

The past quarter saw a spectacular reversion in the long commodities, short financials and industrials trade, which had been prevalent for the past two years. In a relatively short period there has been a wholesale sell-off in the commodity complex, reversing all the gains achieved and more. Given the size of commodities in the SA equity market, this has resulted in negative returns for the index as a whole. We have been overweight equities in the fund, given their compelling valuations but, fortunately, very underweight commodities. As a result, the fund returned -1.4% for the quarter against its benchmark of -8.6%.

On the asset allocation front, bonds staged a remarkable comeback in this quarter as concerns over inflation seemed to recede, partly on the back of a new inflation measure, but more so due to the sharp decline in commodities such as oil and grains which are important constituents of the inflation basket. While the fund didn't benefit greatly from this it did do well in its holdings of preference shares. I have long pointed out the attractiveness of these investments in the current environment and part of that investment case started to play out in the quarter, with the Coronation Preference Share fund (a reasonable proxy for this fund's holdings) being up 6.9% for the quarter.

As mentioned above, the fund is currently overweight equities, both locally and internationally. What we are seeing play out in global equity markets is an unprecedented change in risk appetite as cash moves from riskier assets to the perceived safety of government bonds. The fact that any major fallout in these economies will have to be covered by the government concerned with greater issuances of debt, seems to have been ignored in favour of the safety offered by owning the bonds 'of the guy who owns the printing press!' Equity markets have never been cheaper in over 20 years and on any measure of valuation they are looking attractive. Even Warren Buffet is now putting serious amounts of capital into equity markets given the yield differentials. I cannot think of any market where equity earnings yields are not well in excess of government bond yields. In exchange for a risk premium you get to invest in a business, which will in all likelihood grow its earnings into perpetuity, compared to a finite life instrument which pays you a fixed return.

In this kind of market it would be remiss of us not to be loading up on equities. The future is without a doubt uncertain. However, it's just as uncertain as it was 12 months ago when equity markets were much higher and optimism abounded. Today all that optimism is long gone and equity valuations discount a significant downturn. Investors' cash holdings are sitting at very high levels and risk aversion is at its maximum - all the hallmarks of a great time to be investing into equities. We do not presume to try and call turning points in equity markets as human sentiment is a fickle thing. What we can do is value businesses, and our estimations show that there are great value opportunities for those with a long-term investment horizon.

Our sector exposure was one of the reasons we did so well during the quarter - being underweight commodities. Given the relative price moves we are starting to look to make new investments into this sector. We are, however, being careful not to rush in just yet, as the global outlook for commodities is not great in the short term due to the effects of global de-leveraging. That said, we are long-term investors and on a 5-year view we are certainly seeing some good opportunities which we are taking advantage of.

We remain very underweight bonds, preferring the preference share market and longer dated money market instruments which are yielding well in excess of similar duration bonds. Our international allocation is fully invested in global equity markets, which we believe are probably offering more value than even the SA markets.

Volatility of returns is never enjoyable; it is always preferable for returns to come on a pleasing monthly or quarterly basis. However, equity markets are not like that - they reflect the fears and hopes of investors at a specific point in time and can often move away from fundamentals for substantial periods of time.

The benefits of a flexible fund are to be able to take full advantage of these changes in sentiment. As a result, the fund is now heavily weighted towards equities so as to benefit from their superior long-term growth potential.

Neville Chester
Portfolio Manager

CORONATION MARKET PLUS

Class A
as at 30 September 2008

Fund category
Fund description

Domestic Asset Allocation Flexible
Invests across various domestic and international asset classes, with a bias towards the equity market over the investment cycle.

Launch date

2 July 2001

Portfolio manager

Neville Chester

Fund size

R1.0 billion

NAV

3355.47 cents

Benchmark/performance fee hurdle

Composite Benchmark
(63% equity, 22% bonds, 10% International, 5% cash) + 2% p.a.

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 September 2008
Domestic Assets	83.43%
Equity	62.53%
Oil & Gas	3.06%
Basic Materials	12.11%
Industrials	9.33%
Consumer Goods	9.03%
Healthcare	2.42%
Consumer Services	9.43%
Telecommunications	4.09%
Financials	12.10%
Derivatives	0.96%
Preference Shares & Other Securities	9.79%
Real Estate	3.14%
Fixed Interest	2.59%
Cash	5.38%
International Assets	16.57%
Equity	16.47%
Cash	0.10%

TOP 10 HOLDINGS

As at 30 September 2008	% of Fund
Coronation World Wide Equity Fund	12.11%
Standard Bank Group Ltd	5.40%
Naspers Ltd	4.65%
Richemont Securities AG	3.74%
MTN Group Ltd	3.28%
Sasol Ltd	3.06%
ABSA Preference Shares	3.04%
Bidvest Group Ltd	2.85%
BHP Billiton Plc	2.68%
FirstRand/RMB Holdings Ltd	2.67%
Total	43.48%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/09/2008	01/10/2008	65.22	52.89	12.33
31/03/2008	01/04/2008	28.76	22.59	6.17
30/09/2007	01/10/2007	30.31	24.24	6.07
31/03/2007	01/04/2007	27.70	15.49	12.21

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	-5.74%	6.41%	-2.35%	1.05%	0.71%	-4.97%	-0.26%	4.31%	-5.22%			
Fund 2007	5.07%	0.53%	3.43%	3.79%	0.05%	-1.28%	-0.01%	1.02%	1.80%	5.15%	-3.81%	-1.96%
Fund 2006	6.30%	-0.01%	3.86%	1.27%	-3.24%	-0.92%	0.05%	3.16%	1.79%	5.92%	3.82%	4.30%

FEES (excl. VAT)

Initial Fee*	Coronation: 0.00% (Direct)
Annual Management Fee - performance related**	Minimum - standard: 1.25% Minimum - discounted: 0.75% Maximum: 3.75% 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).

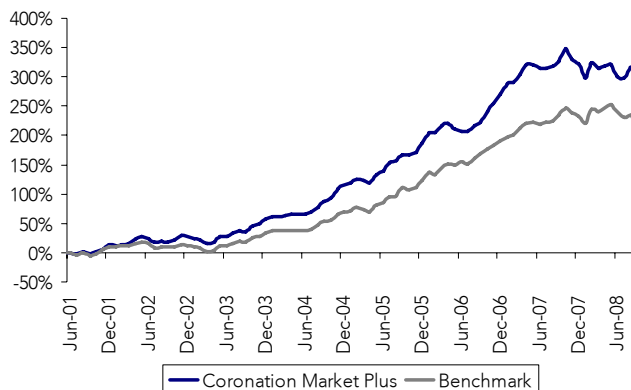
** A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.

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	Composite Benchmark	Composite Benchmark + 2%
Year to date	-6.60%	-6.60%	-5.10%
Latest 12 months	-7.38%	-7.48%	-5.48%
Latest 36 months (annualised)	13.77%	13.82%	15.82%
Latest 60 months (annualised)	23.80%	21.15%	23.15%
Since inception (annualised)	20.85%	16.25%	18.25%
2007	14.20%	14.00%	14.84%
2006	29.15%	29.99%	31.99%
2005	33.05%	32.52%	34.52%
2004	35.91%	26.41%	28.41%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	11.68%	11.37%
Sharpe ratio	0.93	0.73
Maximum gain	36.70%	N/A
Maximum drawdown	-11.92%	N/A
Positive months	68.97%	N/A

Total Expense Ratio (TER)²

1.80% per annum, which includes a performance fee of 0.38%

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, a standard minimum fee will be levied. If the fund produces a negative return over a rolling 60-month period, the discounted minimum fee applies.

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