

PORTFOLIO MANAGER COMMENTARY

The fund delivered a return of 7.81% for the quarter versus 7.79% delivered by the FTSE/JSE Industrial Index. For the 12 months to December, the comparatives are 29.45% and 27.39%, and compound annual figures since inception stood at 19.21% versus 14.45%. 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, 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 We are possibly living through the greatest financial experiment the world has known: if the stimulus is withdrawn prematurely, the world economy risks slipping back into recession and if it is in place for too long, the effect will be higher inflation which will compromise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 for yield. This has driven the prices of emerging market equities higher and their bond yields lower.

The South African rand, like many other emerging market currencies, continues to strengthen on the back of significant capital inflows and traded at R6.60 to the dollar at the time of writing. 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 56% 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, with share prices up three to four times on average since the end of the interest rate hike cycle in June 2008. However, based on our assessment of mid-cycle earnings retailers no longer offer compelling value. We continue to find value in selected small caps with many trading at around 6 times our assessment of normal earnings. Approximately 42% of the fund is now invested in shares outside the ALSI40.

In conclusion, equity markets are no longer cheap - the fund currently offers 32% upside to our assessment of fair value for the underlying counters. Despite the bounce in markets during the last quarter of the year, uncertainties remain. While we have no special insights into the future, our proven philosophy of investing for the long term will ensure that our funds are positioned to handle the curve balls the market will inevitably throw our way.

Portfolio managers

Dirk Kotzé and Quinton Ivan

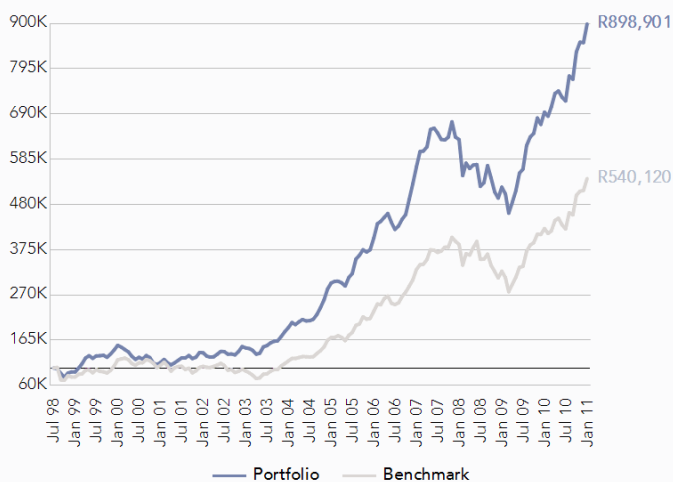
Fund category Domestic - Equity - Industrial
Fund description Invests in a broad range of domestic industrial shares.
Launch date 01 July 1998
Portfolio manager/s Dirk Kotzé and Quinton Ivan

Fund size R206.11 million
NAV 7035.05 cents
Benchmark FTSE/JSE Industrial Index
Risk profile

9/10
Aggressive

PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	798.9%	440.1%	358.8%
Since Inception (annualised)	19.2%	14.4%	4.8%
Latest 10 years (annualised)	23.1%	17.7%	5.4%
Latest 5 years (annualised)	17.5%	18.4%	(1.0)%
Latest 3 years (annualised)	12.5%	11.7%	0.8%
Latest 1 year (annualised)	29.5%	27.4%	2.1%
Year to date	29.5%	27.4%	2.1%
2009	33.5%	30.5%	3.0%
2008	(17.5)%	(16.1)%	(1.4)%
2007	11.2%	17.8%	(6.6)%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	17.5%	20.7%
Sharpe Ratio	0.49	0.18
Maximum Gain	55.8%	61.7%
Maximum Drawdown	(31.6)%	(38.5)%
Positive Months	63.3%	65.3%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2010	(1.4)%	3.2%	4.4%	0.8%	(2.0)%	(1.2)%	8.1%	(1.0)%	8.2%	2.7%	(0.1)%	5.0%	29.5%
Fund 2009	(3.1)%	(8.8)%	5.5%	5.4%	8.1%	1.6%	9.8%	3.3%	1.3%	5.6%	(2.2)%	4.3%	33.5%
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)%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2010	% of Fund
Domestic Assets	90.2%	
■ Equities	87.6%	
Basic Materials	8.3%	
Industrials	22.7%	
Consumer Goods	7.3%	
Health Care	5.3%	
Consumer Services	26.6%	
Telecommunications	13.6%	
Financials	3.7%	
■ Cash	2.6%	
International Assets	9.8%	
■ Equities	9.8%	

TOP 10 HOLDINGS

As at 31 Dec 2010	% of Fund
MTN Group Ltd	13.6%
British American Tobacco Plc	9.8%
Naspers Ltd	5.8%
SABMiller Plc	5.4%
Bidvest Group Ltd	5.0%
Famous Brands Ltd	4.2%
Deutsche Bank AG	3.7%
AECI Ltd	3.2%
Netcare Limited	3.0%
Woolworths Holdings Ltd	3.0%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2010	01 Oct 2010	64.80	63.37	1.43
31 Mar 2010	01 Apr 2010	34.28	26.94	7.34
30 Sep 2009	01 Oct 2009	57.76	38.64	19.12
31 Mar 2009	01 Apr 2009	26.50	26.50	0.00

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	1.20% per annum

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 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. 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 September 2010, as well as the actual performance fee incurred over the 12 months 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.

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.