

The first quarter of 2008 was marked by a similar performance in the local equity market to what we saw in the last month of 2007. The disconnect between local industrial and financial shares and the commodity producers was stretched even further. The All Share Index returned 2.9% against the fund's -4% due to our lower weighting in resource shares and exposure to domestic stocks.

In building a portfolio from bottom up stock picking we also do a top down review to ensure that there are no unintended bets in the portfolio on a macro level. Based on our view that the rand was likely to weaken we had built up a number of rand hedge holdings, such as Richemont, Impala platinum, Exxaro, Sasol, Remgro, Naspers, Netcare, MTN and SAB. However, in January the Eskom failure to provide power to the mines both pushed up the prices of SA sourced commodities and triggered a massive sell-off in the rand. The net result being that the commodity shares in SA ran extremely hard and given our overall underweight position in commodities the relative performance of the fund was negatively impacted.

Focussing firstly on the localised element we believe that this is likely to be a short lived situation. Eskom and the mines have reached agreement on providing the necessary power and on how the mines can regain their previous productivity using less power. This will result in mines achieving close to their previous production levels. At the same time, to the extent that metals hold their higher prices, SA will be earning significantly more for its exports than three or six months ago. This will have a significant impact on the current account deficit as seen in 2002 post the previous currency crisis. Concurrently we have already seen imports fall rapidly due to the weaker rand and the impact this has on demand for expensive imported goods. Fundamentally the rand is oversold and will come back somewhat from its current levels.

Secondly, looking at the greater macro picture it is evident that commodities have become an alternative asset class to equities. The negative correlation between the S&P and commodities is very clear. There is a lot of 'hot' money which has moved into commodities, helping to sustain current high levels despite the fact that growth in the world is slowing rapidly. When risk aversion reduces and we see money beginning to flow back into equities (and US equities in particular) we will see a very rapid unwind of the speculative positions in commodities, which will see these prices retreat significantly. We have seen a couple of false starts on this front already and once again it seems that this may be in the process of happening. During this recent commodity boom the commodity companies' cost of production has sky-rocketed due to a number of cost pressures; any negative move on the top line is likely to be magnified significantly on the bottom line through margin compression.

The net result is that we remain heavily skewed in our portfolio to industrial shares and those commodity shares that we do own have their own specific drivers. Platinum is almost entirely SA produced and hence its cost of SA production will set the price, which gives us confidence on its ability to maintain margins. In addition our holding of Impala gives us access to its Zimbabwe operations which we believe are significantly undervalued by the market. Exxaro is one of the main independent coal producers in SA, given the planned introduction of three new coal fired power stations over the next eight years they stand to benefit significantly from the increased off-take.

Our big holdings in Remgro and Richemont stem from undemanding valuations and the potential for a large discount unlock with the BAT unbundling (the timing of which has not yet been announced). Naspers, the media and internet business, continues to trade at a huge discount to its underlying business valuations. Stripping out its listed businesses and recent investments the core operating businesses are trading on an extremely low cash flow multiple.

Standard Bank, our biggest banking position, was reduced slightly during the period by the Chinese bank, ICBC, buying 10% of our holding at R136 a share. The share currently trades at R94 which is a significant discount to our estimation of fair value and gives very little credit for its unique African growth profile.

In selecting companies to own it is crucial to look at the margin of safety and to where the balance of the risks are skewed. We are very comfortable with the current portfolio given that most of the companies are pricing in most of the negative news and giving no credit for any potential upside. This is in contrast to a lot of the commodity shares which are priced for most of the good news and little room for disappointment.

Neville Chester
Portfolio Manager

CORONATION TOP 20

Class A
as at 31 March 2008

Fund category
Fund description

Domestic Equity Large Cap
Aims to outperform the FTSE/JSE Top 40 Index, is actively managed and will typically hold no more than 20 large cap stocks at any point in time.

Launch date

1 October 2000

Portfolio manager

Neville Chester

Fund size

R1.6 billion

NAV

5319.84 cents

Benchmark/performance fee hurdle

FTSE/JSE Africa Top 40 Index

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2008
Domestic Assets	100.00%
Equity	99.86%
Oil & Gas	2.46%
Basic Materials	20.72%
Industrials	13.84%
Consumer Goods	18.73%
Healthcare	5.58%
Consumer Services	15.88%
Telecommunications	6.51%
Financials	16.14%
Cash	0.14%
International Assets	0.00%

TOP 10 HOLDINGS

As at 31 March 2008	% of Fund
Naspers Ltd	9.71%
Remgro Ltd	9.57%
Richemont Securities AG	9.54%
Standard Bank Group	8.15%
Impala Platinum Holdings Ltd	7.57%
BHP Billiton Plc	6.76%
Tiger Brands Ltd	6.57%
Woolworths Holdings Ltd	6.18%
Netcare Ltd	5.58%
Exxaro Resources Ltd	4.99%
Total	74.62%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/03/2008	01/04/2008	33.40	29.59	3.81
30/09/2007	01/10/2007	57.68	55.34	2.34
31/03/2007	01/04/2007	39.11	33.62	5.49
30/09/2006	01/10/2006	99.38	95.65	3.73

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	-7.62%	8.29%	-4.06%									
Fund 2007	6.38%	-1.17%	4.99%	4.01%	-0.68%	-1.29%	-1.18%	1.67%	1.85%	7.65%	-5.82%	-2.76%
Fund 2006	7.32%	-1.85%	4.99%	2.85%	-3.46%	1.27%	-0.31%	3.44%	2.61%	6.84%	3.65%	6.38%

FEES (excl. VAT)

Initial Fee*	Coronation: 0.00% (Direct)
Annual Management Fee - performance related*	Minimum - standard: 1.00% Minimum - discounted: 0.50% Maximum: 3.50% Sharing rate: 20%

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

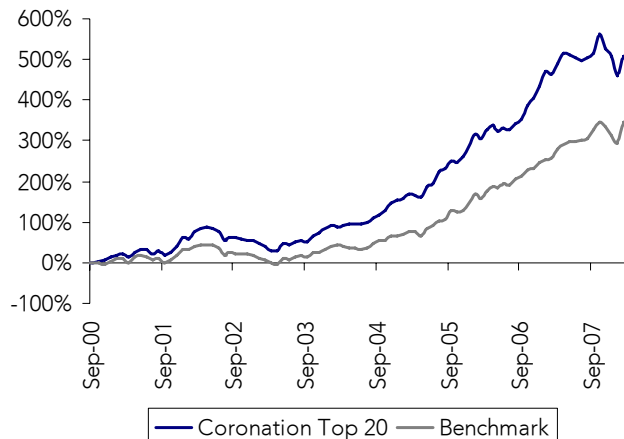
** A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.

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	-4.02%	5.10%	-9.13%
Latest 12 months	-1.27%	13.97%	-15.24%
Latest 36 months (annualised)	30.13%	34.73%	-4.59%
Latest 60 months (annualised)	35.57%	34.62%	0.96%
Since inception (annualised)	26.51%	21.59%	4.92%
2007	13.54%	18.97%	-5.43%
2006	38.61%	40.90%	-2.28%
2005	50.87%	48.24%	2.64%
2004	38.94%	23.48%	15.47%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	18.23%	19.53%
Sharpe ratio	0.91	0.59
Maximum gain	38.58%	37.42%
Maximum drawdown	-31.72%	-33.46%
Positive months	63.33%	62.22%

Total Expense Ratio (TER)²

1.33% per annum, which includes a performance fee of 0.40%

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 return in line with the benchmark, a standard minimum fee will be levied. If the fund produces a return below the benchmark 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.