

PORTFOLIO MANAGER COMMENTARY

2009 was a good year for your fund. The fund returned 43.5%, relative to the resource sector (35.4%) and the average of our competitors (37.4%). In the last three months the fund returned 13.71%. The year started poorly, but since early March resources shares has been on the rise – recovering 50% in rand terms and 115% in dollars.

Last year also brought an end to the 'noughties' – the first decade of the 21st century. We thought it would be interesting to look at the resource sector performance over the past 10 years. As Winston Churchill purportedly said: "The further backward you look, the further forward you can see."

The last decade has indeed been interesting. We have witnessed two major equity market crashes (dotcom in 2000 and the global financial crisis in 2008), major terror attacks (in the US, Madrid, London), natural disasters (Sumatra tsunami, Hurricane Katrina, Chinese earthquake), wars (Iraq, Afghanistan) and the rise of China.

It took years of preparation and growth, but in this decade China made its presence felt on the global stage. China went from the world's seventh largest economy in 2000 to the second largest 10 years later. China is now the world's biggest exporter, the biggest producer of steel, cement, ships, cars, air conditioners and rice. It is also the biggest emitter of CO2 and the largest lender to the US. This was clearly the Chinese decade.

Chinese growth had a major effect on world commodity markets, contributing the bulk of demand growth. After 20 years of flat commodity prices, most prices increased markedly. The oil price ended the nineties at the same level it ended the seventies, but in the noughties it tripled (including a visit to \$140/bbl!).

Commodity prices at the start and end of the last 3 decades

Commodity prices		1979	1989	1999	2009	Increase over last decade
Economist Metals Index	x	113.3	116.7	103.6	246.4	138%
Oil price	\$/barrel	25.4	22.4	25.2	77.2	206%
Copper price	\$/pound	0.99	1.10	0.84	3.33	298%
Gold price	\$/ounce	309	381	291	1,096	277%

Source: I-Net Bridge

China's demand for commodities and their consequent price rises has also had a large effect on the South African market through our mining shares. Even though the resource sector ended the decade at lower levels than where it was in 2007, it handsomely outperformed the JSE All Share Index over the entire decade. The Resources Index (RESI) increased 6.5 times; the ALSI 'only' 4.5 times.

South African market performance in the noughties

The past decade: 1999 - 2009

SA market	Total Return	Dividend	Earnings growth	Rating
JSE Resource sector	555.13%	34.55%	425.00%	-11.8%
JSE Financial Sector	193.13%	51.90%	55.57%	24.0%
JSE Industrial sector	269.16%	24.32%	226.57%	-9.1%
JSE All Share Index	346.75%	34.95%	242.21%	-3.3%
All Bond Index	213.2%	179.8%	0.0%	12.0%

Coronation Resources Fund 807.75%

Average of 6 competitors 720.74%

Source: I-Net Bridge, Micropal

Compared to developed markets, investors in South Africa have been very fortunate. The US, UK and Japanese markets are down on the levels they started the decade, while the SA market increased 2.8 times in dollars and 1.8 times in real (inflation adjusted) terms (excluding dividends).

In general, we now consider global markets to be more attractive than the SA market. This view is informed by both valuation and our expectation of a weakening rand. Consequently, your fund (and across the Coronation product range) has utilised the maximum offshore exposure (20%).

What can we learn from the past 10 years for the future? Over the past decade Chinese investment in infrastructure lead to increases in demand, which lead to higher commodity prices, which in turn lead to strong earnings growth from the resource sector. As you can see from table 2 (above), increasing earnings were the major contributor to returns in the last decade. As ratings are already high, we expect earnings growth to remain the major determinant of returns going forward.

Earnings for the resources sector recovered from very depressed levels at the start of the millennium and increased 2.5 times in real dollar terms to their current levels. While commodity prices will continue to benefit from strong Chinese and other emerging market growth, earnings are now at levels we consider close to normal. We do not see a repeat of the strong growth of the previous decade.

In short, we cannot aspire to forecast the future. Our Churchillian logic suggests that the earnings base of the resources sector looks on the high side and so does the rating. Hence one does not have to be a prophet to expect modest returns in the decade ahead. While we are managing down your expectations on average sector performance in future, our real job is to deliver performance above that of the sector.

Over the past 10 years, the fund has succeeded in its mandate to outperform the sector (see table 2). Over the next decade we promise to do our best to continue delivering sector-beating returns.

Happy new decade!

Portfolio managers

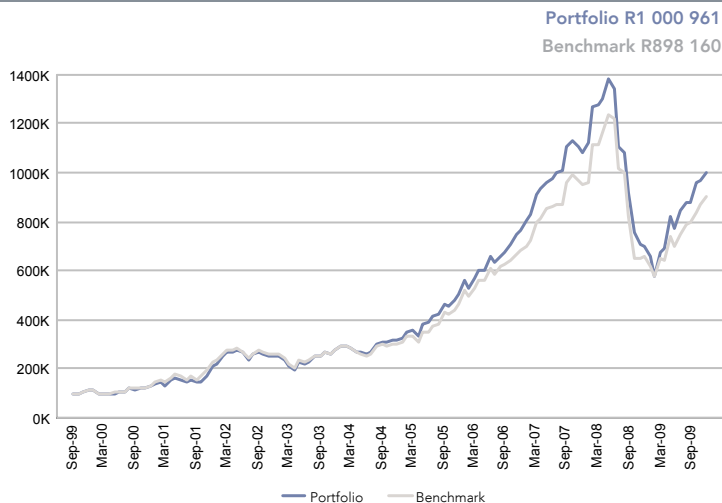
Henk Groenewald and Duane Cable

Fund category Domestic - Equity - Resources & Basic Industries
Fund description Invests in a broad range of resource and basic industry counters that are affected by changes in the commodity cycle.
Launch date 01 October 1999
Portfolio manager/s Henk Groenewald and Duane Cable

Fund size R191.89 million
NAV 7748.91 cents
Benchmark Resources & Basic Industries Sector Mean
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	74.1%	
Equities	68.9%	
Oil & Gas	12.4%	
Basic Materials	56.2%	
Industrials	0.4%	
Cash	5.1%	
International Assets	25.9%	
Equities	25.4%	
Cash	0.6%	

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	901.0%	798.2%	102.8%
Since Inception (annualised)	25.2%	23.9%	1.3%
Latest 5 years (annualised)	25.9%	24.6%	1.3%
Latest 3 years (annualised)	9.6%	9.8%	(0.1)%
Latest 1 year (annualised)	43.5%	36.7%	6.8%
Year to date	43.5%	36.7%	6.8%
2008	(35.2)%	(30.6)%	(4.6)%
2007	41.8%	39.5%	2.3%
2006	50.1%	46.1%	4.1%
2005	60.0%	55.6%	4.4%

TOP 10 HOLDINGS

As at 31 Dec 2009	% of Fund
Anglo American Plc	16.5%
Sasol Limited	12.4%
Mondi Plc	9.0%
AO Gazprom Reg	5.2%
BHP Billiton Plc	5.0%
Etf's Physical Palladium	4.6%
Zimplats Holdings Ltd	4.6%
Impala Platinum Holdings Ltd	4.3%
Anglogold Limited	4.2%
Pallinghurst Resources Ltd	3.3%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	24.7%	24.0%
Sharpe Ratio	0.61	0.57
Maximum Gain	93.4%	75.6%
Maximum Drawdown	(57.9)%	(53.4)%
Positive Months	65.0%	63.4%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2009	01 Oct 2009	10.53	8.16	2.37
31 Mar 2009	01 Apr 2009	23.74	22.09	1.65
30 Sep 2008	01 Oct 2008	87.32	83.57	3.75
31 Mar 2008	01 Apr 2008	39.88	25.30	14.58

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2009	(5.6)%	(11.8)%	16.0%	2.5%	18.7%	(5.9)%	9.5%	3.6%	0.5%	8.6%	1.3%	3.5%	43.5%
Fund 2008	3.8%	13.3%	0.7%	1.8%	6.2%	(2.9)%	(17.8)%	(2.1)%	(14.6)%	(18.0)%	(6.3)%	(1.4)%	(35.2)%
Fund 2007	5.8%	3.2%	9.3%	3.0%	2.9%	1.2%	2.9%	0.8%	9.5%	2.4%	(2.5)%	(2.4)%	41.8%

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.

Total Expense Ratio (TER) ²	1.20% per annum
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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.

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.