off has been indiscriminate and as such, the strategy of holding better quality stocks has not yet been rewarded. But times are getting tougher still, and we remain comfortable with the view.

Given volatile times, numerous opportunities to acquire quality companies at bargain prices present themselves. We continue to take advantage of these opportunities. The fund continued to build on its small starter position of MTN, using points of weakness to do so, and has managed to build up a stake of just under 5% at a very good average price of R111. An interrogation of the investment case suggests that we may have overemphasised political and regulatory risks in the past and not fully appreciated the enormous growth potential of the emerging market countries in which MTN operates. We feel more comfortable with our current position and will look to increase, but will be very price sensitive.

New additions during the quarter (all small) were Barloworld, Group Five and Iliad. Despite our caution on the ratings of construction stocks generally, the outlook for Group Five remains very robust and January weakness provided an opportunity to re-enter this old favourite. We bought SAB as we believed the share price fall from £15 to £10 more than discounted the poor near-term outlook of this long-term winner. We added to the Truworths position. While it may be early, this company has a great track record of managing the risk of fashion and growing earnings even in times of rising interest rates. We suspect that once there is a hint of better news for the consumer, it will be too late to buy this quality company anywhere near the cheapness that it currently offers.

On the sales side, we sold out of Value Group, Amalgamated Appliances and Astrapak, all 'lower quality' cyclicals for which the worsening consumer outlook spells further trouble. We also sold Johnnic on the likelihood of gaming eventually wilting under the consumer's increased burden. Finally, the last portion of Spar and the Pick 'n Pay holding were sold in favour of more attractive opportunities.

The economic outlook (and hence the earnings outlook) remains challenging for now. That said, with our long-term time horizon we are excited about the current investment opportunities and in particular about the pricing level at which good companies are being offered. Those with short attention spans may still be fearful, but long-term investors will be well rewarded by capitalising on these opportunities.

Dirk Kotzé and Quinton Ivan
Portfolio Managers

Fund category
Fund description

Domestic Equity Industrial
Invests in a broad range of domestic industrial shares.
1 July 1998

Launch date

Portfolio manager/s
Fund size
NAV
Benchmark

Dirk Kotzé and Quinton Ivan
R73 million
4607.19 cents
FTSE/JSE Africa Industrial Index

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2008
Domestic Assets	100.00%
Equity	99.66%
Basic Materials	9.53%
Industrials	32.95%
Consumer Goods	21.67%
Healthcare	2.96%
Consumer Services	24.92%
Telecommunications	6.16%
Technology	1.47%
Cash	0.34%
International Assets	0.00%

TOP 10 HOLDINGS

As at 31 March 2008	% of Fund
Naspers Ltd	7.12%
Bidvest Group Ltd	6.52%
Woolworths Holdings Ltd	6.19%
Famous Brands Ltd	5.30%
Tiger Brands Ltd	5.16%
MTN Group Ltd	4.82%
Remgro Ltd	4.78%
Richemont Securities AG	4.70%
Mobile Industries Ltd	4.68%
Mvelaphanda Group Ltd	3.89%
Total	53.16%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/03/2008	01/04/2008	6.39	5.95	0.44
30/09/2007	01/10/2007	17.39	15.62	1.77
31/03/2007	01/04/2007	14.67	11.23	3.44
30/09/2006	01/10/2006	38.88	35.09	3.79

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	-13.27%	5.31%	-2.18%									
Fund 2007	6.31%	0.15%	1.60%	6.60%	0.50%	-1.68%	-2.36%	-0.20%	1.03%	5.61%	-5.28%	-0.92%
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%

FEES (excl. VAT)

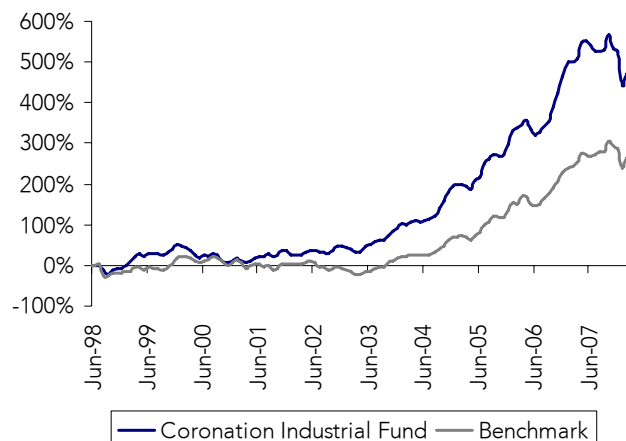
Initial Fee*	Coronation: 0.00% (Direct)
Annual Management Fee**	1.00%
*An initial fee of 0.25% will be charged on all investments placed via administration platforms like Linked Investment Service Providers (LISP's).	
**A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.	
Total Expense Ratio (TER) ²	1.24% 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	-10.66%	-6.37%	-4.28%
Latest 12 months	-8.17%	2.96%	-11.13%
Latest 36 months (annualised)	23.67%	28.37%	-4.70%
Latest 60 months (annualised)	33.62%	36.79%	-3.17%
Since inception (annualised)	19.31%	14.12%	5.20%
2007	11.18%	17.80%	-6.61%
2006	41.12%	41.86%	-0.74%
2005	35.03%	35.46%	-0.42%
2004	53.35%	46.59%	6.76%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	17.78%	21.30%
Sharpe ratio	0.46	0.14
Maximum gain	55.76%	61.72%
Maximum drawdown	-29.82%	-38.53%
Positive months	63.25%	64.96%