

PORTFOLIO MANAGER COMMENTARY

'To buy when others are despondently selling and to sell when others are avidly buying requires the greatest fortitude and pays the greatest ultimate rewards.'

Sir John Templeton

At the time of writing the previous quarter's commentary, the market was enjoying a strong bounce. This bounce continued into the second quarter of the year, with the fund returning +15.8% compared to the 14% returned by the FTSE/JSE All Share Industrial Index. For the 12 months to June the fund and index returned +7.6% and -4.7% respectively, while the compound returns for three years now stand at 10% and 10.7%. The pleasing performance relative to the index continues, with the gap in three-year compound returns narrowing further. The fund continues to perform very well relative to peers and ranks first over a year and second over three years.

Although the recent rally in equity markets has calmed a few nerves, we continue to be of the opinion that the global economy remains challenged. In a world where everyone is talking about 'green shoots' of economic recovery we remain cautious. While we acknowledge that South Africa may not be facing the same kind of deflationary, deep recession apparent in many developed countries (thanks to our well-capitalised banking system), we will not be entirely unaffected. The most direct impact has been on South Africa's export volumes which have stepped down in tandem with falling global demand. This has seen a number of sectors, most notably mining and manufacturing, slowing down. This, in turn, has had knock-on effects in the form of job losses and the curtailment of capital expenditure. The impact of the slowdown on the South African consumer has been amplified given last year's interest rate hikes and rising food prices. This, coupled with a tightening in bank's credit granting criteria, has resulted in a significant contraction in consumer spending.

The net result of our macro view is that we believe the South African rand will remain vulnerable. Declining exports and reduced capital flows (due to increased risk aversion) will result in difficulty funding the current account deficit. It is for this reason that approximately half of the fund remains invested in rand-hedge counters - such as MTN, Naspers, Richemont, SABMiller and Bidvest - that should benefit from a depreciating rand. We continue to be attracted to these globally diversified businesses with best-in-class business models, management and brands that entrench customer loyalty. In an environment where average companies battle to defend earnings, approximately a third of the fund is invested in domestic defensive counters such as Famous Brands, Aspen Pharmacare, Shoprite Holdings and the Spar Group. The latter are beneficiaries of rising food prices and have earnings prospects that are superior to the average industrial company, although one does not pay an excessive premium for this growth. At the time of writing this commentary, the Competition Commission has announced that it will probe the South African food retailers to investigate possible instances of anti-competitive practices. High food prices are an emotive issue and one that affects us all. While the investigation is welcome, we do not believe that food retailers are guilty of such practices. In fact, we believe that the South African food retail industry is highly competitive as their low operating margins attest. Consequently, we remain comfortable with our holding.

During the quarter, the fund sold out its holding in Aveng following an appreciation in the share price of some 40% from trough to peak. We previously highlighted that the pendulum for construction counters had swung from greed to fear, providing an investment opportunity. Following the recent run in construction counters, we no longer believe there is a sufficient margin of safety and resume our cautious stance on the construction sector given the risk of delays in capital expenditure as clients cancel or defer projects on the back of funding concerns.

The most significant new buys during the quarter were positions in British American Tobacco and Remgro. The return of global risk appetite during the quarter saw a massive sell-off in global defensive counters and British American Tobacco was not spared. This presented an opportunity to acquire this truly global blue chip at an 11x forward PE multiple and a forward dividend yield of 6.5% in sterling! This business is highly cash-generative with a stable earnings stream due to the inelastic nature of demand for its product. It is also extremely shareholder friendly and has, over time, returned large amounts of capital to shareholders in the form of dividends and buybacks (over £2.5 billion since 2005 in buybacks alone). British American Tobacco now comprises approximately 6% of the fund.

The fund also established a starter position of 1% in Remgro, with the intention to increase this over time. Remgro possesses one of the best track records of value creation for shareholders in our market and has a quality portfolio of assets (approximately 30% Firstrand and 9% Impala Platinum) that one is able to purchase at a 25% discount (net of CGT) to spot prices and at a 40% discount (net of CGT) to our assessment of fair value for the underlying investments. Furthermore, as a Remgro shareholder, one has exposure to quality unlisted investments such as Unilever South Africa as well as access to the deal-making prowess of the Rupert family.

In conclusion, we remain of the view that 2009 will be a tough year and although the end of the downturn may be in sight, it may be some time in arriving. Markets remain volatile and the time horizon of many investors has been truncated. Volatile markets often result in emotion trumping reason, thereby creating opportunities for the long-term investor who is able to be 'buy when others are despondently selling and to sell when others are avidly buying.'

Portfolio managers

Dirk Kotzé and Quinton Ivan

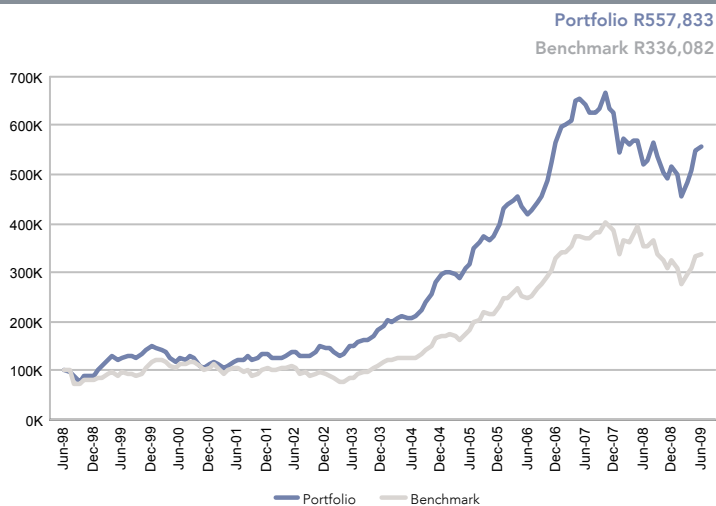
Fund category Domestic - Equity - Industrial
Fund description Invests in a broad range of domestic industrial shares.
Launch date 01 July 1998
Portfolio manager/s Dirk Kotzé and Quinton Ivan

Fund size R61.86 million
NAV 4515.34 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	30 Jun 2009
Domestic Assets	93.7%
Equities	91.3%
Basic Materials	3.9%
Industrials	16.2%
Consumer Goods	9.8%
Health Care	9.5%
Consumer Services	30.7%
Telecommunications	18.5%
Financials	2.6%
Cash	2.5%
International Assets	6.3%
Equities	6.3%

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	457.8%	236.1%	221.8%
Since Inception (annualised)	16.9%	11.7%	5.3%
Latest 5 years (annualised)	21.8%	21.7%	0.1%
Latest 3 years (annualised)	10.0%	10.7%	(0.7)%
Latest 1 year (annualised)	7.6%	(4.7)%	12.3%
Year to date	8.0%	3.5%	4.6%
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 30 Jun 2009	% of Fund
MTN Group Ltd	17.0%
Naspers Ltd	8.9%
SABMiller Plc	7.2%
British American Tobacco Plc	6.3%
Aspen Pharmacare Holdings Ltd	6.2%
Bidvest Group Limited	6.1%
Famous Brands Ltd	4.8%
Compagnie Financiere Richemont SA	4.7%
ShopRite Holdings Ltd	4.1%
SPAR Group Ltd	3.7%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	18.0%	21.3%
Sharpe Ratio	0.32	0.02
Maximum Gain	55.8%	61.7%
Maximum Drawdown	(31.6)%	(38.5)%
Positive Months	62.9%	64.4%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
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
28 Sep 2007	01 Oct 2007	17.39	15.62	1.77

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%							8.0%
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.

Total Expense Ratio (TER) ²	1.30% 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.

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.