

PORTFOLIO MANAGER COMMENTARY

The fund returned 10.35% for Q2 2009. Over the same period the index returned 12.25%. Relative to its benchmark, the fund was negatively impacted by the Old Mutual underweight and overweights in Discovery and Liberty Holdings. Our exposures to smaller cap financials were vindicated and Coronation, Peregrine and JSE Ltd came through with positive contributions to the fund. Over the longer term, covering periods of one, three and five years, the fund has returned 10.1%, 4.6% and 16.6% respectively, outperforming the index which returned 3.4%, 0.08% and 15.1% respectively over these periods.

Old Mutual was the biggest detractor to relative performance this quarter and it is therefore worth revisiting the investment case. We sold out of Old Mutual in the third quarter of 2008 on capital concerns and a lack of strategic leadership. This position served the fund well in up to the start of the current quarter. Old Mutual has subsequently been the best performing financial stock during the current quarter, driven largely by the recovery in corporate bond spreads in the US, which we believe the market may be reading to indicate that the problems in the US business have abated. We, however, are of a different view. We remain concerned that there is still some risk around rising default rates among corporates in the US which may still impact the group's capital position. While there is a possibility of the group internally funding all subsequent additional capital requirements that such defaults may give rise to, the risk of a dilutive capital raising cannot be ignored completely at this point. The business is not out of the woods yet and therefore, at current prices, we remain of the view that the risk-return profile of the stock is not in our favor. We are still presented with more attractive investment opportunities in our universe that do not carry as high a risk profile.

Discovery, we believe, is one of these attractive opportunities in which we were invested during the period, but was a detractor to performance for the quarter owing to negative sentiment around the potential impact of National Health Insurance (NHI) on their business model. The discussions in the local market around the implementation of NHI took centre stage during the quarter following the leak to the media of a draft NHI document from the government appointed task team. The contents of this draft effectively made no provision for participation in the proposed NHI by the private medical funding industry, clearly a negative for Discovery, an administrator of the country's largest open medical scheme. Has our fundamental view on the prospects of Discovery changed? No. The work we have done gives us comfort that while the implementation of an NHI of some form is very likely, the form that it will take will differ materially from the leaked draft. Politically, there may still be some more negative newsflow as the NHI process is debated, but we believe that in the long term, a solution will emerge that makes provision for effective utilization of resources both in the private and public sector. In such a scenario, a large administrator with scale should be a net beneficiary.

During the quarter we made some changes to the portfolio to take advantage of new opportunities that emerged. One of these was investing the fund into Nedbank. This is a stock that fell out of favour with investors following their enforced capital raising in 2004 and in the period since has managed to produce a decent operational recovery under CEO Tom Boardman. Following the underperformance of the stock, the valuation of the bank has now moved from attractive to compelling trading very close to net asset value versus the peer group which is trading between 1.4x and 1.5x net asset value. New management has taken the reigns at the bank, and we believe continuity has been achieved by the appointment of Mike Brown, from within the ranks of the bank.

Small cap financials rebounded nicely during the quarter and we benefited in the fund from our exposures to asset managers Coronation and Peregrine as well as investments in other small cap financials like JSE Ltd. Our strategy here will remain one where we seek out mispricings of sustainable, strong franchises in the small cap financials space especially during times when the sector is ignored by investors. This is an under researched space and therefore such opportunities do come about more often. Where our conviction level is high, we are happy to take a sizeable position in these stocks.

From the economic statistics that have flowed in recent times, there is no doubt that our economy is undergoing significant slowdown in many sectors and we expect businesses will be impacted by this. We expect that the bad debt ratios on the commercial side of banks' lending books will be impacted as a result. On the other hand, the medicine applied to the economy by the Reserve Bank via rapid interest rate cuts should start to take effect and improve consumer balance sheets with a commensurate improvement in defaults on bank consumer loans and lapses on life insurance products. Put together, we believe that while 2009 will remain tough for earnings for financial stocks, 2010 should provide a good platform for material rebound in earnings, especially for banking stocks whose earnings bases have been lowered by the large bad debt write-offs taken to date. We therefore remain overweight banks, selective in our life company exposures and keenly positioned in those small cap financials where compelling opportunity knocks.

Portfolio managers

Neill Young and Godwill Chahwahwa

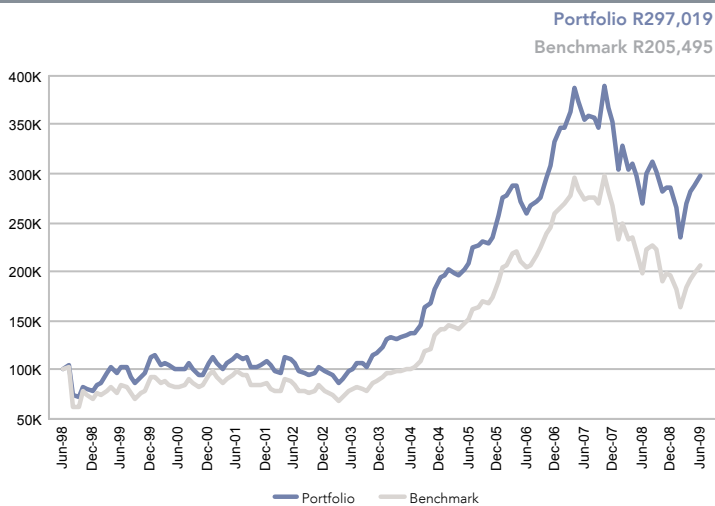
Fund category Domestic - Equity - Financial
Fund description Invests in a broad range of financial shares, including banks, insurance and investment companies.
Launch date 01 July 1998
Portfolio manager/s Neill Young and Godwill Chahwahwa

Fund size R156.33 million
NAV 2062.33 cents
Benchmark FTSE/JSE Financial Index
Risk profile

Cons Mod Aggr

PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	197.0%	105.5%	91.5%
Since Inception (annualised)	10.4%	6.8%	3.6%
Latest 5 years (annualised)	16.6%	15.1%	1.5%
Latest 3 years (annualised)	4.6%	0.1%	4.5%
Latest 1 year (annualised)	10.1%	3.4%	6.7%
Year to date	3.9%	4.4%	(0.5)%
2008	(18.7)%	(26.2)%	7.5%
2007	6.1%	3.0%	3.0%
2006	28.8%	35.8%	(7.0)%
2005	32.0%	34.7%	(2.7)%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	22.4%	24.6%
Sharpe Ratio	(0.03)	(0.18)
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(39.7)%	(45.3)%
Positive Months	59.8%	60.6%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2009	(7.4)%	(11.4)%	14.7%	4.4%	2.1%	3.6%							3.9%
Fund 2008	(13.5)%	8.1%	(7.4)%	1.6%	(3.6)%	(9.5)%	11.1%	3.8%	(2.8)%	(7.0)%	1.7%	0.0%	(18.7)%
Fund 2007	4.4%	0.3%	4.5%	6.9%	(3.9)%	(4.8)%	1.0%	(0.5)%	(2.7)%	12.2%	(5.8)%	(4.2)%	6.1%

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee*	1.25%

* 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	1.47% per annum
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PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2009	100%
Domestic Assets	100.0%	
■ Equities	92.4%	
Industrials	1.8%	
Financials	90.6%	
■ Real Estate	6.6%	
■ Cash	1.0%	

TOP 10 HOLDINGS

As at 30 Jun 2009	% of Fund
Standard Bank of SA Ltd	22.3%
FirstRand	11.0%
ABSA Group Ltd	9.0%
Investec Bank Limited	9.0%
Discovery Holdings Ltd	7.2%
Liberty International Plc	6.6%
Nedbank Group Ltd	6.6%
African Bank Limited	6.2%
Metropolitan Life Ltd	5.3%
Coronation Fund Managers Ltd	3.7%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2009	01 Apr 2009	105.06	104.06	1.00
30 Sep 2008	01 Oct 2008	64.50	62.40	2.10
31 Mar 2008	01 Apr 2008	38.10	37.03	1.07
28 Sep 2007	01 Oct 2007	10.40	9.58	0.82

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 30 June 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 March 2009, as well as the actual performance fee incurred over the 12 months to end March 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.