

PORTFOLIO MANAGER COMMENTARY

The fund delivered 14.8% for the quarter versus the 16.3% of the FTSE/JSE Industrial Index. For the 12 months to September, the comparatives are 19.1% versus 15.4%, and compound annual figures for the three years to end-September stood at 12.2% versus 12.2%.

A year has passed since the bursting of the credit bubble and the beginning of the global financial crisis. Looking back, what could easily have been the worst possible year for investors in financial markets, has turned out all right. Markets have rebounded strongly, business people are starting to talk about plans for 'the end of the recession' and risk appetite is back in town as evidenced in a wide range of measures ranging from emerging market bond spreads and equity flows to currency rates and volatility indices. So, it wasn't so bad after all. Yet another crisis has been successfully seen off and added to the list we know so well: '87 crash, LTCM, Tequila Crisis and Asian Crisis. Or is there something more to it?

We have been among those expecting a harsher outcome. Being a fully-invested equity mandate, your fund has performed well. This is due to all shares being so cheap 6 months ago that, to be honest, it did not really matter all that much what stock picks one had. Evaluate the performance a little more closely and it becomes clear that our gloomy worldview led us to pick a defensive set of stocks; typically those companies with diversified, global business models in staple-type industries. While these rebounded with the rest of the market, they lagged industrials overall in the last quarter or two. We would have been better served by embracing, at the bottom of the market, the very distressed cyclical sectors: among them construction, credit retail and consumer durables. Missing them would have been especially distressing if we now found ourselves believing that the world was a happy place. Thankfully, but somewhat regretfully, we don't think that. Two main concerns are keeping us snugly in the embrace of the defensive stocks we sought out back then - valuation differentials and the forecast risk to earnings.

We'll use an example or two to demonstrate these. Starting with valuation, consider British American Tobacco (BAT), a share we own, and Barloworld, one we don't. In a market where risk appetite is back, boring old BAT with its steady cash flows, hard currency earnings and low profile is seen as a little unsexy. Since unbundling from Richemont it has been a poor relative performer in rand terms. This global powerhouse, with best-in-class management, 60% of its revenues from still-growing emerging markets and, best of all, captive customers, can be had for a steal at 12.5x PE or a 13.3x free cash flow multiple. This represents a discount to the UK market. We think it will grow its earnings in sterling over the next four years or so (on average) at 11% per year, while returning cash in form of dividends and share buybacks. We have increased our holding into weakness and now hold some 10% of the fund in this counter. Now let's consider Barloworld. The share is up 60% from its 12-month low and has outperformed the market since then. While it is true that we missed this run, it currently trades on a forward PE of 11.7x, not cheap but admittedly reflecting an expectation that earnings will rebound strongly. Still, even factoring in strong earnings growth of 25% compound for the next few years, its rating to its 'normal' (or mid-cycle) earnings is only a very small (10%) discount to the financial and industrial market. For such a cyclical stock this is simply not cheap enough to leave a sufficient margin of safety for earnings disappointments.

Which brings us to the second concern: earnings. We are not economists, but somehow we think it is too simple to assume that the vast liquidity pumped into the global system, the remaining debt burden on the real economy (as opposed to the speculative or financial economy) and the damage to consumers, jobs, trade and so on will all just be fixed in the normal course of business. Low interest rates globally mask the unpalatable fact that debt spreads and debt costs as a whole have increased. The world is tougher out there than it has been. And in particular we think there is significant risk to corporate earnings. The companies with the strongest business models are better options, even if one has to pay a bit more. For SA companies in particular, earnings risk is high and rising as long as the rand remains strong. It may sound counter-intuitive to prefer rand-hedge shares (whose earnings by their nature will suffer under a strong rand) now, but companies such as MTN, Naspers, SABMiller and Bidvest are well diversified away from the rand and have the ability to 'perform their magic' in markets not so affected by the local dynamic. And we have a few geared rand plays in the bottom drawer, against the increasing likelihood (from here anyway) that the currency will blow out, as it often has in the past.

The MTN/Bharti talks appeared to be one of the factors supporting the rand. At the time of writing, the transaction has just been disbanded and the rand has depreciated slightly. We were not in favour of the proposed transaction as the indicative price range undervalued MTN and we were not in favour of being partly paid in Bharti shares - a company we consider to be fairly valued. The uncertainty surrounding the transaction has had a depressing effect on the MTN share price, and temporarily sterilised the market mechanism from weighing the company on its intrinsic value. In the short term, this adversely impacted performance. We continue to hold MTN for the attraction of its underlying fundamentals and not for any deal flow.

Thus, we continue to hope for the best, but are well placed to weather something worse than that. The fund remains centred in our high-conviction ideas, the first 45% being concentrated in 5 holdings, namely MTN, BAT, Naspers, SABMiller and Bidvest. The next 10 holdings, position sizes from just below 3% to just over 4%, takes concentration to well over 80%. Other than increasing BAT, there has not been much movement in the fund during this otherwise eventful period. At the small end (sub 2% positions) we added to Hulamin, Tongaat, Advtech and Remgro.

While we do not feel brave, we are confident that this portfolio should do well whatever uncertainties the macro environment has in store.

Portfolio managers

Dirk Kotzé and Quinton Ivan

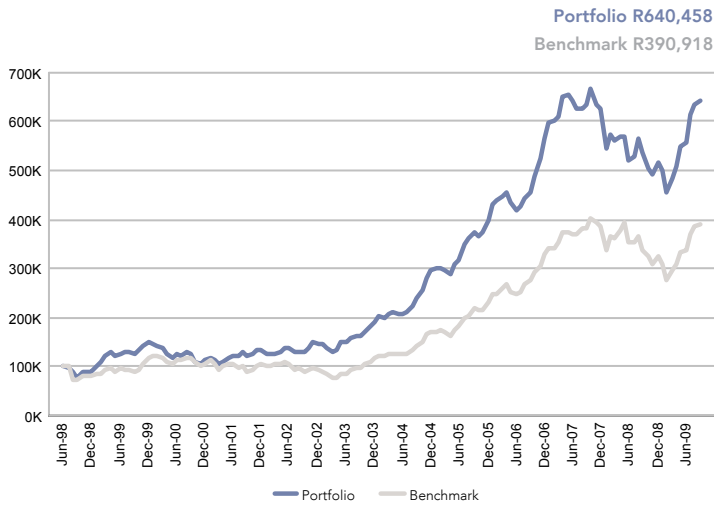
Fund category Domestic - Equity - Industrial
Fund description Invests in a broad range of domestic industrial shares.
Launch date 01 July 1998
Portfolio manager/s Dirk Kotzé and Quinton Ivan

Fund size R85.34 million
NAV 5184.26 cents
Benchmark FTSE/JSE Industrial Index
Risk profile

Cons Mod Aggr

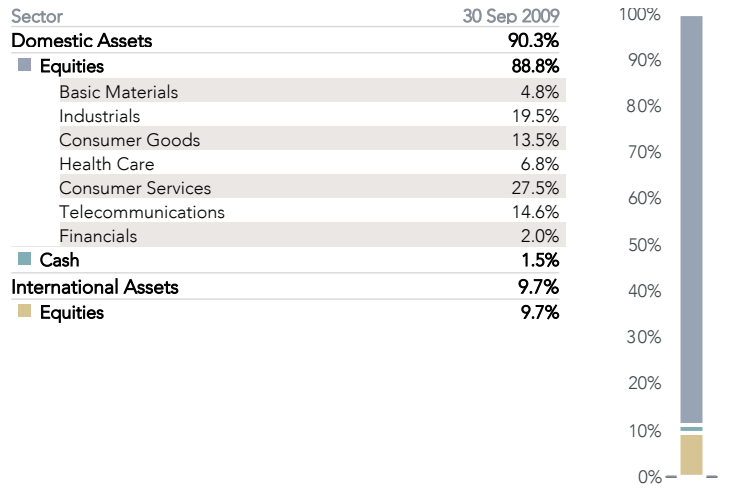
PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	540.5%	290.9%	249.5%
Since Inception (annualised)	17.9%	12.9%	5.1%
Latest 5 years (annualised)	21.9%	22.8%	(0.9)%
Latest 3 years (annualised)	12.2%	12.2%	0.0%
Latest 1 year (annualised)	19.1%	15.4%	3.7%
Year to date	24.0%	20.3%	3.7%
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 Sep 2009	% of Fund
MTN Group Ltd	14.6%
British American Tobacco Plc	9.7%
Naspers Ltd	8.2%
SABMiller Plc	6.8%
Bidvest Group Limited	5.4%
Compagnie Financiere Richemont SA	4.5%
Aspen Pharmacare Holdings Ltd	4.3%
ShopRite Holdings Ltd	4.2%
Woolworths Holdings Ltd	4.1%
Famous Brands Ltd	3.9%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	18.0%	21.3%
Sharpe Ratio	0.38	0.09
Maximum Gain	55.8%	61.7%
Maximum Drawdown	(31.6)%	(38.5)%
Positive Months	63.7%	65.2%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2009	01 Oct 2009	57.76	38.64	19.12
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

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%	9.8%	3.3%	1.3%				24.0%
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	1.25% per annum
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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, 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.