PORTFOLIO MANAGER COMMENTARY

The fund enjoyed a good quarter. It has outperformed its benchmark by 3.2% p.a. over a rolling 3-year period (10.3% versus 7.1% p.a.) and by 0.9% p.a. over a rolling 5-year period (16.0% versus 15.1% p.a.). The fund is one of the top performing funds in its sector over all meaningful periods.

World equity markets rallied towards the end of the year with many US and European stocks trading close to their best levels prior to the collapse of Lehman Brothers in September 2008. Notwithstanding this rally, the global economic recovery remains fragile as reflected by weak housing data and high unemployment in the US and sovereign debt concerns in Europe. This has prompted the US Federal Reserve to announce a second round of quantitative easing by which, the central bank will inject $600 billion into financial markets through the purchase of US treasuries.

The sheer quantum of the monetary and fiscal stimulus employed to support growth has moved the world economy into uncharted territory. We are possibly living through the greatest financial experiment the world has known: if the stimulus is withdrawn prematurely, the world economy risks slipping back into recession and if it is in place for too long, the effect will be higher inflation which will compromise future economic growth. This uncertainty has caused investor behaviour to oscillate between high and low levels of risk appetite as capital scours the globe in search for yield. This has driven the prices of emerging market equities higher, bond yields lower and their currencies stronger.

The All Share Index is now only 1.8% off the May 2008 peak. Although equities remain our preferred asset class for delivering inflation-beating returns, we continue to take profits to maintain what we consider a neutral equity exposure. The past decade has been exceptional for South African investors. Local equities have significantly outperformed global equities with a rand return of 17.8% p.a. over the 10-year period, while developed market equities were flat. We believe that the story will be different over the next 10-year period. Regulation 28 of the Pension Funds Act has recently been amended to align it with revisions to the Exchange Control Act. In terms of the revision, the maximum limit a fund may invest offshore has been raised from 20% to 25%. It is our view that global equities offer more value than local equities and we have taken advantage of this opportunity across our client portfolios and are close to the revised maximum limit.

The All Share Index returned 9.5% for the quarter. Resources led the market higher returning 16.5%, while industrials returned 7.8% and financials -0.1%. Despite the recent bounce, resources have only returned 2.9% over three years. We remain underweight resources although valuations have become more reasonable during the second half of the year based on our assessment of mid-cycle earnings. Our preferred resource exposure remains Sasol given its long-life assets, low cost base and attractive valuation at 9 times our assessment of normal earnings. Post the sell-off of diversified miners in the third quarter of the year, we aggressively bought Anglo American. It has long-life, high quality assets and management have embarked on a significant cost-cutting initiative which will be supportive of future earnings growth. It trades on 13.5 times our assessment of normal earnings including production growth, and now comprises 8.5% of the fund. We remain underweight gold and platinum producers. Although these companies would benefit were the rand to weaken, they do not offer a sufficient margin of safety to justify a significant holding.

Banks were flat for the three-month period, marginally outperforming financials. We remain overweight banks and have added to our position during the quarter based on our view that valuations of the large, commercial banks are attractive at 10 times 1-year forward earnings and price-to-book ratios of 1.8 times.

The South African rand, like many other emerging market currencies, continues to strengthen on the back of significant capital inflows and currently trades at R6.60 to the dollar. It remains our view that the rand is overvalued and will have to weaken – the country is uncompetitive and is being de-industrialised at current levels. It is for this reason that approximately 58% of the fund is invested in rand-hedge counters that are attractively valued and globally diversified. One such example is SABMiller. It is the second largest global brewer and has a robust, balanced business portfolio that is diversified across geographies and currencies. It offers investors one of the highest exposures to fast-growing, emerging markets in the global consumer staples universe, operating in markets such as Latin America, Asia and Africa. It has a proven track record of brand building, cost excellence and earnings delivery. SABMiller is one of the highest quality investments available to the South African investor and offers good value at 13.6 times our assessment of normal earnings and we have added to our holding during the quarter.

We sold the bulk of our retail exposure by the end of the year with the exception of Spar, Woolworths and Mr Price. These businesses have been exceptional performers since the end of the interest rate hike cycle in June 2008 and no longer offer compelling value based on our assessment of mid-cycle earnings. We continue to find value in selected small caps with many trading at around 6 times our assessment of normalised earnings. Approximately a third of our portfolios are now invested in shares outside the ALSI40. The fund currently offers 33% upside to our assessment of fair value for the underlying counters.

In conclusion, markets are likely to remain volatile and testing for the foreseeable future. While we have no special insights into the future, our proven philosophy of investing for the long term will ensure that the fund is positioned to handle the curve balls the market will inevitably throw our way.

Portfolio managers
Karl Leinberger and Quinton Ivan

CORONATION EQUITY

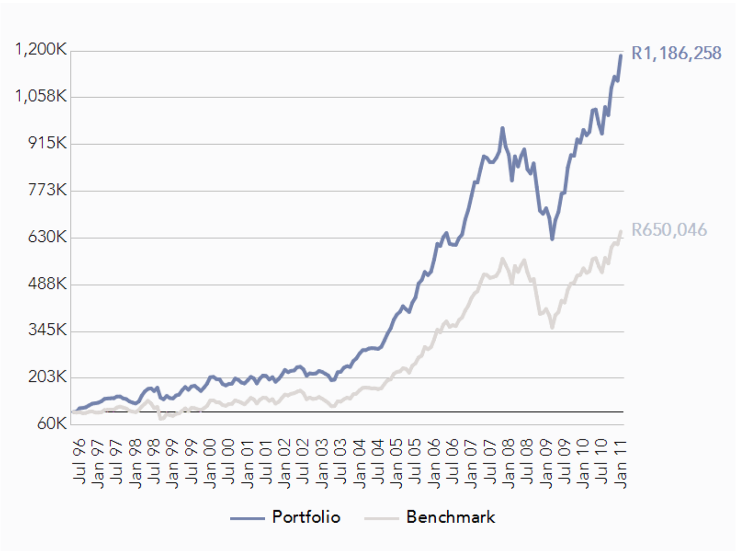
as at 31 December 2010

CORONATION FUND MANAGERS

Fund category	Domestic - Equity - General
Fund description	An emphasis on active stock selection and will remain fully invested in domestic equities at all times.
Launch date	15 April 1996
Portfolio manager/s	Karl Leinberger and Quinton Ivan
Fund size	R 3.21 billion
NAV	8487.29 cents
Benchmark/Performance Fee Hurdle	FTSE/JSE Shareholders Weighted All Share Index
Risk profile	8/10 Aggressive

PERFORMANCE AND RISK STATISTICS[1]

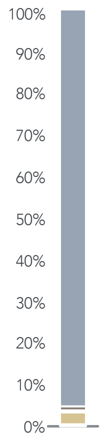
GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2010
Domestic Assets	**96.6%**
Equities	**95.1%**
Oil & Gas	9.5%
Basic Materials	21.3%
Industrials	10.4%
Consumer Goods	7.7%
Health Care	2.7%
Consumer Services	16.1%
Telecommunications	9.4%
Financials	16.6%
Technology	0.2%
Derivatives	1.1%
Real Estate	**1.0%**
Cash	**0.5%**
International Assets	**3.4%**
Equities	**3.1%**
Real Estate	**0.3%**



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	1086.3%	550.0%	536.2%
Since Inception (annualised)	18.4%	13.6%	4.8%
Latest 10 years (annualised)	19.7%	17.3%	2.5%
Latest 5 years (annualised)	16.0%	15.1%	0.9%
Latest 3 years (annualised)	10.3%	7.1%	3.1%
Latest 1 year (annualised)	23.6%	20.9%	2.7%
Year to date	23.6%	20.9%	2.7%
2009	33.1%	29.9%	3.2%
2008	(18.4)%	(21.7)%	3.2%
2007	16.6%	18.1%	(1.5)%

TOP 10 HOLDINGS

As at 31 Dec 2010	% of Fund
Sasol Ltd	9.5%
MTN Group Ltd	9.4%
Standard Bank of SA Ltd	7.8%
Anglo American Plc	7.1%
Naspers Ltd	6.3%
SABMiller Plc	5.0%
BHP Billiton Plc	2.9%
Bidvest Group Ltd	2.8%
British American Tobacco Plc	2.8%
ABSA Group Ltd	2.5%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	17.0%	20.3%
Sharpe Ratio	0.40	0.10
Maximum Gain	47.4%	43.5%
Maximum Drawdown	(35.1)%	(41.0)%
Positive Months	62.5%	61.4%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2010	01 Oct 2010	61.62	55.95	5.67
31 Mar 2010	01 Apr 2010	16.82	14.41	2.41
30 Sep 2009	01 Oct 2009	23.33	21.41	1.92
31 Mar 2009	01 Apr 2009	230.94	223.15	7.79

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2010	(1.7)%	1.1%	6.8%	0.3%	(4.4)%	(3.0)%	8.6%	(2.4)%	8.3%	3.2%	(1.1)%	6.9%	23.6%
Fund 2009	(4.0)%	(9.4)%	9.2%	3.6%	7.9%	0.4%	10.0%	4.5%	(0.3)%	5.7%	(1.1)%	4.2%	33.1%
Fund 2008	(8.9)%	9.2%	(3.5)%	3.8%	2.3%	(6.7)%	(1.6)%	3.8%	(8.4)%	(9.2)%	(1.4)%	2.5%	(18.4)%

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee* Class A:**	Minimum: 1.10% Maximum: 3.00% Sharing Rate: 15.00%
Annual Management Fee* Class R:	Standard: 1.00%

* A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment fore administrative and distribution services.

**When applicable, Coronation shares in the fund performance above the performance fee hurdle. This performance fee is accrued daily, based on performance over a rolling 24-month period, and paid to Coronation monthly. If the fund produces a return in line with or below the benchmark for the relevant 24-month period, the minimum fee applies. For further information regarding our fee structure please contact us or visit our website.

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). [1]Performance as calculated by Coronation as at 31 December 2010 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. [2]The 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 September 2010. 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.

Total Expense Ratio (TER)[2]	Class A: 1.95% per annum, which includes a performance fee of 0.69%

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.

Client Service 0800 22 11 77 Fax: (021) 680 2500 Email clientservice@coronation.co.za Website www.coronation.com