

PORTFOLIO MANAGER COMMENTARY

In the past year to end June, the fund returned 28.3%, placing it fifth relative to its competitor funds. Over the past three years, the fund has returned -4.2% per annum, placing it third on a relative basis. The three-year performance number looks poor on an absolute basis, but the starting point of June 2007 was very close to the peak level the fund reached.

In general, the much anticipated revival in the domestic economy, while starting to happen, is proving sluggish. The signals however, seem somewhat conflicting. Car sales are up 18% for the first half of 2010 and discussions with distributors of televisions reveal that business in this industry is good (probably in part due to the 2010 FIFA World Cup). Lumber sales are up 17% for the first five months of the year, yet cement sales, while not officially reported at the moment, are said to be down over 10%. Total new mortgages granted in March were up 56% on the comparative month, while mortgages paid out were only up 10% in the same month. Anecdotal information from the building material retailers indicate that conditions in this industry remain very tough, with negative volume growth persisting. Construction companies are still benefitting from the tail end of lucrative 2010-related projects, but the outlook for the next few years is not nearly as rosy. The contract mining industry is in disarray, with all three of the listed players announcing rights issues.

So, how is the fund positioned to prosper from this conflicting muddle of information?

- We have bought shares in Nu-World and Combined Motor Holdings. Both companies have emerged from an extremely tough few years of trading and should benefit from the combination of a rejuvenated revenue line and a slimmed down cost base. Both companies are very well managed, attractively valued and look set to deliver strong growth in earnings. Our position in Nu-World was bought at close to a 30% discount to net asset value.

- We have maintained our high exposure to building material retailers. Whilst industry conditions are not favourable, this is already reflected in the share prices. We are encouraged by the strong growth in new mortgages granted as reported in March, which should flow through to growth in mortgages paid out in the near future.
- We are not heavily exposed to construction counters, and have preferred to take exposure via Wilson Bayly and Stefannuti Stocks, rather than the heavyweights Murray and Roberts and Aveng (both of which have fallen out of the FTSE/JSE Top 40 Index). The economic crisis of the past two years will only be felt by the construction industry in the next few years due to the extended duration of construction contracts from planning phase through to completion. Very few large, new contracts were awarded during the past two years, resulting in smaller order books coupled with tighter margins as industry players compete for what work is available.
- We like PPC as a company, but are concerned about the industry overcapacity and the future ability of PPC to put through inflation-beating price increases, which it has been able to do for many years now. As such, we have not bought PPC shares despite it moving out of the Top 40 Index into the fund's investable universe.
- We think we are near to the point of maximum pessimism on the contract miners. Now that these companies have all raised fresh equity finance, we believe the risk of company failure is very slim. As all three listed players are in the same precarious position, they will need to act in a rational manner and increase industry pricing in order to generate fair returns going forward. As such, we have taken small exposure to two contract mining companies.

The fund trades on a forward PE of 8.4 times, close to the middle of the 6.1 to 11 times range it has traded in since March 2005. As such, we believe the fund is well placed to deliver reasonable returns in the medium term.

Portfolio manager

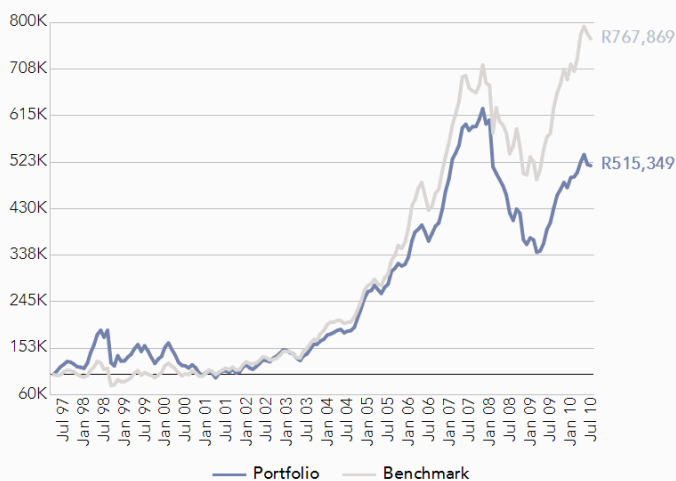
Alistair Lea

Fund category Domestic - Equity - Smaller Companies
Fund description Invests in small and mid-capitalisation companies, developing industries and recovery shares.
Launch date 01 April 1997
Portfolio manager/s Alistair Lea

Fund size R157.40 million
NAV 3789.05 cents
Benchmark/Performance Fee Hurdle Composite: FTSE/JSE Africa Mid & Small Cap Indices
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	
Domestic Assets	98.1%	
■ Equities	84.4%	
Basic Materials	9.5%	
Industrials	33.6%	
Consumer Goods	12.7%	
Consumer Services	17.8%	
Financials	5.5%	
Technology	5.1%	
■ Cash	13.7%	
International Assets	1.9%	
■ Real Estate	1.9%	

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	415.4%	667.9%	(252.5)%
Since Inception (annualised)	13.2%	16.6%	(3.5)%
Latest 5 years (annualised)	13.0%	20.6%	(7.6)%
Latest 3 years (annualised)	(4.2)%	4.7%	(8.8)%
Latest 1 year (annualised)	28.3%	32.7%	(4.4)%
Year to date	4.8%	7.1%	(2.3)%
2009	32.2%	34.5%	(2.3)%
2008	(38.7)%	(21.1)%	(17.6)%
2007	23.8%	20.3%	3.5%
2006	46.7%	43.3%	3.5%

TOP 10 HOLDINGS

As at 30 Jun 2010	% of Fund
Famous Brands Ltd	6.2%
DAWN Ltd	3.9%
Advtech Ltd	3.5%
Ceramic Industries Ltd	3.4%
Mobileind Convdebs	3.3%
Pioneer Food Group	3.2%
Omnia Holdings Ltd	3.2%
AECI Ltd	3.0%
Italtile Ltd	2.9%
Bowler Metcalf Ltd	2.8%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	21.8%	19.2%
Sharpe Ratio	0.08	0.28
Maximum Gain	67.2%	62.6%
Maximum Drawdown	(50.2)%	(38.2)%
Positive Months	62.9%	61.0%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2010	01 Apr 2010	52.83	47.08	5.75
30 Sep 2009	01 Oct 2009	51.76	46.16	5.60
31 Mar 2009	01 Apr 2009	41.84	37.99	3.85
30 Sep 2008	01 Oct 2008	35.65	33.94	1.71

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2010	0.3%	1.8%	4.1%	2.8%	(3.7)%	(0.4)%							4.8%
Fund 2009	(1.1)%	(6.7)%	0.8%	4.2%	7.9%	3.3%	7.3%	5.9%	2.6%	3.0%	(2.1)%	4.2%	32.2%
Fund 2008	(15.3)%	(2.5)%	(2.5)%	(2.5)%	(3.9)%	(7.8)%	(3.5)%	5.5%	(2.0)%	(12.5)%	(2.5)%	3.6%	(38.7)%

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	1.11% 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.