

PORTFOLIO MANAGER COMMENTARY

The fund delivered -2.4% for the quarter versus the -4.5% delivered by the FTSE/JSE Industrial Index. For the 12 months to June, the comparatives are 28.2% versus 25.9%, and compound annual figures since inception stood at 17.8% versus 12.8%. The fund is one of the top performing funds in its sector over all meaningful periods.

Global financial markets were dominated by concerns over the sovereign debt crisis in Europe with Greece at the centre. This resulted in significant market volatility during the quarter. Concerns over sovereign debt contagion within Europe resulted in significant euro weakness and heightened risk aversion which saw equity markets selling off worldwide. This culminated in the European Union and International Monetary Fund agreeing to an unprecedented rescue package of approximately \$1 trillion.

The quantum of the bailout package highlighted that governments and regulators are prepared to do everything in their power 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.

In South Africa, the 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.

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 two to three 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 Spar, Shoprite, Woolworths, Mr Price and Truworths. 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 and Truworths. As mentioned in previous commentary, we believe small caps present a compelling opportunity to the long-term investor and own many quality companies (e.g. Dawn, Iliad and Omnia) trading at six times our assessment of normalised earnings.

The most significant buys during the quarter have been Vodacom, MTN, Lewis Stores and Naspers. Naspers remains an anchor tenant of the fund and now constitutes a 7% position. The pay-TV business (a third of which is Africa) remains a large component of the 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 users being required to use their identity document when registering for services (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.

The only sales during the quarter have been profit-taking in Shoprite, Truworths, Richemont and selling out of Remgro to fund the above purchases.

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 US plans to spend big in order 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, long-term investor as it often presents opportunities when market participants lose their heads and misprice assets. We look forward to capitalising on these opportunities.

Portfolio managers

Dirk Kotzé and Quinton Ivan

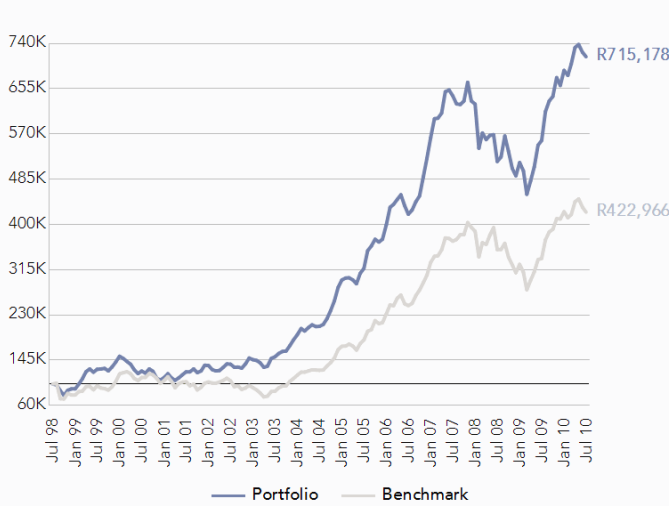
Fund category Domestic - Equity - Industrial
 Fund description Invests in a broad range of domestic industrial shares.
 Launch date 01 July 1998
 Portfolio manager/s Dirk Kotzé and Quinton Ivan

Fund size R113.69 million
 NAV 5692.20 cents
 Benchmark/Performance Fee Hurdle FTSE/JSE Industrial Index
 Risk profile

Cons Mod Aggr

PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2010	100%
Domestic Assets	89.7%	
■ Equities	88.6%	
Basic Materials	6.9%	
Industrials	18.9%	
Consumer Goods	11.7%	
Health Care	2.2%	
Consumer Services	29.4%	
Telecommunications	17.5%	
Financials	2.0%	
■ Cash	1.0%	
International Assets	10.3%	
■ Equities	10.3%	

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	615.2%	323.0%	292.2%
Since Inception (annualised)	17.8%	12.8%	5.0%
Latest 5 years (annualised)	17.7%	18.3%	(0.6)%
Latest 3 years (annualised)	3.7%	4.7%	(1.0)%
Latest 1 year (annualised)	28.2%	25.9%	2.4%
Year to date	3.7%	(0.2)%	4.0%
2009	33.5%	30.5%	3.0%
2008	(17.5)%	(16.1)%	(1.4)%
2007	11.2%	17.8%	(6.6)%
2006	41.1%	41.9%	(0.7)%

TOP 10 HOLDINGS

As at 30 Jun 2010	% of Fund
MTN Group Ltd	14.3%
British American Tobacco Plc	10.3%
Naspers Ltd	7.2%
SABMiller Plc	5.1%
Famous Brands Ltd	5.0%
Woolworths Holdings Ltd	4.8%
Bidvest Group Ltd	4.1%
Mobileind Convdebs	4.0%
AECI Ltd	3.8%
Spar Group Ltd	3.6%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	17.6%	20.8%
Sharpe Ratio	0.40	0.09
Maximum Gain	55.8%	61.7%
Maximum Drawdown	(31.6)%	(38.5)%
Positive Months	63.2%	64.6%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
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
30 Sep 2008	01 Oct 2008	39.97	38.29	1.68

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)%							3.7%
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)%

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.

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) ²	1.19% per annum
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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, as well as the actual performance fee incurred over the 12 months 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.