

PORTFOLIO MANAGER COMMENTARY

Global equity markets suffered a difficult second quarter and emerging markets were no exception to this. From mid-April to late May the MSCI Emerging Markets Index fell close to 20%, breaking a year long trend of very good returns for investors. Given the high levels of volatility in global markets today, we have been relatively active in the fund over the past few months as individual shares move closer to, or further away from, our fair value in a short time period.

There were several noticeable moves in our Chinese holdings, most of them sales. We sold out of China Mobile as it held up quite well when the market was falling, decreasing its relative attractiveness as other stocks became cheaper. We also sold out of Ajisen, a ramen noodle restaurant chain as it reached our fair value. On the buy side we added to our small remaining position in Ports Design, a high end fashion retailer, as it had fallen by one third from the levels at which we had previously sold. We also started to accumulate a position in BaWang International. BaWang is a Chinese Household Personal Care (HPC) company currently specialising in herbal shampoos and related products. Chinese shampoo consumption is a fraction of that in other countries. For example, the average Chinese consumer uses 300ml of hair care products per year, whereas the equivalent in the US and Western Europe is 5 to 8 times this volume. Elsewhere in East Asia (Japan and South Korea in particular) the figures are also at least five times that of Chinese consumption. This large gap in consumption may not be eliminated over time, but higher year-on-year growth in Chinese consumption will see it narrow substantially. With 1.3 billion people, this is an enormous market opportunity for HPC firms. BaWang is the market leader in herbal shampoos which represent almost one fifth of the total hair care market, a share that has been rising slowly over time. These are powerful drivers for growth in BaWang's earnings. Whilst the stock may appear expensive on a one-year timeframe, over the course of our five-year forecast period BaWang offers great upside.

We increased our exposure to Korea by adding the three tigers – Hyundai Motor, Samsung Electronics and LG Electronics. These are all world class companies with operations throughout the world and increasing exposure to the fastest growing regions in emerging markets that require cars, household appliances and electronics for a growing consumer and urban middle class. From being low cost upstarts looking to take market share from the established Japanese, these three firms have moved to become high quality manufacturers with strong brands and stable margins in an otherwise cut throat industry. All three trade on single digit ratings on earnings that are not high in our view. We also purchased the preference shares which trade at large discounts to the ordinary shares, ranging from 30% in the case of Samsung to as high as 60% in the case of LG Electronics, which is at the high end of their 10-year historical ranges.

Moving west to Europe, we sold out our holdings in BAT and Unilever as they held up relatively well and we were finding better value elsewhere. One such example is Central European Distribution Company (CEDC), the leading vodka producer in Poland and one of the top five producers in Russia. We believe the opportunity in Russia in particular is significant as illegal sales still account for the largest part of the market. Aside from share gains from the illegal market, the legal market is still fragmented and the large players including CEDC should continue to take market share. This has a multiplying effect on profits as both revenue and margins increase simultaneously. There are undoubtedly risks facing CEDC including relatively high debt levels and of course country (Russia) risk, but with the stock trading on a single digit free cash flow multiple at the time of the fund's purchase we believe one was being more than compensated for this risk.

In the Americas we reintroduced two Brazilian stocks, Petrobras and Itau Unibanco. We had previously sold out of both as they had reached our estimate of fair value. In the past few months however, both had experienced sharp share price declines which made them attractive once again. Petrobras is one of the few major oil companies with a growing production profile. The share trades on less than 9x this year's earnings. The fund owns the preference share which trades at a 12% discount to this, or effectively closer to 8x this year's earnings. We believe that this is very attractive given its existing growth profile and the optionality inherent in the new, but as yet unquantified, resources. Itau Unibanco is the largest bank in Brazil. We believe that the outlook for banks in Brazil is very favourable given low banking and financial services penetration and a strongly growing economy with rising disposable incomes. We believe Itau Unibanco can grow its earnings at around 20% p.a. over the next 5 years, making it very attractive on 10x next year's earnings.

Earlier in the year we were generally sellers of equities given the significant share price moves from the bottom and as a result the fund's equity exposure declined to the high 70% level. However, given the large declines in a number of emerging market stocks over the past few months, we once again are able to find a lot of value. As such we have increased the fund's equity exposure to the 90% level and look forward to achieving above average returns from current levels.

Portfolio managers

Gavin Joubert, Mark Butler and Suhail Suleman

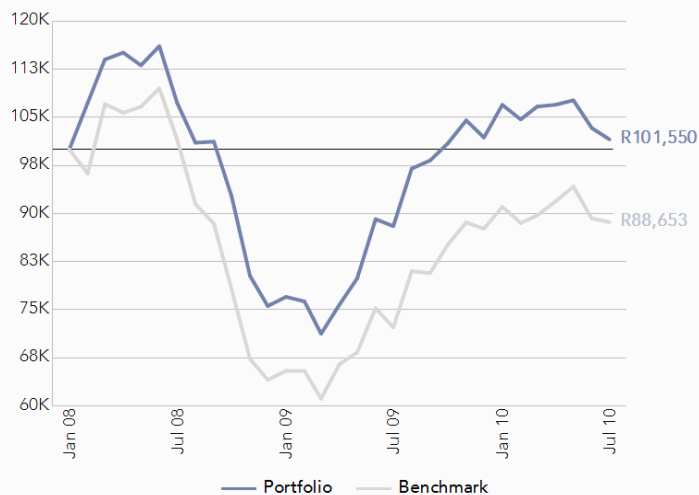
Fund category Foreign - Asset Allocation - Flexible
Fund description Aims to provide long-term capital appreciation by investing in global emerging markets.
Launch date 28 December 2007
Portfolio manager/s Gavin Joubert, Mark Butler and Suhail Suleman

Fund size R406.37 million
NAV 99.19 cents
Benchmark/Performance Fee Hurdle † MSCI Emerging Markets Index
Risk profile

Cons Mod Aggr

PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Country	30 Jun 2010
Equities	90.27%
China	15.92%
Brazil	14.34%
Russia	8.09%
Israel	6.14%
Turkey	5.69%
South Africa	5.58%
United States	5.02%
Chile	3.66%
Thailand	3.62%
Korea	3.60%
Other	18.60%
Cash	9.73%
ZAR	5.46%
Other	2.72%
USD	1.10%
HKD	0.45%

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	1.6%	(11.3)%	12.9%
Since Inception (annualised)	0.6%	(4.7)%	5.3%
Latest 1 year (annualised)	15.4%	22.7%	(7.3)%
Year to date	(5.0)%	(2.6)%	(2.4)%
2009	38.9%	39.1%	(0.2)%
2008	(23.0)%	(34.5)%	11.5%

TOP 10 HOLDINGS

As at 30 Jun 2010	% of Fund
AO Gazprom Reg (Russia)	6.9%
MTN Group Ltd (South Africa)	6.6%
Naspers Ltd (South Africa)	4.0%
Teva Pharmaceutical Industries Ltd (Israel)	3.7%
Netease.com Inc (China)	3.6%
China Dongxiang Group Co (China)	3.6%
Sohu.com Inc (China)	3.5%
Turkiye Garanti Bankasi (Turkey)	3.4%
Bank of Baroda (India)	2.9%
Petroleo Brasileiro SA (Brazil)	2.9%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Return	0.6%	(4.7)%
Annualised Deviation	19.5%	22.0%
Sharpe Ratio	(0.48)	(0.67)
Maximum Gain	25.1%	23.0%
Maximum Drawdown	(38.6)%	(44.2)%
Positive Months	56.7%	50.0%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2009	01 Oct 2009	0.12	0.11	0.01
30 Sep 2008	01 Oct 2008	0.93	0.91	0.02

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2010	(2.1)%	1.9%	0.3%	0.7%	(4.0)%	(1.7)%							(5.0)%
Fund 2009	(0.9)%	(6.6)%	6.4%	5.4%	11.6%	(1.2)%	10.2%	1.3%	2.7%	3.6%	(2.6)%	5.0%	38.9%
Fund 2008	7.2%	6.3%	1.0%	(1.7)%	2.6%	(7.6)%	(5.8)%	0.2%	(8.4)%	(13.4)%	(5.9)%	1.9%	(23.0)%

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee - performance related*	Minimum: 1.50% Maximum: 3.50% Sharing Rate: 15.00%

* 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.

† Please note that the benchmark of USD 3-month LIBOR+5% p.a. has changed with effect 5 August 2008.

Total Expense Ratio (TER)²	2.11% per annum, which includes a performance fee of 0.06%
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When applicable, Coronation shares in the fund performance above the benchmark. This performance fee is accrued daily, based on performance over a rolling 12-month period, and paid to Coronation monthly. If the fund produces a positive return in line with or below the benchmark, the minimum fee will be levied.

For further information regarding our fee structure please contact us or visit our website.

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 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. 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 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.