

PORTFOLIO MANAGER COMMENTARY

The fund delivered 15.8% for the quarter, trailing the 18.5% of the FTSE/JSE Industrial Index. For the 12 months to September the return was a pleasing 29.3%, ahead of the index's 28.2%. The compound return over three years stood at 9.4%, regrettably a whisker below that of the index, at 9.6%. Since inception, the fund has returned 18.9%, 4.8% ahead of the index. The fund continues to perform well relative to peers and is ranked first in its category over one, two and three years.

A period of strong returns invariably leads to a positive feeling about life, the universe and everything. The credit crisis of 2008 and its aftermath seem long forgotten. Recent events in financial markets in general and in the South African stock market in particular would suggest that we are through the worst and that the world is on the mend. While this might indeed be the case, as fund managers we need to take a rather more cynical view of the world and consider the implications for capital preservation under a variety of possible macro outcomes. Because we have no special insight into the future, the sharpest tool at our disposal is to invest in situations where there is a sufficient margin of safety to cater for all eventualities. Nothing has changed in this approach.

But it is worth considering that all is not as well as it seems. The Goldilocks era ended in 2008; what we have now is Goldilocks wandering in the woods feeling rather lost. Global capital markets seem unable to read whether the world is headed for inflation or deflation, recovery or double dip, fiscal stimulus or austerity, continued emerging market growth or an end to the Chinese miracle. Quantitative easing in the developed world has decimated yields and sent investors scurrying into riskier asset classes; at the same time they are uneasy about the risks of these strategies. This has seen an unusual degree of oscillation between 'risk on' and 'risk off', or between being brave and being fearful. In recent months the South African market has been a beneficiary of these trends. Global investors have bought local bonds and local shares, and on the corporate front HSBC's interest in Nedbank and Wal-Mart's offer for Massmart testify to continued optimism that SA companies can be used as gateway into Africa.

Other than reducing the exposure to local consumer stocks, the quarter was not a particularly active one for the fund. Our large positions in MTN, British American Tobacco and Naspers remain intact. Local manufacturing companies (or companies exposed to the heavier, non-consumer part of the economy) have had a torrid time through the economic downturn and have mostly reported poor earnings numbers. Given the strength of the rand, their challenges are not over. But a number of them appear on our value screens and are likewise reflected in the fund in increased weightings: AECI, Omnia, Hulamin, Astrapak, Eqstra, Tongaat Hulett, Group Five and Dawn. Much of the portfolio remains positioned for a weaker rand. While we remain convinced that present currency strength is unsustainable, the timing of a correction is as uncertain as ever. Considering the prospect of a more enduring period of currency strength, we have taken care to stress-test investment cases and believe that the margin of safety is sufficient to warrant holding these counters.

The fund continued to experience strong inflows during the quarter, and at times it has been challenging to deploy cash fast enough. It does however provide the luxury of diluting the weightings in winners without having to sell. One such winner, Trencor/Mobile is featured in this month's edition of our newsletter, Corospondent. Other shares that did well for the portfolio are Naspers, Richemont, Shoprite and the ever-rewarding Famous Brands.

As it stands, the spread of the fund across counters is as high as we can remember in recent years. This is another reflection of our hunt for value, and the degree to which bottom-up considerations compensate for macro uncertainties. We trust that this approach will continue to serve us well.

Portfolio managers

Dirk Kotzé and Quinton Ivan

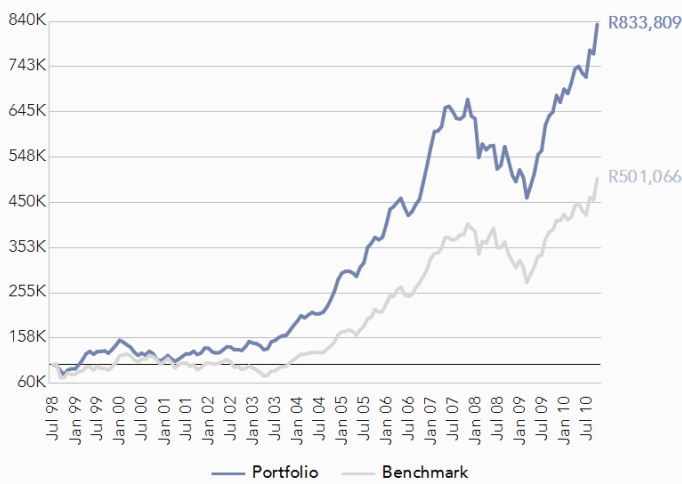
Fund category Domestic - Equity - Industrial
Fund description Invests in a broad range of domestic industrial shares.
Launch date 01 July 1998
Portfolio manager/s Dirk Kotzé and Quinton Ivan

Fund size R167.47 million
NAV 6590.78 cents
Benchmark/Performance Fee Hurdle FTSE/JSE Industrial Index
Risk profile



PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	733.8%	401.1%	332.7%
Since Inception (annualised)	18.9%	14.1%	4.8%
Latest 5 years (annualised)	17.3%	18.0%	(0.6)%
Latest 3 years (annualised)	9.4%	9.6%	(0.2)%
Latest 1 year (annualised)	29.3%	28.2%	1.1%
Year to date	20.1%	18.2%	1.9%
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)%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	17.6%	20.8%
Sharpe Ratio	0.46	0.16
Maximum Gain	55.8%	61.7%
Maximum Drawdown	(31.6)%	(38.5)%
Positive Months	63.3%	64.6%

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)%	8.1%	(1.0)%	8.2%				20.1%
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)%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Sep 2010	%
Domestic Assets	90.4%	100%
■ Equities	90.0%	90%
Basic Materials	7.9%	
Industrials	20.5%	
Consumer Goods	8.8%	
Health Care	4.3%	
Consumer Services	27.1%	
Telecommunications	17.1%	
Financials	4.0%	
Derivatives	0.3%	
■ Cash	0.4%	40%
International Assets	9.6%	30%
■ Equities	9.6%	0%

TOP 10 HOLDINGS

As at 30 Sep 2010	% of Fund
MTN Group Ltd	14.6%
British American Tobacco Plc	9.6%
Naspers Ltd	6.5%
Bidvest Group Ltd	5.3%
Famous Brands Ltd	4.8%
SABMiller Plc	4.1%
Woolworths Holdings Ltd	3.7%
Netcare Limited	3.3%
AECI Ltd	3.1%
African Bank Limited	3.0%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2010	01 Oct 2010	64.80	63.37	1.43
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

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	1.21% per annum

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 September 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 June 2010, as well as the actual performance fee incurred over the 12 months to end June 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.

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.