

A Tale of Two Cities

'It was the best of times'. The last 3 months was a great time to be a South African miner. The unusual situation of both strong commodity prices and a weak rand prevailed. Rand prices increased by 33% for SA gold miners and 55% for platinum producers; the highest gain in any quarter since the 80's. The relative competitiveness of South African cost bases against other mining countries increased by between 18% and 30% as the rand weakened.

'It was the worst of times'. It was also a terrible quarter to be a South African miner. The electricity crisis led to an unprecedented week-long shutdown and will reduce volumes across the board going forward. The ongoing issues around skills shortages, cost inflation and safety made it a very difficult time to be a manager at a mining company. The best of times for prices were, in most cases, caused by the worst of times for volumes as production problems in South Africa and elsewhere caused prices to go up; in some cases more than making up for the decline in volumes.

'It was the epoch of belief'. A strong driver of prices has been the weight of funds flowing into commodities from pension and hedge funds. It is estimated that over US\$400 billion is now invested in commodities, of which US\$70 billion flowed in the last quarter. Direct pension fund investing is a new phenomenon with claimed benefits of non-correlated performance and diversification. We cynically point to the fact that these 'diversification benefits' were always to be had in commodity markets, yet interest only flared after a multi-year increase and exciting returns. Past returns are often extrapolated into the future.

'It was the epoch of incredulity'. Looking back at the past 7 years since this commodity boom started, this period can only be described in the 'superlative degree of comparison'. The size and duration of the current cycle is unprecedented. South African mining earnings and share prices are up 7.5 and 14 times respectively from 1999. The structural cause - infrastructure spending by emerging economies - is still intact and will continue. In contrast, the cyclical picture is more negative than at any time during the past 7 years with even emerging economies not immune to the slowdown in their export markets. Yet commodity prices have increased strongly this year.

'It was the season of Light, it was the season of Darkness'. Summer in Cape Town came with intermittent power cuts, reminding us of the serious long-term consequences of our inadequate power supply. Power costs are going up. A lot. We estimate that mining cost bases will increase at least 10% above inflation from electricity alone over the next few years. South Africa has already missed out on the opportunity to capitalise on the commodity boom due to an inability to increase volumes. Investment considerations (uncertainty and more attractive opportunities elsewhere), logistical constraints (rail, road and port infrastructure) and a general skills shortage led to this sad state of affairs. Add the power constraint and it will clearly be very hard for SA to materially increase volumes in any commodity until the new power stations are commissioned post 2013.

'It was the spring of hope'. After years of crisis, there is a possibility of a regime change in Zimbabwe. Zimbabwe is a country with fantastic mineral wealth, good (if neglected) infrastructure, and educated people. Of the companies represented in your fund, Impala Platinum, Zimplats and Afrox will benefit from a normalisation of the situation in Zimbabwe.

'It was the winter of despair'. In contrast, the mood in South Africa is sombre. The developments at Polokwane, the electricity situation and continuing crime has created a quick slide from optimism into despair. In the investment markets, these mood swings were reflected, with internationally exposed resources shares hugely outperforming domestic shares.

Over the last 3 months, the fund returned 18.4% versus the 17.5% of the benchmark. Most of the performance came from our platinum position where we benefited from Northam (82%), Mvelaphanda Resources (51%) and Impala (33%). Harmony (38%) was the best performing gold share, rewarding our faith in management and offsetting the underperformance in Anglogold (-7%). For the last 12 months, the fund and benchmark returned 40.7% and 40.2% respectively, still well above long-term returns that should be expected by investors.

As always, it is rather difficult to forecast what will happen in the next year. Global growth and commodity demand has slowed markedly, but low inventories still do not offer enough of a cushion in the case of supply disappointments. In the absence of a major supply disruption, the single most important factor driving commodity prices and thus share prices are Chinese demand. China's performance in the face of weakness in export markets, high food inflation and electricity shortages (nice to know we're not alone!) will be the key determinant over the next year. Commodity prices need to continue rising to ensure increasing mining earnings as cost increases, employee demands and increasing government share of profits threaten to take away what prices give.

In running the fund, we try to stay away from big macro calls and focus on the companies in the business of mining. Our estimates of normal prices are of course a major input into company valuations, and in most cases are materially lower than current prices. When we find companies that offer long-term value despite lower prices we often take large positions. Notwithstanding potential cyclical headwinds, we are quite excited about the current positioning of the fund and look forward to continuing to outperform our benchmarks in future periods.

Quotes taken from 'A Tale of Two Cities' by Charles Dickens.

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	R310 million
NAV	10102.29 cents
Benchmark	Resources & Basic Industries Sector Mean

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2008
Domestic Assets	84.00%
Equity	74.38%
Oil & Gas	6.05%
Basic Materials	66.85%
Industrials	1.48%
Cash	9.62%
International Assets	16.00%
Equity	15.44%
Cash	0.56%

TOP 10 HOLDINGS

As at 31 March 2008	% of Fund
BHP Billiton Plc	11.94%
Mvelaphanda Resources Ltd	8.93%
Mondi Plc	8.44%
Impala Platinum Holdings Ltd	7.08%
Anglo American Plc	6.59%
Sasol Ltd	6.05%
Exxaro Resources Ltd	5.51%
Anglogold Ashanti Ltd	5.23%
African Oxygen Ltd	4.28%
Zimplats Holdings Ltd	3.26%
Total	67.31%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/03/2008	01/04/2008	39.88	25.30	14.58
30/09/2007	01/10/2007	49.52	37.48	12.04
31/03/2007	01/04/2007	41.93	34.84	7.09
30/09/2006	01/10/2006	34.32	30.33	3.99

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	3.75%	13.32%	0.74%									
Fund 2007	5.81%	3.21%	9.33%	3.02%	2.87%	1.20%	2.91%	0.82%	9.47%	2.41%	-2.45%	-2.39%
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%

FEES (excl. VAT)

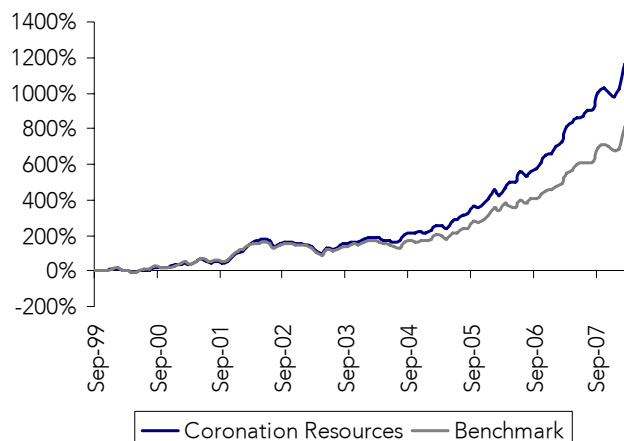
Initial Fee*	Coronation: 0.00% (Direct)
Annual Management Fee**	1.00%
*An initial fee of 0.25% will be charged on all investments placed via administration platforms like Linked Investment Service Providers (LISP's).	
**A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.	
Total Expense Ratio (TER)²	1.22% 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	18.44%	17.50%	0.94%
Latest 12 months	40.69%	40.24%	0.44%
Latest 36 months (annualised)	53.14%	49.41%	3.74%
Latest 60 months (annualised)	43.31%	38.41%	4.90%
Since inception (annualised)	34.93%	32.84%	2.09%
2007	41.82%	39.49%	2.33%
2006	50.13%	46.05%	4.08%
2005	60.04%	55.63%	4.40%
2004	13.37%	6.94%	6.42%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	21.88%	21.63%
Sharpe ratio	1.13	1.05
Maximum gain	93.37%	75.65%
Maximum drawdown	-29.89%	-28.63%
Positive months	67.65%	65.69%