

PORTFOLIO MANAGER COMMENTARY

'The sea is calm tonight.'

- *Matthew Arnold, Dover Beach*

The fund ended 2011 on a positive note with a return of 8.2% for the quarter and 7.5% for the year. The FTSE/JSE Industrial Index delivered 9.2% for the year. Over three years to December, the compound annual return of the fund was 22.95% and that of the Index 21.99%.

Few years, if any, have started with the degree of global uncertainty that currently exists. In developed economies, we are seeing the start of the painful adjustment after decades of debt-driven excess, now being termed the 'Debt Supercycle'. Uncertainty extends to what should be done, what authorities actually will do, and how these actions will affect the economy and the world. As fund managers, we will undoubtedly spend much of our time this year monitoring such events and their consequences.

While we see a tough macro environment ahead just about everywhere, emerging markets will in all likelihood be spared some of the economic fall-out, and companies broadly exposed to them should fare relatively better. In the South African market, we do believe that things will continue to get tougher. Inflationary pressures are building, and interest rate hikes will follow in due course. Since we adjudge much of the consumer's resurgence of late as having been debt-fuelled, the warning lights are on. Against this background, we have been judiciously reducing our remaining consumer exposures, and bolstering selective defensive positions. 2012 is unlikely to be a year of big 'themes'. Our process, driven as it is by bottom-up selection, should serve well in a non-trending market.

We often refer to our long-term investment approach in this report. At times of great uncertainty, it is a comfort to know that the values of businesses are not changed materially by the day-to-day unfolding of news and events. Having returned from the annual seaside break, we have had the chance to think quietly about these things. Much as the waves 'begin, and cease, and then again begin, with tremulous cadence slow', in Arnold's immortal words, we are bombarded daily with newsflow which is nothing more than 'the turbid ebb and flow of human misery'. These sentiments tend to move market prices much more than they do fundamental values. Investors are better served by ignoring sentiment, and focusing on value.

The portfolio remains defensively positioned, and little trading has been done. MTN, SABMiller, Naspers and British American Tobacco remain the biggest holdings. The position in Aspen was increased further. Retail exposure is focused on Woolworths, Mr Price and Clicks, all of which still offer good margins of safety. We remain negative on the outlook for the rand, and continue to hold an array of rand-hedge exposures, adding where we can. Hudaco is one such addition: it is a good business at a reasonable price, with rand exposure, which over time should show good growth as domestic manufacturing recovers from presently depressed levels.

Despite the challenges in the macro environment, industrial equities are not overvalued and there are still areas of value. We are ready for the year.

Portfolio managers

Dirk Kotzé and Sarah-Jane Alexander

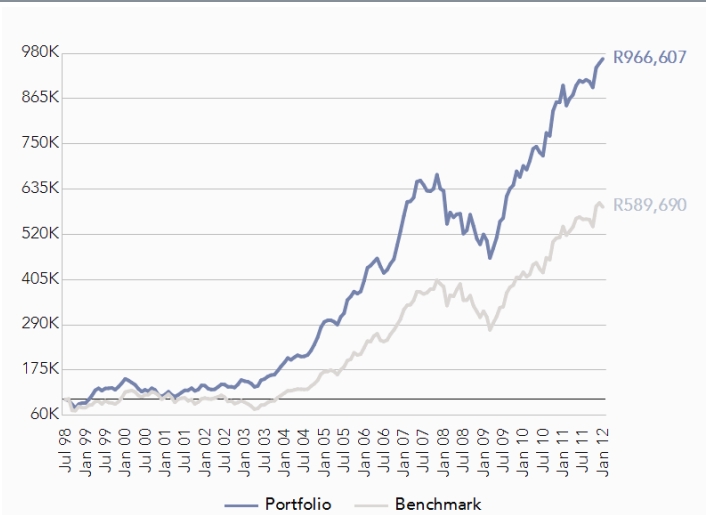
Fund category Domestic - Equity - Industrial
Fund description Invests in a broad range of domestic industrial shares.
Launch date 01 July 1998
Portfolio manager/s Dirk Kotzé and Sarah-Jane Alexander

Fund size R213.79 million
NAV 7415.98 cents
Benchmark FTSE/JSE Industrial Index
Risk profile

9/10
Aggressive

PERFORMANCE AND RISK STATISTICS ¹

GROWTH OF A R100,000 INVESTMENT



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Launch (unannualised)	866.6%	489.7%	376.9%
Since Launch (annualised)	18.3%	14.0%	4.3%
Latest 10 years (annualised)	21.7%	19.0%	2.8%
Latest 5 years (annualised)	11.3%	12.4%	(1.2)%
Latest 3 years (annualised)	23.0%	22.0%	1.0%
Latest 1 year (annualised)	7.5%	9.2%	(1.6)%
Year to date	7.5%	9.2%	(1.6)%
2010	29.5%	27.4%	2.1%
2009	33.5%	30.5%	3.0%
2008	(17.5)%	(16.1)%	(1.4)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	17.0%	20.1%
Sharpe Ratio	0.47	0.19
Maximum Gain	55.8%	61.7%
Maximum Drawdown	(31.6)%	(38.5)%
Positive Months	63.6%	64.8%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	(5.7)%	2.0%	1.2%	2.7%	1.4%	(0.4)%	0.6%	(0.5)%	(1.6)%	5.6%	1.2%	1.2%	7.5%
Fund 2010	(1.4)%	3.2%	4.4%	0.8%	(2.0)%	(1.2)%	8.1%	(1.0)%	8.2%	2.7%	(0.1)%	5.1%	29.5%
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%

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
--	-----------------

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2011
Domestic Assets	100.0%
■ Equities	98.0%
Basic Materials	12.5%
Industrials	20.0%
Consumer Goods	16.9%
Health Care	8.5%
Consumer Services	24.2%
Telecommunications	12.0%
Financials	3.9%
■ Cash	2.0%

TOP 10 HOLDINGS

As at 31 Dec 2011	% of Fund
MTN Group Ltd	12.0%
Sabmiller Plc	7.5%
Naspers Ltd	5.2%
British American Tobacco Plc	5.1%
Famous Brands Ltd	4.8%
Bidvest Group Ltd	4.0%
Aspen Phamacare Holdings Ltd	3.6%
Woolworths Holdings Ltd	3.5%
Zeder Investments Ltd	3.4%
Advtech Ltd	3.3%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2011	03 Oct 2011	76.31	73.98	2.33
31 Mar 2011	01 Apr 2011	60.06	58.25	1.81
30 Sep 2010	01 Oct 2010	64.80	63.37	1.43
31 Mar 2010	01 Apr 2010	34.28	26.94	7.34

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 as calculated by Coronation as at 31 December 2011 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 September 2011. 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.