

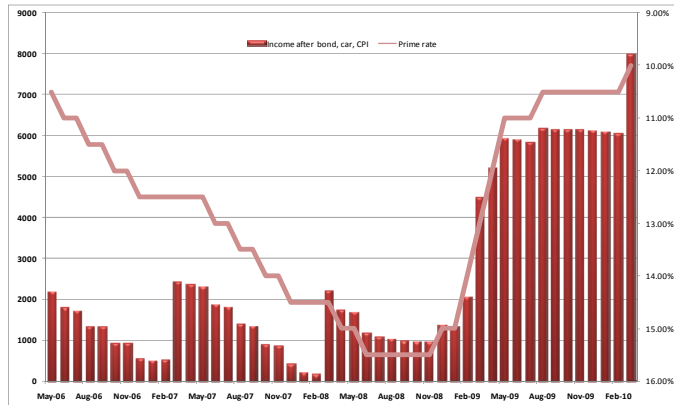
PORTFOLIO MANAGER COMMENTARY

For the year to end March 2010, the fund returned 51%, reversing the negative returns of the previous year. This return did not quite match the market cap weighted mid and small cap benchmark performance of 53%, which was helped by a very strong performance (54.4%) from mid caps. Mid caps continue to outperform small caps (33% outperformance since Jan 2008), a trend that commenced at the start of the market crash in late 2007/early 2008. This is normal in a bear market, with the smaller, less established companies not faring as well in a tough economy. We certainly find more value in some of the smaller companies right now, which is reflected in the weighted market capitalisation of the fund holdings of R2.7 billion. The mid cap index is dominated by property companies and retailers (predominantly clothing and food), sectors which have run hard on the back of the lowest rate of interest since 1981. We struggle to find value in these sectors.

Interest rates work

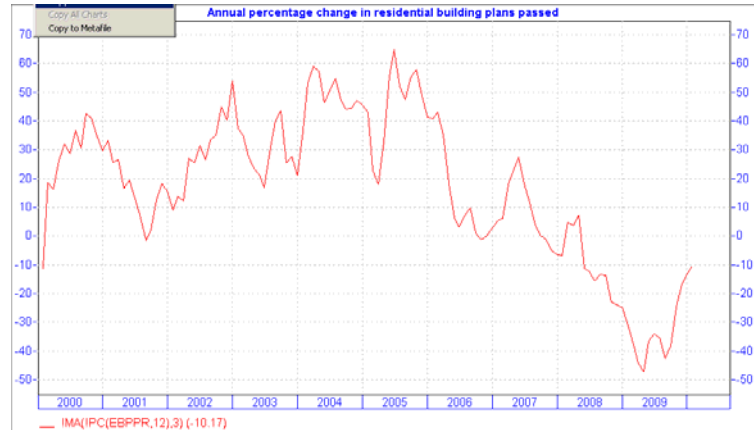
In order to illustrate how much better off the SA consumer is today, relative to most of the past 4 years, our economist performed the following exercise.

In May 2006, consumer X qualified for a home loan of R1 million, and bought a car for R150 000. Consumer X salary increases annually in March of each year (this year and last by just 6%). The chart below shows how Consumer X's monthly discretionary income has moved applying overall CPI and after changes in his salary, tax, car and bond repayments. The big assumption in this exercise is that Consumer X has kept his job.



This chart goes a long way to explaining why many of the large clothing retailers have continued to grow their earnings through the very tough economy of the past two years. It also explains why passenger car sales are up 16.5% in the first quarter of 2010. Perhaps the only interest rate sensitive sector which is yet to benefit from the low interest rates, is the residential building sector. Building activity is usually the last category of spending to recover, mainly because of the confidence required to commit to a big building project, as well as the long time frame involved between deciding to build, submitting plans and then finally breaking ground. Buying a T-shirt on the other hand happens in an instant, and even the time frame between deciding to purchase a car and driving it off the showroom floor can be short.

The chart in the next column shows how the rate of decline in residential building plans passed is slowing rapidly, and looks set to resume growth again in the second half of 2010, helped by the banks becoming more comfortable again to lend money.



So, while Truworths and Mr Price both reached all time high share price levels in the past quarter, Dawn and Iliad (companies largely dependent on residential building activity) remain some 64% off their all time high share price levels. Many companies exposed to residential building have cut their cost bases aggressively in the past few years in response to two of the toughest years in decades, which should magnify the rebound when activity levels pick up. We sense that the pick-up in activity in this sector is imminent, and have a significant exposure to this through our positions in the likes of Dawn, Iliad, Ceramic Industries, Italtile and York Timber. While our holdings in these companies were the result of detailed bottom-up fundamental research, we are encouraged by the macro picture which we believe will unfold.

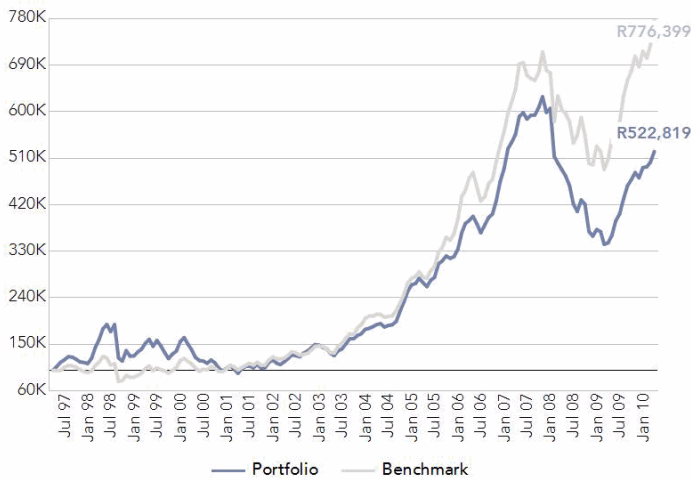
Portfolio manager
Alistair Lea

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 R153.86 million
NAV 3896.69 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	31 Mar 2010	100%
Domestic Assets	99.3%	
■ Equities	95.2%	
Basic Materials	13.0%	
Industrials	39.6%	
Consumer Goods	10.2%	
Health Care	0.1%	
Consumer Services	19.8%	
Financials	5.4%	
Technology	7.1%	
■ Cash	4.1%	
International Assets	0.7%	
■ Equities	0.7%	

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	422.8%	676.4%	(253.6)%
Since Inception (annualised)	13.6%	17.1%	(3.5)%
Latest 5 years (annualised)	14.2%	22.7%	(8.5)%
Latest 3 years (annualised)	(2.0)%	6.5%	(8.5)%
Latest 1 year (annualised)	51.1%	53.0%	(1.9)%
Year to date	6.3%	8.3%	(2.0)%
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 31 Mar 2010	% of Fund
Famous Brands Ltd	6.7%
DAWN Ltd	5.5%
Omnia Holdings Ltd	4.6%
Astrapack Ltd	4.4%
Advtech Ltd	4.3%
Mobileind Convdebs	3.7%
Bowler Metcalf Ltd	3.4%
AECI Ltd	3.4%
Hosken Consolidated	3.3%
ITALTILE	3.2%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	21.9%	19.4%
Sharpe Ratio	0.10	0.29
Maximum Gain	67.2%	62.6%
Maximum Drawdown	(50.2)%	(38.2)%
Positive Months	63.5%	61.5%

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%										6.3%
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.

Total Expense Ratio (TER) ²	1.20% per annum
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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 31 March 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 December 2009, as well as the actual performance fee incurred over the 12 months to end December 2009. 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.