

PORTFOLIO MANAGER COMMENTARY

The fund had a good quarter, returning 16.1%. On a relative basis, the fund was also strong, outperforming the average competitor fund which returned 14.7%. The gap between the fund and its competitors over the past year is also most pleasing, with the fund's return of -4.6% comfortably ahead of the average fund returning -23.7%.

The quarter was characterised by selective renewed interest in some of the smaller companies, with the mid cap, small cap and fledgling indices returning between 11.5% and 14.5%, relative to the 7.7% returned by the FTSE/JSE Top 40 Index. The AltX Index continued its dismal performance and was down a further 8.8% for the quarter. While we have seen some share price improvements in various stocks, corporate earnings appear to be under significant strain despite the rate cuts. Many companies we have seen, recently confirmed that Q2 of 2009 was a particularly tough quarter; even more so than the first quarter. It seems as if the balance of this year will be as tough. One of the primary reasons for these circumstances appears to be the unwillingness of banks to lend to both consumers and corporates. In previous cycles, interest rate cuts have stimulated the demand for credit, which has been forthcoming from banks and has resulted in renewed spending. This time round the credit is just not being given out as freely, and consequently the spending has not returned. It seems as if we are going to have to wait until mid 2010 before things become more positive from an earnings perspective.

The fund is constantly seeking to invest in the most undervalued companies. This typically means that we are selling the shares that have performed well, and are buying the shares that have performed badly. Often we don't get the timing spot on, but over a longer time period, it is a strategy that we think will deliver better returns.

A case in point would be our buying of Dawn. Dawn peaked at around R24 in October 2007, up 245% in two years. We had owned the share, but had sold it long before at around R9. Today the share price is R6. The fund started buying the shares earlier this year just below R7, and despite a very weak recent trading update, we have continued to buy the share at lower levels. It is not comfortable buying shares in a company whose earnings are slipping backwards at a rapid rate, but it is usually when this is occurring that the best opportunities present themselves. It is far easier to buy shares in a company whose earnings have strong upward momentum and everyone else is buying. The problem is that this is often when the shares are overvalued.

The demise of AltX has been staggering. The index is down some 70% from its November 2007 peak, and shows no sign yet of a rebound. One senses that now is the time of maximum pessimism for many AltX stocks. We are certainly not ignoring AltX. On the contrary, we have taken some small positions in some AltX stocks where we believe the risk/reward profile is strongly in our favour. These would typically be small positions in the fund which, if they worked out, would be meaningful to fund performance, but where we believe the downside to be limited. Typically these companies trade at a large discount to net asset value and our primary challenge is to assess whether the company has the ability to fund itself through these tough times and whether it will then emerge and be able to make a reasonable return on its invested capital. A 1% position in such a company can conceivably become a 3% position in a recovery, but should things not work out, the investment could potentially cost the fund 0.5% in performance. If we have done our work properly, this is an attractive payoff profile.

As a result of the bleak short-term outlook, there are many shares which have not recovered at all from their multi-year lows. Many of these shares now offer compelling value in the medium term and the fund intends to capitalise on these opportunities.

Portfolio manager

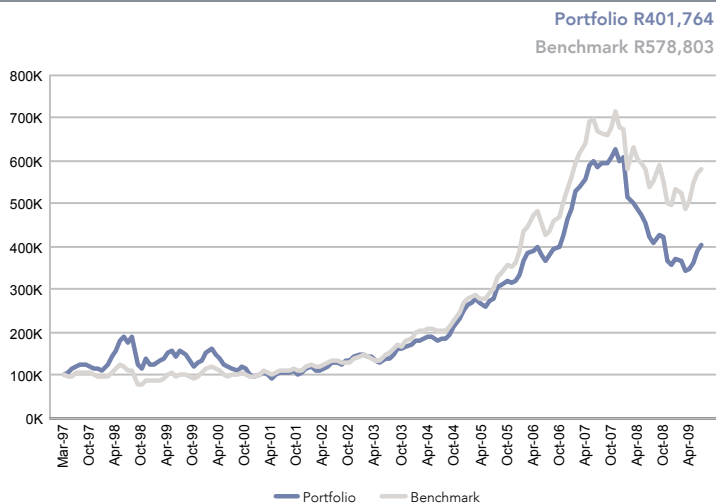
Alistair Lea

Fund category Domestic - Equity - Smaller Companies
Fund description Invests in small and mid-capitalisation companies, developing industries and recovery shares.
Launch date 01 April 1997
Portfolio manager/s Alistair Lea

Fund size R104.30 million
NAV 3038.89 cents
Benchmark Composite: FTSE/JSE Africa Mid & Small Cap Indices
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)	301.8%	478.8%	(177.0)%
Since Inception (annualised)	12.0%	15.4%	(3.4)%
Latest 5 years (annualised)	16.6%	23.2%	(6.6)%
Latest 3 years (annualised)	3.2%	10.7%	(7.5)%
Latest 1 year (annualised)	(4.6)%	7.4%	(12.0)%
Year to date	8.0%	8.6%	(0.6)%
2008	(38.7)%	(21.1)%	(17.6)%
2007	23.8%	20.3%	3.5%
2006	46.7%	43.3%	3.5%
2005	25.9%	41.4%	(15.4)%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	22.4%	19.7%
Sharpe Ratio	0.02	0.19
Maximum Gain	67.2%	62.6%
Maximum Drawdown	(50.2)%	(38.2)%
Positive Months	61.9%	60.5%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2009	(1.1)%	(6.7)%	0.8%	4.2%	7.9%	3.3%							8.0%
Fund 2008	(15.3)%	(2.5)%	(2.5)%	(2.5)%	(3.9)%	(7.8)%	(3.5)%	5.5%	(2.0)%	(12.5)%	(2.5)%	3.6%	(38.7)%
Fund 2007	8.0%	2.2%	2.9%	6.2%	1.3%	(2.1)%	1.3%	0.0%	2.5%	3.5%	(4.8)%	1.3%	23.8%

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	1.23% per annum
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PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2009	100%
Domestic Assets	96.8%	
■ Equities	90.5%	
Basic Materials	10.1%	
Industrials	42.4%	
Consumer Goods	10.0%	
Consumer Services	15.2%	
Financials	11.0%	
Technology	1.8%	
■ Cash	6.3%	
International Assets	3.2%	
■ Equities	3.2%	

TOP 10 HOLDINGS

As at 30 Jun 2009	% of Fund
Famous Brands Ltd	5.5%
Iliad Africal Ltd	4.1%
Country Bird Holdings Limited	4.1%
Omnia Holdings Ltd	4.1%
Ceramic Industries Ltd	3.8%
AECI Ltd	3.6%
Mobileind Convdebs	3.5%
ADVTECH Ltd	3.4%
Distell Group Ltd	3.1%
Astrapack Ltd	2.9%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2009	01 Apr 2009	41.84	37.99	3.85
30 Sep 2008	01 Oct 2008	35.65	33.94	1.71
31 Mar 2008	01 Apr 2008	26.59	24.44	2.15
28 Sep 2007	01 Oct 2007	17.00	14.87	2.13

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.