

PORTFOLIO MANAGER COMMENTARY

Emerging markets continued their excellent performance during 2009, a relief for investors after the events of last year. Year to date these markets returned 64.9% in dollars compared to the 22.5% returned by world markets. The fund return of 31% year to date is in line with its benchmark, with good stock selection being somewhat offset by our equity exposure of 85% to 90% over the period. The 30% recovery in the rand since the start of 2009 has offset half the dollar return of emerging markets. Since inception almost two years ago the fund has outperformed its benchmark by just under 10% annualised.

With markets rallying, many stocks have reached or exceeded what we believe they are worth. Since we are disciplined about selling stocks with little upside, we reduced exposure in many holdings. One example is Ports Design, a high end fashion retailer that has become one of China's leading brands. The flagship 'Ports International' and 'Ports 1961' labels rank in the top ten brands amongst Chinese women - below super-premium brands like Chanel and Gucci, but alongside Versace, Valentino and Givenchy. Although long-term prospects for this company remain very good, the share is up over 240% since we bought it, outperforming others with similar earnings prospects whose shares have not performed as well.

The beverage industry remains very attractive and represents about 18% of the fund's holdings, with Coca Cola (Coke) bottlers accounting for 7% alone. We like Coke bottlers due to the strong global brand, simple business model and high cash generation. Compared to developed markets, per capita consumption of sparkling beverages is much lower, which means that sales can grow substantially as income levels rise. In emerging markets, volumes mostly comprise of multiple serving formats (think of the 2-litre bottles found in SA) sold on shelf in retail outlets and taken home to consume over several days. Much growth is now in single serve formats (like our 340ml cans) sold refrigerated and ready to drink by 'mom and pop' stores and small cafes. Margins on these are several times higher than multi-serve packages, so small increases in volumes have a disproportionate effect on profits. Coke bottlers capture the single serve market by installing fridges at the final selling point. In return, the shopkeeper must maintain the fridge and only stock their products. For the company this is a small initial capital outlay that guarantees an exclusive selling point.

One of the first holdings in the fund was Embotelladora Andina, a Chilean bottler also operating in parts of Argentina and Brazil. This share has done little since fund inception making it more attractive relative to other shares, so we have increased the position size. Coca Cola Icecek, has been added after previously having only indirect exposure through the brewery group Anadolu Efes. Icecek is the sole Coke bottler in Turkey and has operations in Central Asia, the Middle East and Pakistan. In most of these regions the majority of the population do not drink alcoholic beverages, the main competitor to soft drinks amongst adult consumers. Icecek has established itself as the main Coke bottler for this region in much the same way as another holding, Coca Cola Hellenic (CCH), has done in Eastern Europe. CCH also bottles Coke in Nigeria, a very attractive market with a young population where half the 150 million people also do not consume alcohol. The fund's largest bottler remains Coca Cola Femsa (held directly and indirectly through the brewer Femsa), which has licenses for most of Mexico, parts of Central America and the wealthiest regions of Argentina and Brazil.

We have increased the stake in the Brazilian education company Anhanguera. Private institutions represent the majority of the Brazilian market as state-owned universities cannot deal with the volume of annual school graduates. Content is regulated by Government, but the market is fragmented as hundreds of small independent colleges cater to a few thousand students each. This results in varying standards of education and poor degree recognition. Anhanguera and a few other large players are moving to consolidate the market. This should boost profits for education providers as curriculums are standardised and costs like student administration, billing and collection are centralised. It will also lead to greater recognition for students who will now hold certificates from large, recognised national players. Anhanguera specialises in 'flexitime' education for young working adults wanting a degree to raise their earning power, but lacking the finances to afford full-time study. They are also pioneering a distance learning model - broadcasting lectures via satellite to campuses set up in small cities where education options are very limited. Once all the infrastructure is in place and the business matures, Anhanguera will earn high margins and convert most accounting profits to cash. In the meantime, it generates adequate cash and has more than enough resources available to finance its expansion without stretching the balance sheet.

Other notable changes include the shift in exposure within commodities away from metals and materials, which we believe are expensive, toward oil and gas. The metals and material exposure of the fund is now less than 1% and comprises mostly of holdings in Usiminas, a Brazilian steel maker specialising in value added products sold domestically at a premium, and Semirara, a Philippines thermal coal miner that has ramped up production to meet rising demand from nearby China and countries in South Asia. We increased the exposure to oil and gas stocks through higher stakes in Gazprom (Russia) and Petrobras (Brazil) and added ENI to the portfolio. ENI is an Italian-listed energy giant, with the bulk of its reserves in Africa and Central Asia. Oil and gas exploration and production is the largest contributor to group profits. It owns substantial fuel retail assets in Italy and controls the natural gas infrastructure backbone for the country. Profitability of the refining and marketing operations has suffered in the last two years due the huge swings in the oil price, but by our estimate the company trades on just eight times normal free cash flow.

In Coronation's GEM funds we aim for investors to benefit from the opportunities and good developments in emerging markets, so whilst the fund is primarily invested in companies who generate all or most of their earnings from emerging markets, we will also invest in developed market companies that generate a significant portion of their earnings from emerging markets (at least 40%-50% of earnings). One such recent addition to the fund that fits this profile is YUM! Brands. YUM! owns KFC, one of the most successful fast-food concepts globally, along with two other strong brands, Pizza Hut and Taco Bell. Almost half of its earnings come from fast-growing emerging markets - 32% from China alone, where they have established a powerful presence and were one of the first movers in aggressively rolling out stores. In doing so they created high barriers to entry for other brands that lagged entry into China. The table below indicates how rapid and successful this expansion has been:

	2001	2002	2003	2004	2005	2006	2007	2008
KFC Stores in China	550	800	1,000	1,243	1,357	1,822	2,140	2,497
Revenue from China (\$m)	587	744	901	1,120	1,296	1,638	2,144	3,128

Their US and West European operations are more mature, but returns in these markets will be raised over time through their strategy of franchising stores. The company has excellent free cash flow generation and very high return on equity (above 50%). Returns from emerging market stores are even higher and the compounding effect of this over long periods of time is significant.

Portfolio managers

Gavin Joubert, Mark Butler and Suhail Suleman

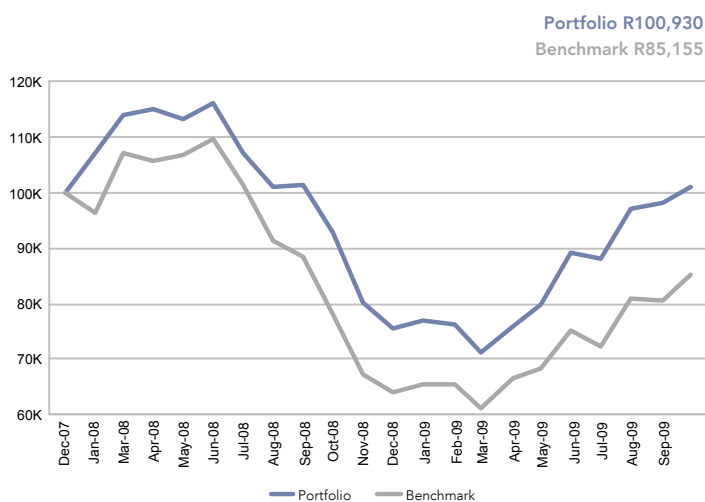
Fund category Foreign - Asset Allocation - Flexible
Fund description Aims to provide long-term capital appreciation by investing in global emerging markets.
Launch date 28 December 2007
Portfolio manager/s Gavin Joubert, Mark Butler and Suhail Suleman

Fund size R320.67 million
NAV 98.71 cents
Benchmark/Performance Fee Hurdle † MSCI Emerging Markets 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)	0.9%	(14.8)%	15.8%
Since Inception (annualised)	0.5%	(8.8)%	9.3%
Latest 1 year (annualised)	8.9%	8.9%	0.0%
Year to date	31.1%	30.1%	1.0%
2008	(23.0)%	(34.5)%	11.5%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Return	0.5%	(8.8)%
Annualised Deviation	22.5%	25.5%
Sharpe Ratio	(0.47)	(0.78)
Maximum Gain	25.1%	23.0%
Maximum Drawdown	(38.6)%	(44.2)%
Positive Months	57.1%	47.6%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2009	(0.9)%	(6.6)%	6.4%	5.4%	11.6%	(1.2)%	10.2%	1.3%	2.7%				31.1%
Fund 2008	7.2%	6.3%	1.0%	(1.7)%	2.6%	(7.6)%	(5.8)%	0.2%	(8.4)%	(13.4)%	(5.9)%	1.9%	(23.0)%
Fund 2007													0.0%

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee - performance related*	Minimum: 1.50% Maximum: 3.50% Sharing Rate: 15.00%

* 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.

† Please note that the benchmark of USD 3-month LIBOR+5% p.a. has changed with effect 5 August 2008.

Total Expense Ratio (TER) ²	2.06% per annum
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When applicable, Coronation shares in the fund performance above the benchmark. This performance fee is accrued daily, based on performance over a rolling 12-month period, and paid to Coronation monthly. If the fund produces a positive return in line with or below the benchmark, the minimum fee will be levied.

For further information regarding our fee structure please contact us or visit our website.

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Country	30 Sep 2009
Equities	85.14%
China	14.68%
South Africa	10.69%
Mexico	9.75%
Brazil	7.58%
Russia	7.29%
Turkey	4.45%
Israel	3.86%
Malaysia	2.72%
Greece	2.38%
Chile	2.24%
Other	19.52%
Cash	14.86%
EUR	5.93%
USD	5.27%
ZAR	3.50%
Other	0.15%
GBP	0.01%

TOP 10 HOLDINGS

As at 30 Sep 2009	% of Fund
Naspers Ltd (South Africa)	5.3%
MTN Group Ltd (South Africa)	5.1%
OAO Gazprom Reg (Russia)	4.2%
America Movil (Mexico)	4.0%
China Mobile Ltd (China)	3.6%
China Dongxiang Group Co (China)	2.4%
Coca-Cola Hellenic Bottling Co (Greece)	2.4%
Teva Pharmaceutical Industries Ltd (Israel)	2.4%
Formento Economico Mexica (Mexico)	2.4%
Coca - Cola Femsa (Mexico)	2.3%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2009	01 Oct 2009	0.12	0.11	0.01
30 Sep 2008	01 Oct 2008	0.93	0.91	0.02

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 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. 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.