

## PORTFOLIO MANAGER COMMENTARY

2010 was another good year for your fund. It returned 19.7%, relative to the resource sector (12.4%) and the average of our competitors (14.3%). In the last three months the fund returned 15.4%. Markets were generally volatile throughout the year but the last four months sustained an upward trend. Most commodities have nearly recovered to their 2008 levels and some (notably gold and copper) reached new all-time highs. This was one of the factors causing the significant strength in the rand and other commodity currencies.

As mentioned in our 2009 year-end commentary, the first decade of the noughties was an exceptional one for South African investors, especially for those invested in commodity shares. After another good year, the average annual compound return from the fund over the last five years was 18.8% and 24.6% over the last 10 years. These returns are flattered by the starting point – at the start of 2000 commodities and resources were at the bottom of a very protracted bear market, and has been in a nearly continuous bull market ever since (barring the 2008 interruption). Both earnings and the multiples applied to earnings (P/E ratios) has expanded over the period. We remind investors not to expect similar returns going forward.

Our share selection performed well over the year. The shares that contributed most to performance were Mondi, Pan African Resources, AECL and Exxaro. Not owning big underperformers (Amplats and Sappi) also helped. Detracting from our performance was holdings in Pallinghurst, Buildmax and Hulamin.

Our offshore holdings again acted as a drag on performance, with the rand strengthening by 11% against the dollar from R7.39 at the start of the year to R6.59 at the end. We remain convinced that the maximum offshore exposure is correct and should reward unit holders in the medium to longer term. This view is informed not only by our view on the rand, but also by the diversification benefits and the much larger universe of companies available to us to invest in.

The biggest risk to commodity prices remains a slowdown in Chinese investment into property and infrastructure. The possibility of a Western fiscal crisis also cannot be ruled out. While risks abound, current conditions remain favourable for commodity prices and a decent performance is still likely from current relatively fair valuations. Our position is aptly described by the French philosopher Voltaire: "Doubt is not a pleasant condition, but certainty is absurd."

In this environment, we continue to apply our investment process consistently. We will own the companies in our sector where we believe the return in most scenarios will be favourable to investors. We do not expect this process to deliver sector-beating returns in every year, but we do expect the fund to show good results over most periods of at least three years (and so should you).

Happy New Year!

**Portfolio managers**

Henk Groenewald and Duane Cable

**Fund category** Domestic - Equity - Resources & Basic Industries  
**Fund description** Invests in a broad range of resource and basic industry counters that are affected by changes in the commodity cycle.  
**Launch date** 01 October 1999  
**Portfolio manager/s** Henk Groenewald and Duane Cable

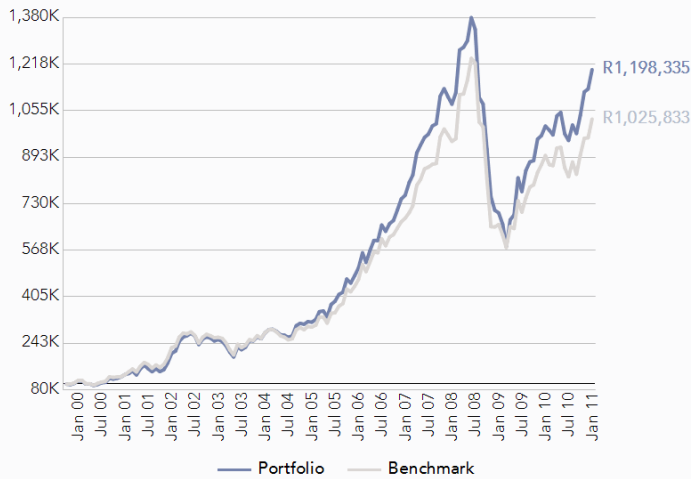
**Fund size** R243.09 million  
**NAV** 9247.47 cents  
**Benchmark** Resources & Basic Industries Sector Mean

**Risk profile**



## PERFORMANCE AND RISK STATISTICS<sup>1</sup>

### GROWTH OF A R100,000 INVESTMENT



## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2010	
<b>Domestic Assets</b>	<b>70.4%</b>	
■ <b>Equities</b>	<b>66.6%</b>	
Oil & Gas	13.6%	
Basic Materials	51.1%	
Industrials	1.0%	
Consumer Goods	0.8%	
■ <b>Cash</b>	<b>3.8%</b>	
<b>International Assets</b>	<b>29.6%</b>	
■ <b>Equities</b>	<b>24.8%</b>	
■ <b>Cash</b>	<b>4.8%</b>	

## PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	1098.3%	925.8%	172.5%
Since Inception (annualised)	24.7%	23.0%	1.7%
Latest 10 years (annualised)	24.6%	22.7%	1.9%
Latest 5 years (annualised)	18.8%	17.1%	1.7%
Latest 3 years (annualised)	3.6%	2.7%	0.9%
Latest 1 year (annualised)	19.7%	14.2%	5.5%
Year to date	19.7%	14.2%	5.5%
2009	43.5%	36.7%	6.8%
2008	(35.2)%	(30.6)%	(4.6)%
2007	41.8%	39.5%	2.3%

## TOP 10 HOLDINGS

As at 31 Dec 2010	% of Fund
Anglo American Plc	14.2%
Sasol Ltd	13.6%
BHP Billiton Plc	10.1%
Zimplats Holdings Ltd	6.1%
Pan African Resources PLC	5.7%
Impala Platinum Holdings Ltd	5.0%
OAQ Gazprom Reg	4.2%
Mondi Plc	4.2%
Anglo American ELN	2.7%
Evrz Highveld Steel and Vanadium Ltd	2.5%

## RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	24.0%	23.5%
Sharpe Ratio	0.62	0.56
Maximum Gain	93.4%	75.6%
Maximum Drawdown	(57.9)%	(53.4)%
Positive Months	64.4%	63.0%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2010	01 Oct 2010	25.05	24.43	0.62
30 Sep 2009	01 Oct 2009	10.53	8.16	2.37
31 Mar 2009	01 Apr 2009	23.74	22.09	1.65
30 Sep 2008	01 Oct 2008	87.32	83.57	3.75

## MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2010	(1.4)%	(1.7)%	6.9%	1.1%	(7.1)%	(2.4)%	5.7%	(3.0)%	6.5%	7.9%	0.9%	6.0%	19.7%
Fund 2009	(5.6)%	(11.8)%	16.0%	2.5%	18.7%	(5.9)%	9.5%	3.6%	0.5%	8.6%	1.3%	3.5%	43.5%
Fund 2008	3.8%	13.3%	0.7%	1.8%	6.2%	(2.9)%	(17.8)%	(2.1)%	(14.6)%	(18.0)%	(6.3)%	(1.4)%	(35.2)%

## FEES (excl. VAT)

<b>Initial Fee</b>	Coronation: 0.00%
<b>Annual Management Fee*</b>	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.	
<b>Total Expense Ratio (TER)<sup>2</sup></b>	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). <sup>1</sup>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. <sup>2</sup>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, 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.