

PORTFOLIO MANAGER COMMENTARY

The fund delivered 7.7% for the quarter versus 8.5% for the FTSE/JSE Industrial Index. For the 12 months to December, the comparatives are 33.5% and 30.5%, and compound annual figures since inception stood at 18.3% versus 13.4%. The fund continues to perform very well relative to peers and ranks third over one and first over two years.

The year began with the world facing one of the most severe recessions since the end of World War II. Global financial markets were in freefall and the entire financial system was in crisis. The financial panic quickly spread to the real economy with liquidity drying up as banks protected their balance sheets. World trade collapsed and manufacturing production came to a virtual standstill. Risk appetite waned, which resulted in emerging market sovereign debt spreads widening. In short, anything that looked remotely risky was sold off. This prompted the world's leading central banks and governments to respond with significant stimulatory measures (bank rescue packages, low interest rates) which eventually succeeded in stabilising the global banking system. As normality returned, the first 'green shoots' of economic recovery became apparent in the first quarter of 2009. Risk appetite returned and global markets reacted sharply with commodity and share prices as well as emerging market currencies all improving. This is evident in the strength of the South African rand.

While the South African rand remains very strong in the short term, we continue to believe the risks are heavily skewed to the downside. Industrial South Africa is not competitive at these levels as exports are impacted adversely. This is exacerbated by electricity prices and wage settlements likely to be substantially higher than inflation. Also, at some point, the excessive global financial stimulus has to be withdrawn and global interest rates will have to be raised. This will reduce the attractiveness of the carry trade offered by emerging markets, placing further pressure on their currencies. It is for this reason that the DNA of the fund remains intact, with almost 60% invested in rand-hedge counters such as MTN, British American Tobacco, Naspers, Richemont, SABMiller and Bidvest. These companies are globally diversified with best-in-class business models that should benefit from a depreciating rand.

The return of global risk appetite has resulted in defensive counters being sold off in favour of cyclical stocks. As mentioned in previous commentary, we believe that it will be a challenge for the average company to defend earnings. In this regard, we continue to embrace domestic defensive counters such as Famous Brands, Aspen Pharmacare, Shoprite Holdings and the Spar Group which now comprise approximately 20% of the fund. The earnings of these companies are more bankable than the average industrial company and while one does pay up for this certainty, the premium is not excessive.

The most significant new buys during the period have been small caps. We believe that small caps currently present a compelling opportunity for the long-term investor. This sector was aggressively sold off in the 1998 – 2000 period after reaching absurd levels at the top of the bull market. While some company failures are likely as the sector copes with the recession and tighter credit markets, there are many quality companies trading on very undemanding ratings based on our assessment of normalised earnings. In this regard, we bought Adcorp Holdings, Distribution and Warehousing Network, Advtech, Astrapak, Buildmax and York Timber Holdings during the quarter.

On the sales side, there was very little activity with some profit-taking in Netcare, Aspen Pharmacare and Naspers. The latter has been one of the best performing shares in our market and remains a core holding. Approximately 50% of Naspers' fair value comprises the Pay TV business (DSTV and MNet). This is a high quality business which generates annuity earnings in the form of monthly subscriptions and is protected by high barriers to entry (broadcasting licence, high cost of content). The remainder of the business comprises of internet assets, including a 36% holding in Tencent, the second largest internet company in the world. These internet assets have good growth prospects due to their favourable emerging market exposure. Tencent is listed on the Hong Kong stock exchange and is up three-fold since the start of 2009. Even valuing Tencent at less than half of the spot share price, we find good value in Naspers.

MTN remains the largest individual position in the fund. Two years have elapsed since we started building the position in 2008; disappointingly the share price is around the same nominal level. Sometimes the weighing machine that is the market takes time to assess the long-term fundamentals of an investment. In such a case it is the job of the rational investor to remain focused and patient. The news flow surrounding MTN has been poor – the requirement to register cellphone SIMS in South Africa and now Nigeria, has delayed new subscriber adds. While this is negative for earnings in the short term, we remain convinced that the competitive advantages that this group enjoys remain intact and that over time it will be a very rewarding investment.

In conclusion, markets are likely to remain volatile and challenging for some time to come. As a long-term investor, this is not bad news as volatile markets often create opportunities when emotion trumps reason. We look forward to capitalising on these opportunities.

Portfolio managers

Dirk Kotzé and Quinton Ivan

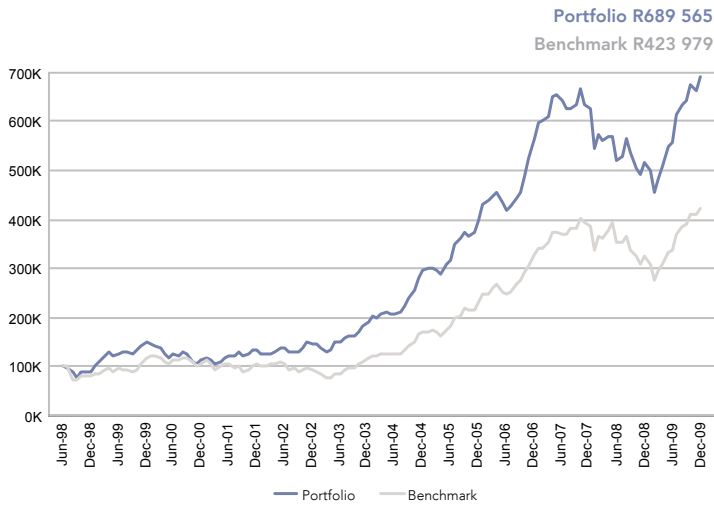
Fund category Domestic - Equity - Industrial
Fund description Invests in a broad range of domestic industrial shares.
Launch date 01 July 1998
Portfolio manager/s Dirk Kotzé and Quinton Ivan

Fund size R88.62 million
NAV 5520.53 cents
Benchmark FTSE/JSE Industrial Index
Risk profile

Cons Mod Aggr

PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2009	100%
Domestic Assets	90.4%	
Equities	89.7%	
Basic Materials	6.2%	
Industrials	19.1%	
Consumer Goods	13.9%	
Health Care	6.0%	
Consumer Services	28.4%	
Telecommunications	14.0%	
Financials	2.0%	
Cash	0.7%	
International Assets	9.6%	
Equities	9.6%	

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	589.6%	324.0%	265.6%
Since Inception (annualised)	18.3%	13.4%	4.9%
Latest 5 years (annualised)	18.5%	19.9%	(1.4)%
Latest 3 years (annualised)	7.0%	8.9%	(1.9)%
Latest 1 year (annualised)	33.5%	30.5%	3.0%
Year to date	33.5%	30.5%	3.0%
2008	(17.5)%	(16.1)%	(1.4)%
2007	11.2%	17.8%	(6.6)%
2006	41.1%	41.9%	(0.7)%
2005	35.0%	35.5%	(0.4)%

TOP 10 HOLDINGS

As at 31 Dec 2009	% of Fund
MTN Group Ltd	14.0%
British American Tobacco Plc	9.6%
SABMiller Plc	7.1%
Naspers Ltd	7.0%
Bidvest Group Limited	5.4%
Compagnie Financiere Richemont SA	4.6%
Famous Brands Ltd	4.6%
Woolworths Holdings Ltd	4.4%
ShopRite Holdings Ltd	4.2%
Spar Group Ltd	4.1%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	17.9%	21.1%
Sharpe Ratio	0.41	0.11
Maximum Gain	55.8%	61.7%
Maximum Drawdown	(31.6)%	(38.5)%
Positive Months	63.8%	65.2%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2009	01 Oct 2009	57.76	38.64	19.12
31 Mar 2009	01 Apr 2009	26.50	26.50	0.00
30 Sep 2008	01 Oct 2008	39.97	38.29	1.68
31 Mar 2008	01 Apr 2008	6.39	5.95	0.44

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2009	(3.1)%	(8.8)%	5.5%	5.4%	8.1%	1.6%	9.8%	3.3%	1.3%	5.6%	(2.2)%	4.3%	33.5%
Fund 2008	(13.3)%	5.3%	(2.2)%	1.4%	0.2%	(8.9)%	1.7%	7.5%	(5.1)%	(6.0)%	(2.8)%	5.1%	(17.5)%
Fund 2007	6.3%	0.2%	1.6%	6.6%	0.5%	(1.7)%	(2.4)%	(0.2)%	1.0%	5.6%	(5.3)%	(0.9)%	11.2%

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee*	1.00%

* 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.

Total Expense Ratio (TER) ²	1.25% per annum
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Unit trusts should be considered a medium- to long-term investment. The value of units may go down as well as up. Past performance is not necessarily an indication of future performance. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Instructions must reach the Management Company before 2pm (12pm for the Money Market Fund) to ensure same day value. Fund valuations take place at approximately 15h00 each business day and forward pricing is used. Coronation is a Full member of the Association for Savings & Investment SA (ASISA). ¹Performance is quoted from Morningstar as at 31 December 2009 for a lump sum investment using Class A NAV prices with income distributions reinvested. Performance figures are quoted after the deduction of all costs incurred within the fund. ²The TER is calculated as a percentage of the average NAV of the portfolio incurred as charges, levies and fees in the management of the portfolio for a rolling 12-month period to end September 2009, as well as the actual performance fee incurred over the 12 months to end September 2009. A higher TER ratio does not necessarily imply a poor return nor does a low TER imply a good return. The current disclosed TER cannot be regarded as an indication of future TER's.