

The Coronation Equity Fund had an excellent quarter amidst a market where many managers were carried out by the rout in the commodity markets. Over a rolling 5-year period the fund outperformed its benchmark by 0.7% p.a. (27.1% vs. 26.4%). The fund remains one of the best performers in its category over all longer term time periods.

Markets remain very challenging. The current environment will go down in history as one of the great crises of the modern era. Credit is the oxygen that feeds economic activity. With the credit crunch as far advanced as it is, there can be no doubt that many countries will go into recession. Even the emerging economies, thought by many to be immune to the woes of the developed world, now appear unlikely to escape unscathed.

To add salt to the wounds, this downturn is unlikely to be short and sharp (as was the case in 1987, the early 1990s, 1998 and the early 2000s). One should not underestimate the impact that deleveraging will have - consumers around the world are geared to overpriced houses and this will take years to correct.

On a more positive note, regulators and governments are now united in their resolve to get 'ahead of the curve' and restore confidence in the system. Ad hoc solutions are no longer working, systemic solutions are required. We therefore expect more deposit guarantees, further recapitalisation initiatives (outside the US) and synchronised rate cuts. The good news is that we think that the crisis will pass. The global economy is much better balanced than it has been for many decades.

In times of crisis, allocators of capital look for opportunity. While many will argue that the current environment calls for a focus on a return of capital (i.e. cash), we think that the opportunity for the long-term investor lies in equities (a return on capital). As we commented in the June quarter, we believe that buying quality assets at low prices is the route to wealth creation. The pendulum has swung from greed to fear. Investors have capitulated - they are now giving equities away with little regard for valuation. We do not expect the macro environment to improve in the near term. We also have no idea when markets will turn. But we do know that equities are cheap. It has been 20 years since global equities traded at such low ratings and the margin of safety is now large.

Equities declined by 21% in the quarter (resources -38%, financials +12%, industrials -4%). It was somewhat of a watershed quarter for Coronation in that it vindicated our long-held view that commodities were overvalued. We had no special insights into what was coming. Our advantage lay in our investment philosophy - an uncompromising commitment to the long term. Commodities are notoriously cyclical. Whenever investors talk of structural change, beware of the cycle! To this day we are amazed at the capital around the globe that poured into commodities 8 years into the biggest commodity bull market in history. That said, the sell-off has now been so severe that we are now seeing good value in selected commodity counters. Billiton has demonstrated over the years the superior quality of its assets (low cost, long life) and its management team. The share has declined by close to 50% as commodities have sold off. The company now trades at 5.5 times current year earnings and 11.4 times our assessment of mid-cycle earnings.

In a single quarter banks have gone from being reviled to being loved. The relative performance of banks to resources in the quarter was a 5 sigma event, comfortably fitting the definition of a fat tail. Once again, we had no special insights - just the broad shoulders to recognise that quality franchises, with excellent management teams trading at 5.5 times their earnings presented an excellent buying opportunity (even with the interest rate cycle against you).

We have seen dramatic moves in domestic counters (Mr Price +48%, Absa +35%, Aspen +33%, Truworths +30%) as investors have come to realise that a lot of the bad news was in the price and that South Africa is one of the few countries that moved early with rate hikes. While we have kept the DNA of the portfolio very much intact, we have taken some profits in domestic counters and invested it in selected resource counters (mainly the diversified miners, whose diversification across commodities and producer currencies is attractive at this point in the cycle).

MTN declined by 8% in the quarter. In the past we have been uncomfortable with the premium one had to pay for its growth prospects. This premium has disappeared in the emerging market sell-off and we have now acquired a substantial position in the stock (top 5 position in the fund).

In conclusion, while we acknowledge that it is not easy, we strongly encourage investors to put emotion aside and focus on the opportunity that markets are currently offering 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: 6056.53 cents
Benchmark FTSE/JSE Shareholders Weighted All Share Index

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 September 2008
Domestic Assets	100.00%
Equity	99.55%
Oil & Gas	4.49%
Basic Materials	24.36%
Industrials	15.25%
Consumer Goods	14.19%
Healthcare	4.38%
Consumer Services	13.95%
Telecommunications	6.24%
Technology	0.06%
Financials	15.26%
Derivatives	1.37%
Cash	0.45%

TOP 10 HOLDINGS

As at 30 September 2008	% of Fund
Standard Bank Group Ltd	8.06%
Naspers Ltd	6.95%
BHP Billiton Plc	6.36%
MTN Group Ltd	6.11%
Richmont Securities AG	5.45%
Remgro Ltd	4.54%
Sasol Ltd	4.49%
Anglo American Plc	4.08%
Impala Platinum Holdings Ltd	3.50%
Netcare Ltd	3.47%
Total	53.01%

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%			
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

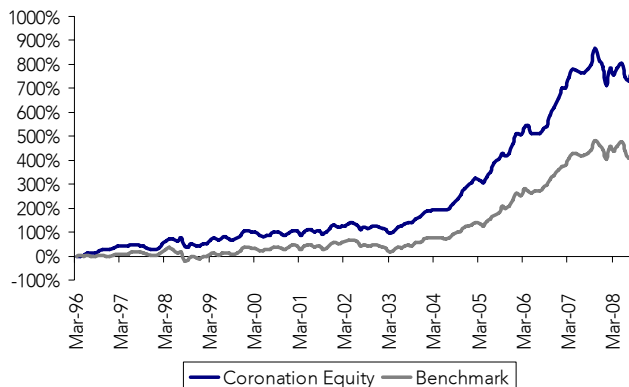
Class A: 1.44% per annum
Class R: 1.16% per annum

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	-11.15%	-14.39%	3.24%
Latest 12 months	-12.19%	-14.72%	2.53%
Latest 36 months (annualised)	14.25%	14.90%	-0.65%
Latest 60 months (annualised)	27.09%	26.37%	0.72%
Since inception (annualised)	18.06%	12.93%	5.13%
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	16.76%	20.51%
Sharpe ratio	0.36	0.04
Maximum gain	47.40%	43.48%
Maximum drawdown	-20.49%	-41.00%
Positive months	63.09%	60.40%