

Considering the global events impacting financial markets, the fund had a good quarter, with a flat return for the period. This is relative to the equity smaller company mean return of -10%. There is however still some way to go to make up the longer-term underperformance relative to competitor funds. The fund is down 31% for the year-to-date against the mean fund return which is down 27%.

The feature for the quarter has been the reversal of fortunes of resource shares versus domestic SA shares, as indicated in the table below.

Index	Return		
	First half 2008	3rd quarter 2008	Year to date
Resource	30%	-39%	-21%
Financials and Industrials	-16%	-1%	-17%
General retailers	-29%	24%	-12%

The recent demise of resource counters has been driven mainly by falling commodity prices, which are responding to expectations of slowing global growth. We have for a long time believed that commodity prices and resource shares were overheated, so it is pleasing to see the correction underway. The de-rating in some of the resource counters has been dramatic, and for the first time in many years we think there are some interesting investment opportunities in this space.

The recovery in industrial counters has been more marked in the interest rate-sensitive shares, with the general retailer index up 24% for the quarter. The market is now firmly of the view that inflation is close to peaking and that the interest rate cutting cycle is near. We share this view, but remain cognisant of the risks which remain. Even if the rate cutting cycle does ensue in the first half of 2009, it will still take a while for consumers to feel the effect of these cuts. As such, we think that the trading conditions for many of the SA consumer facing businesses will remain tough, or get tougher, in 2009. We are therefore of the opinion that the significant recovery in many of the interest rate-sensitive stocks is a case of too much, too soon.

The last few weeks have been some of the most volatile I have ever experienced in financial markets, with bank failures, bailout plans, job cuts and many other issues dominating headlines. Locally we also had some significant political developments, with the ousting of Mbeki and the appointment of Motlanthe as president of our country.

These incidents highlight the current uncertain environment we are living in, and as such, we think there will be continued volatility in equity markets in the short term. Uncertainty and volatility does however come with a silver lining, which is opportunity. The value of many businesses will not have changed significantly over the past year, despite the market prices of these businesses indicating otherwise. So if the present value of future cash flows (or the value) of a business is the same today as it was a year ago, yet the market price is 50% down, that represents a significant opportunity. In the current market environment there are many such opportunities.

The fund trades on a one year forward PE of 7 times, which remains (it was at this level in June 2008) the lowest level since I began managing the fund in early 2005.

Alistair Lea
Portfolio Manager

Fund category
Fund description

Domestic Equity Smaller Companies
Invests in small and mid capitalisation companies, developing industries and recovery shares.
1 April 1997

Launch date

Portfolio manager
Fund size
NAV
Benchmark

Alistair Lea
R111.5 million
3268.50 cents
Composite benchmark: FTSE/JSE
Africa Mid & Small Cap Indices

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 September 2008
Domestic Assets	100.00%
Equity	97.53%
Basic Materials	8.62%
Industrials	47.28%
Consumer Goods	13.37%
Healthcare	1.45%
Consumer Services	17.84%
Financials	5.46%
Technology	3.51%
Cash	2.47%

TOP 10 HOLDINGS

As at 30 September 2008	% of Fund
Iliad Africa Ltd	5.67%
Sea Kay Holdings	4.73%
Omnia Holdings Ltd	4.66%
Famous Brands Ltd	4.63%
Ceramic Industries Ltd	4.54%
AVI Ltd	4.08%
Trencor Ltd	3.73%
Spar Group Ltd	3.51%
Reunert Ltd	2.99%
Bowler Metcalf Ltd	2.92%
Total	41.46%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/09/2008	01/10/2008	35.65	33.94	1.71
31/03/2008	01/04/2008	26.59	24.44	2.15
30/09/2007	01/10/2007	17.00	14.87	2.13
31/03/2007	01/04/2007	15.92	10.99	4.93

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	-15.34%	-2.52%	-2.51%	-2.52%	-3.93%	-7.77%	-3.45%	5.52%	-1.99%			
Fund 2007	7.95%	2.20%	2.91%	6.22%	1.25%	-2.07%	1.29%	0.03%	2.45%	3.47%	-4.84%	1.30%
Fund 2006	9.60%	4.83%	1.55%	2.08%	-3.70%	-4.47%	4.01%	3.94%	1.58%	6.61%	8.49%	5.43%

FEES (excl. VAT)

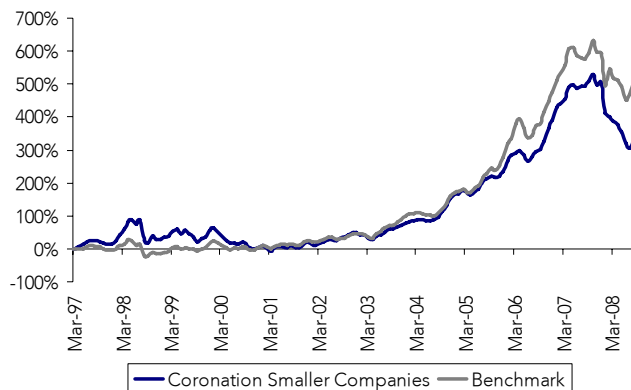
Initial Fee*	Coronation: 0.00% (Direct)
Annual Management Fee**	1.00%
*An initial fee of 0.25% will be charged on all investments placed via administration platforms like Linked Investment Service Providers (LISP's).	
**A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.	
Total Expense Ratio (TER) ²	1.20% 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	-30.61%	-18.03%	-12.58%
Latest 12 months	-30.79%	-18.07%	-12.72%
Latest 36 months (annualised)	9.45%	15.72%	-6.27%
Latest 60 months (annualised)	21.24%	26.78%	-5.54%
Since inception (annualised)	13.31%	16.04%	-2.73%
2007	23.80%	20.27%	3.53%
2006	46.72%	43.26%	3.46%
2005	25.94%	41.37%	-15.43%
2004	48.14%	38.62%	9.52%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	22.54%	19.67%
Sharpe ratio	0.07	0.22
Maximum gain	67.21%	62.56%
Maximum drawdown	-50.21%	-38.18%
Positive months	62.32%	60.87%