

PORTFOLIO MANAGER COMMENTARY

The fund returned -6.7% for the quarter, while the FTSE/JSE All Share Industrial Index lost 9.3%. For the 12 months to March the fund and index returned -13.9% and -18.7% respectively, while the compound returns for three years now stand at 2.6% and 4.1%. The pleasing performance relative to the index continues, with the gap in three-year compound returns narrowing further. We shall yet catch the index.

The global economy remains challenged. The crisis in financial markets received much publicity, with most of the coverage centred on how much capital has been lost, how the banking system might be saved and how long it will take to get back to normal. It is worth remembering that while markets are famously amorphous, ultimately the events in financial markets have their true effect in the real economy and in the everyday lives of ordinary people. We are increasingly seeing these second and third-round effects as experienced by our investee companies. Our sense is that conditions will be tough for some time. This makes us cautious and we see no reason to abandon the defensive posture of the fund. We have communicated this defensive stance often in the past. It is perhaps worthwhile to examine why some companies prove to be more defensive than others and what happens when there is a sudden large economic contraction, such as the present one.

In the real economy, volume demand is surprising on the downside. Those companies that were in expansionary mode find adjustment most difficult; they have to move from the front foot to the back foot. Cost bases are too high and have to be downsized. There is too much inventory in the system and many companies have to discount prices to get rid of excess stock. Discounting is causing price compression through entire industries. Faced with slower top-line (lower volume times lower price) the focus moves to what a company can do about its cost base. Is the cost base largely fixed (big problem) or is it partly variable (phew, we can adjust)? And how much debt do they have, can they service it, what is the interest cover and can they renew debt funding before it becomes due? These are the pertinent questions today. The price action in equity markets was largely indicative of who has been weighed to these measures and found wanting. Investors have to decide which share prices discount all these risks, and which don't.

In a tougher, lower growth world, with less available capital, cheap but nasty is simply not attractive enough. Weak companies can and do fail. Mistakes by average or weak management teams are more costly. Capital intensive business models require a higher discount. Re-rating is a vain and far-off hope in this environment, while solid earnings from defensive businesses are visible and support dividends in real cash. An interesting distinction in this market is between 'growth' and 'value' companies (a classification we most often find spurious and even dangerous). After a few years of steadily compounding earnings, the 'growth' company might prove to have been cheap relative to the 'value' company whose earnings recovery was much less certain. In other words, in the PE construct it is worth focusing on 'E', not on 'P'.

We think the earnings visibility remains best in those businesses we have preferred for some time: large, globally diversified, possessive of brands, annuity contracts or other ways to entrench customer loyalty, and with world-class business processes and systems.

During the quarter the fund sold out of small positions in Omnia, PPC, Seakay and Iliad. All these investments still had demonstrable upside but we took the view that they could not compete with the compelling value in some of the ideas detailed below. For the first time in many quarters, Massmart finds itself back in the fund. This is a group whose undeniable operational prowess is not often offered at a single digit PE, as is now the case. In a rare about-face, we also re-established a (small) position in Woolworths. While this investment has disappointed us greatly in the past, we believe it to be one of SA's great consumer franchises. Its earnings base is undoubtedly low. Despite reservations about operational execution, the margin of safety is big and we would rather own it than not.

The bulk of our firepower was spent increasing the weight behind our high conviction ideas. MTN now weighs in at 19% from 12% of the fund in the previous quarter. We have no qualms about this degree of concentration. Short-term concerns about weakness of the Nigerian naira created an opportunity in what is otherwise a high quality long-duration investment case. We believe mobile telephony to be as defensive as food; it is as much a means and enabler of economic activity as a discretionary expense (without which we cannot do anyway). MTN's subscriber growth continues to surprise. As long as growth remains strong, investors will have to 'buy' that growth with ever-increasing investment in network infrastructure (itself a feat in a world where access to finance is limiting peer spending). But the associated depreciation masks the true scale of the economic profit that is being accessed and once growth matures, cash flow release will be prodigious. A sophisticated valuation approach captures the full opportunity here, which the market will appreciate in time.

Naspers, Richemont, SAB and Bidvest remain the middle-order batsmen. Here nothing has changed and we continue to use periods of weakness to bolster our positions. The recent increase in the weighting of Aspen Pharmacare (discussed in the previous commentary) proved fortuitous. A potential corporate transaction may crystallise the value here faster than we expected but it is a stock that we are happy to hold for the long-term benefits of its globalising business model.

At the time of writing, the market was enjoying a strong bounce. We do not believe the road ahead will be smooth and hence a cool head is required to negotiate the bumps, both up and down. We do so by focusing on long-term valuations and by concentrating on high conviction ideas. The market still offers some high quality investments at extraordinary prices; there is no need to be too brave. This alone confirms that times of pessimism offer the best opportunity. Thinking about that, we're even having fun.

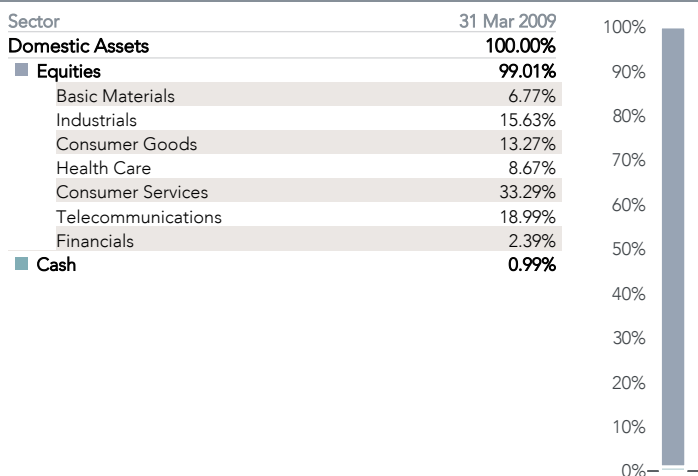
Fund category Domestic - Equity - Industrial
Fund description Invests in a broad range of domestic industrial shares.
Launch Date 01 July 1998
Portfolio manager/s Dirk Kotzé and Quinton Ivan

Fund size R50.10 million
NAV 3926.55 cents
Benchmark FTSE/JSE Industrial Index
Risk profile

Cons Mod Aggr

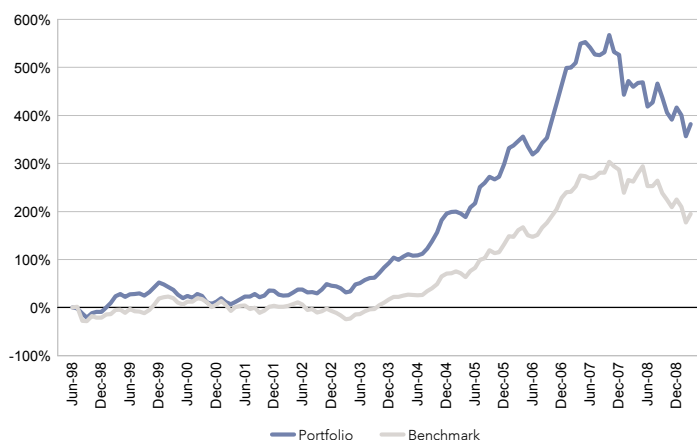
PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE



PERFORMANCE AND RISK STATISTICS ¹

CUMULATIVE PERFORMANCE SINCE INCEPTION



TOP 10 HOLDINGS

As at 31 Mar 2009	% of Fund
MTN Group Ltd	18.99%
Naspers Ltd	8.67%
Compagnie Financiere Richemont SA	6.33%
SABMiller Plc	5.86%
Bidvest Group Limited	5.46%
Aspen Pharmacare Holdings Ltd	5.28%
Famous Brands Ltd	4.75%
SPAR Group Ltd	4.20%
AVI Ltd	4.03%
Truworths International Ltd	3.80%
Total	67.36%

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	381.81%	194.82%	187.00%
Since Inception (annualised)	15.75%	10.58%	5.17%
Latest 60 months (annualised)	18.52%	18.79%	(0.27)%
Latest 36 months (annualised)	2.53%	4.09%	(1.55)%
Latest 12 months (annualised)	(13.88)%	(18.66)%	4.78%
Year to date	(6.71)%	(9.25)%	2.54%
2008	(17.52)%	(16.08)%	(1.44)%
2007	11.18%	17.80%	(6.61)%
2006	41.12%	41.86%	(0.74)%
2005	35.03%	35.46%	(0.42)%

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

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	18.04%	21.42%
Sharpe Ratio	0.25	(0.03)
Maximum Gain	55.76%	61.72%
Maximum Drawdown	(31.56)%	(38.53)%
Positive Months	62.02%	63.57%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2009	(3.07)%	(8.78)%	5.51%									
Fund 2008	(13.27)%	5.31%	(2.18)%	1.42%	0.23%	(8.87)%	1.65%	7.51%	(5.07)%	(5.98)%	(2.81)%	5.12%
Fund 2007	6.31%	0.15%	1.60%	6.60%	0.50%	(1.68)%	(2.36)%	(0.20)%	1.03%	5.61%	(5.28)%	(0.92)%

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	1.26% 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 March 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 December 2008, as well as the actual performance fee incurred over the 12 months to end December 2008. 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.