

## PORTFOLIO MANAGER COMMENTARY

The fund enjoyed a good quarter. It has outperformed its benchmark by 2.2% p.a. over a rolling 3-year period (3.3% versus 1.1% p.a.) and is in line with its benchmark over a rolling 5-year period. The fund is one of the top performing funds in its sector over all meaningful periods.

In our previous commentary we cautioned that markets were likely to remain volatile for some time to come. In the past quarter the sovereign debt crisis in Europe, with Greece at the centre, dominated global financial markets. Fears of contagion within Europe resulted in significant euro weakness and heightened risk aversion triggered a sell-off in equity markets worldwide. In response, the European Union and International Monetary Fund agreed to an unprecedented rescue package of approximately \$1 trillion.

The quantum of the bailout package highlighted the lengths that governments and regulators are prepared to go to prevent a reoccurrence of the financial crisis. This means that economic policies will be unambiguously geared to stimulating growth. Interest rates are therefore likely to remain lower for longer and while this increases the risk of higher inflation in the future, it supports the pricing of risk assets in the short term. Equities remain our preferred asset class for producing inflation-beating returns. We have added to our equity positions on the back of market weakness and hold what we consider to be neutral equity exposure. We continue to favour global over local equities and have taken full advantage of this opportunity, during a period of rand strength, across our client portfolios.

The All Share Index returned -8.2% for the quarter. Resources led the market lower returning -11.9%, industrials returned -4.5% and financials -7.8%. While we remain underweight resources, valuations have become more reasonable. Diversified miners were particularly hard hit during the quarter over concerns that the draconian resource super profit tax mooted in Australia would spread to other geographies. Anglo American now trades on 10 times our assessment of normalised earnings including production growth, and we have added to our holding. It has long-life, high quality assets and post the \$2 billion dollar convertible bond, the balance sheet has been strengthened. Following a sustained period of high commodity prices, inefficiencies had crept into the business. Management have embarked on a significant cost-cutting initiative and this will be supportive of future earnings growth. We previously had zero direct exposure to platinum, but have started buying Impala Platinum. Post the sell-off it trades on 12 times our assessment of normal earnings with the optionality of achieving greater production in Zimplats, its low-cost, high grade, Zimbabwean operations. We remain underweight gold counters, with our only exposure being a 3% position in Anglogold.

We remain overweight banks, which returned -9.9% for the quarter. South African banks are well-managed, well-capitalised, conservatively provisioned and trade on attractive ratings of 9 times 1-year forward earnings and price-to-book ratios of 1.7 times. Future earnings growth prospects are good, supported initially by an unwinding of the impairment provision and then by advances growth as consumers respond to lower interest rates.

The South African economy is healing and inflation is now well within the target band, driven by rand strength and lower food prices. As long as inflation is contained, monetary policy will remain supportive. While we expect inflation to remain benign in the short term, we are concerned longer term given the underlying pressures from higher labour settlements, increased electricity tariffs and rising property rates and levies. Rand strength continues to be supported by global risk appetite. Longer-term, we believe that the rand would have to weaken – South Africa is simply uncompetitive at current levels. Consequently, we maintain a significant rand-hedge element in our portfolios, owning attractively valued, globally diversified businesses that happen to be listed in South Africa such as MTN, British American Tobacco, Naspers, Richemont, SABMiller and Bidvest.

Naspers remains a top five holding in our portfolios. The Pay-TV business (a third of which is Africa) remains a large component of its valuation. This is an annuity-based, defensive business that generates large amounts of cash and continues to show good subscriber growth despite increased competition. The remaining businesses largely comprise the internet assets, Tencent and Tradus and the print business, Media24. Tencent is a 36%-owned associate and is principally engaged in the provision of internet value-added services, including online games, to users in China. It has been a spectacular acquisition with its value increasing nearly one hundred fold over a period of six years. Recently however, the Chinese Ministry of Culture has issued new regulations impacting providers of online games. These included the requirement for users to register for services using their identity document (similar to RICA in South Africa) and restricting the playing time of minors. The regulations have caused uncertainty among investors of Tencent which has weighed heavily on the Naspers share price. We have thoroughly assessed the proposed changes and believe the impact to be minimal. Carrying Tencent at roughly half the current share price, our valuation of Naspers offers a considerable margin of safety. We have used this opportunity to add to our existing position.

MTN remains the largest holding in the fund. It has performed poorly on concerns over increased competition with the imminent entry of Bharti Airtel in Nigeria and uncertainty over corporate action; the most recent example being the failed acquisition of Orascom Telecom. We continue to believe that MTN presents an attractive opportunity and have added to our holding during the quarter. It trades on an undemanding rating 2-3 years out and should enjoy many years of above-average growth given its dominant position in many under-penetrated mobile markets.

Our local exposures remain weighted towards quality counters with strong franchises and good management such as the Spar Group, Woolworths and Mr Price. Despite a period of strong share price appreciation for retailers, the above counters remain attractive based on our assessment of fair value using mid-cycle earnings. That said, we have used the recent run to take profits in Shoprite, Truworths and Foschini. As mentioned in previous commentary, we believe small caps present a compelling opportunity to the long-term investor and hold many quality companies trading at 6 times our assessment of normalised earnings.

In conclusion, financial markets remain finely balanced. Global economies are united in their goal of deficit reduction, but differ as to the best path to follow. The United States plans to spend big to stimulate growth whereas Europe has introduced significant austerity measures to rein in costs. This has created enormous uncertainty and at the time of writing, financial markets have once again sold-off on concerns that the world may be headed for a double-dip recession. Uncertainty is the friend of the patient, rational investor as it often presents opportunities as market participants lose their heads and misprice assets. We remain resolute to 'cutting out the noise' and focusing on our long-term objective of creating wealth for our clients.

**Portfolio managers**

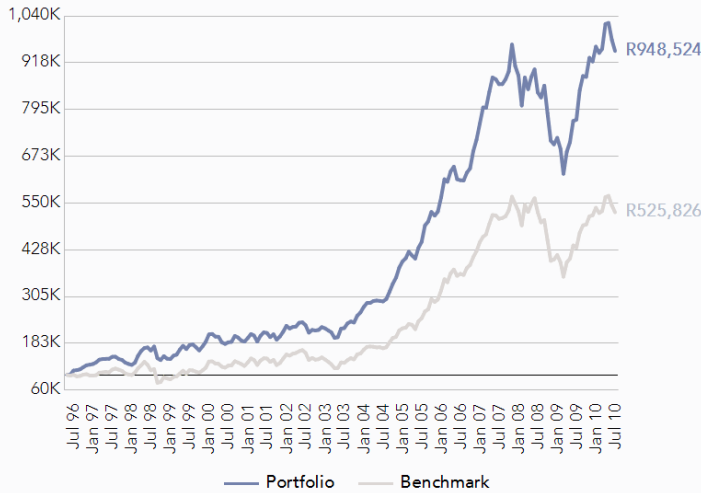
Karl Leinberger and Quinton Ivan

**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 2.49 billion  
**NAV** 6843.81 cents  
**Benchmark/Performance Fee Hurdle** FTSE/JSE Shareholders Weighted All Share Index  
**Risk profile** Cons Mod Aggr

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

### GROWTH OF AN R100,000 INVESTMENT



## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2010	
<b>Domestic Assets</b>	<b>95.6%</b>	
■ <b>Equities</b>	<b>94.1%</b>	
Oil & Gas	9.0%	
Basic Materials	21.2%	
Industrials	11.0%	
Consumer Goods	8.9%	
Health Care	1.9%	
Consumer Services	15.9%	
Telecommunications	10.2%	
Financials	14.9%	
Technology	0.2%	
Derivatives	1.0%	
■ <b>Real Estate</b>	<b>1.0%</b>	
■ <b>Cash</b>	<b>0.5%</b>	
<b>International Assets</b>	<b>4.4%</b>	
■ <b>Equities</b>	<b>3.7%</b>	
■ <b>Real Estate</b>	<b>0.6%</b>	

## PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	848.5%	425.8%	422.7%
Since Inception (annualised)	17.2%	12.4%	4.8%
Latest 5 years (annualised)	16.2%	16.2%	0.0%
Latest 3 years (annualised)	3.3%	1.1%	2.1%
Latest 1 year (annualised)	23.4%	21.3%	2.1%
Year to date	(1.2)%	(2.2)%	1.0%
2009	33.1%	29.9%	3.2%
2008	(18.4)%	(21.7)%	3.2%
2007	16.6%	18.1%	(1.5)%
2006	34.2%	39.3%	(5.1)%

## TOP 10 HOLDINGS

As at 30 Jun 2010	% of Fund
MTN Group Ltd	10.2%
Sasol Ltd	9.0%
Standard Bank of SA Ltd	7.6%
Anglo American Plc	6.4%
Naspers Ltd	6.2%
SABMiller Plc	4.0%
British American Tobacco Plc	3.4%
Anglogold Limited	3.1%
BHP Billiton Plc	2.9%
Bidvest Group Ltd	2.8%

## RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	17.0%	20.4%
Sharpe Ratio	0.32	0.04
Maximum Gain	47.4%	43.5%
Maximum Drawdown	(35.1)%	(41.0)%
Positive Months	62.4%	61.2%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
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
30 Sep 2008	01 Oct 2008	88.12	85.64	2.48

## 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)%							(1.2)%
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)

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

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

## 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.

## Total Expense Ratio (TER)<sup>2</sup>

Class A: 1.68% per annum, which includes a performance fee of 0.33%

\*\*When applicable, Coronation shares in the fund performance above the benchmark. 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 of 1.10% 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). <sup>1</sup>Performance is quoted from Morningstar as at 30 June 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 March 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.