

PORTFOLIO MANAGER COMMENTARY

The fund had an excellent quarter in a strong market. It has outperformed its benchmark by 2.9% p.a. over a rolling 3-year period (10.5% p.a. versus 7.7% p.a.) and 2.3% p.a. over a rolling 5-year period (19.0% versus 16.7% p.a.). The fund is the top performing fund in its sector over virtually all meaningful periods.

The third quarter proved to be another bruising quarter for the bears. Many clients have questioned how global markets can rally in such a difficult economic environment (up around 50% off the March bottom). We ascribe the rally to three things:

- The global economy stopped haemorrhaging. Economic activity stabilised and, more recently, started showing signs of the inevitable inventory-driven recovery that always follows a material destocking by industry.
- Unprecedented levels of cash. After heavy declines in the last quarter of 2008, many investors sold out of equities in a desperate rush for 'safety' of cash and bonds. This 'wall of cash' has consistently supported the market on the way up and prevented any meaningful correction.
- Bargain-basement valuations. Good long-term work done by Jonathon Wilmot of Credit Suisse concludes that in March 2009, risk assets offered the 3rd best buying opportunity of the last 150 years. At that point, regrettably, most investors wanted nothing to do with equities (as valuation-driven investors we got it right, not because we knew what was coming, but simply because we are so committed to disciplined, long-term investing).

While equities remain our preferred asset class, we have taken profits in this rally. Equities are no longer compelling and we now have a more neutral exposure (66% of fund as opposed to 75% earlier in the year). We continue to believe that global equities are more attractive than local equities. When one considers the very strong rand, we believe that investors currently have an excellent opportunity to diversify their portfolios. We have taken full advantage of this in all our funds.

Local equities returned 13.9% in the quarter in a fairly broad-based rally. Industrials led the market up with a return of 16.3%, while financials returned 15.1% and resources 11.1%. We remain underweight resources. The sector has recovered strongly in the hope that Asia will lead the world out of recession. We remain of the view that the upside to long-term valuations, based on mid-cycle earnings, is not attractive enough to justify higher exposures. Notwithstanding the above, we do think that Sasol is a good opportunity at current levels. Oil has good long-term prospects, with many of the world's major oil-fields in decline and the high extraction costs of most new discoveries. Sasol is well positioned for such an outcome with its long-life assets and low cost base.

Within industrials, Richemont, Woolworths and Naspers contributed strongly to performance. Naspers has been a top 5 equity holding in our portfolios for the last 7 years. We believe that South Africans often underestimate the quality of assets right on their doorstep. There is no better example of this than Naspers - a company with a balanced portfolio of some of the best media assets in the world, an undemanding rating and a management team that has created more value for local shareholders than any other in the last 10 years.

Small caps currently present a compelling opportunity for long-term investors. The sector has crashed after reaching absurdly high levels at the top of the bull market. We do expect some company failures as the sector deals with the recession coupled with tighter credit markets. In addition, many poor quality companies were cobbled together for a listing in the bull market and these are now unraveling. Notwithstanding these challenges, we have identified many quality companies trading at 5 times our assessment of normalised earnings and have therefore significantly increased our exposure to small caps over the last few quarters.

The bond market had a better quarter, returning 3.0%. Bonds have performed poorly this year (-2.0%) after reaching very overvalued levels in December as investors ignored valuations and stampeded into 'safe haven' assets. We are still underweight bonds. The risk of inflation exceeding expectations in the next few years is high, given the cost pressures Corporate SA is experiencing (high wage settlements and extraordinary increases in electricity prices). In our opinion, yields are not attractive enough to compensate investors for this risk. Credit still remains an opportunity, although we note with regret that the juicy (and possibly once-in-a-lifetime) opportunities we took advantage of at the height of the banking crisis have dried up.

In conclusion, while we have taken profits on equities, we remain of the view that equities offer the best prospect of inflation-beating long-term returns. Markets are likely to remain volatile and difficult for some time to come. To the long-term investor this is not bad news. The last few quarters have produced extraordinary opportunities in both the equity and corporate credit markets. We remain committed to 'cutting out the noise' and focusing on the long-term fundamentals.

Portfolio manager

Karl Leinberger

Fund category Domestic - Asset Allocation - Prudential Variable Equity

Fund description A fully managed investment solution diversified across the various asset classes and sectors. Its asset allocation is compliant with Regulation 28 of the Pension Funds Act.

Launch date 15 April 1996

Portfolio manager/s Karl Leinberger

Fund size R 4.44 billion

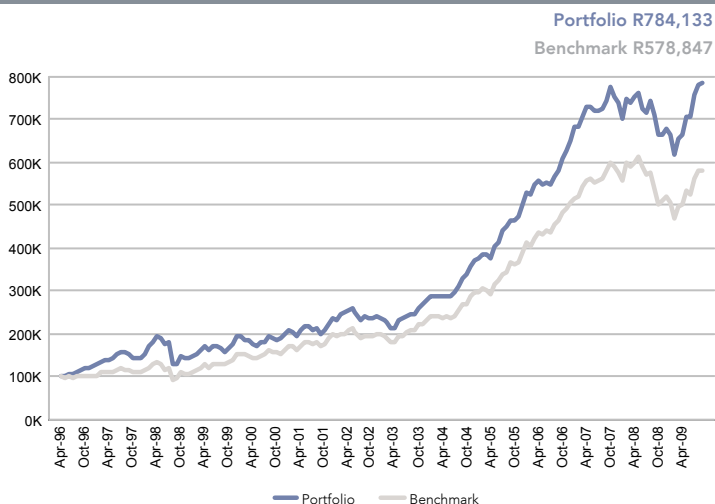
NAV 4674.99 cents

Benchmark Composite (63% equity, 22% bonds, 10% international, 5% cash)

Risk profile Cons Mod Aggr

PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Sep 2009	100%
Domestic Assets	79.8%	
Equities	45.5%	
Oil & Gas	2.5%	
Basic Materials	7.3%	
Industrials	6.1%	
Consumer Goods	6.4%	
Health Care	1.6%	
Consumer Services	8.9%	
Telecommunications	6.0%	
Financials	7.5%	
Technology	0.0%	
Derivatives	(0.8)%	
Preference Shares & Other Securities	1.6%	
Real Estate	3.7%	
Bonds	12.2%	
Cash	16.8%	
International Assets	20.2%	
Equities	19.6%	
Cash	0.7%	

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	684.1%	478.8%	205.3%
Since Inception (annualised)	16.6%	14.0%	2.6%
Latest 5 years (annualised)	19.0%	16.7%	2.3%
Latest 3 years (annualised)	10.5%	7.6%	3.0%
Latest 1 year (annualised)	10.7%	7.8%	3.0%
Year to date	15.9%	10.9%	5.1%
2008	(8.2)%	(9.2)%	1.0%
2007	13.1%	14.0%	(0.9)%
2006	30.5%	29.9%	0.6%
2005	35.0%	31.6%	3.4%

TOP 10 HOLDINGS

As at 30 Sep 2009	% of Fund
Coronation World Equity Fund	11.7%
MTN Group Ltd	6.0%
Coronation Global Emerging Markets Fund	5.0%
Naspers Ltd	4.2%
Standard Bank of SA Ltd	3.8%
SABMiller Plc	2.5%
Sasol Limited	2.5%
Compagnie Financiere Richemont SA	2.0%
British American Tobacco Plc	1.6%
Anglo American Plc	1.6%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	15.8%	14.5%
Sharpe Ratio	0.29	0.14
Maximum Gain	57.4%	29.3%
Maximum Drawdown	(34.3)%	(31.9)%
Positive Months	67.1%	64.0%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2009	01 Oct 2009	37.80	10.78	27.02
31 Mar 2009	01 Apr 2009	131.97	89.72	42.25
30 Sep 2008	01 Oct 2008	85.24	41.30	43.94
31 Mar 2008	01 Apr 2008	49.12	17.54	31.58

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2009	(1.6)%	(6.9)%	6.0%	1.5%	5.9%	0.2%	7.0%	3.4%	0.3%				15.9%
Fund 2008	(5.0)%	6.8%	(1.5)%	1.9%	1.5%	(4.8)%	(1.4)%	3.7%	(4.5)%	(6.5)%	0.4%	1.7%	(8.2)%
Fund 2007	4.5%	0.6%	2.8%	3.2%	0.2%	(1.4)%	(0.1)%	1.2%	2.1%	4.7%	(3.4)%	(1.8)%	13.1%

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.

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	1.71% 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 30 September 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 June 2009, as well as the actual performance fee incurred over the 12 months to end June 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.