

PORTFOLIO MANAGER COMMENTARY

The fund received various awards as best performer in its category for the three-year period to end December 2010. While this was gratifying, the performance relative to the FTSE/JSE Industrials index towards the end of that period started to trail, and this continued into the quarter under review. The return for the three months to end March was -2.7% versus -0.3% for the index. Over three years to end March, the fund delivered a compounded annual return of 15.8% against 14.1% delivered by the index. The portfolio is not managed against a benchmark and is constructed on a clean-slate basis. Thus periods of divergent performance are to be expected from time to time. The fund remains one of the top performing funds in its sector over all meaningful periods.

We wrote previously about our views on Trenchor/Mobile, long a favourite holding in the fund. It was particularly pleasing to see the much-awaited unbundling of Mobile during the quarter, the pyramid company that held the controlling stake in Trenchor. Our Mobile shares have thus become Trenchor shares. Driven by strong underlying operational and share price performance of its offshore entity Textainer, Trenchor's shares were strongly up in the quarter. Our small position in Arcelor Mittal also did particularly well. Despite the many uncertainties around its iron ore supply and BEE issues, we think the margin of safety is substantial and allows for all eventualities. Other positive contributions to performance during the quarter were Woolworths and AECL. On the downside, our construction-related exposure performed poorly, among them Group Five, Dawn and O-Line. We believe the fixed capital cycle is now at or near the bottom, and there are encouraging signs that the upturn may already have started. Investors now accord steep discounts to these same companies which they rated highly in the heady days of the World Cup boom. Tongaat was also weak, on fears related to its Zimbabwean exposure. We have not changed our view on either the value underpin nor the long-term prospects for this business and retain our holding.

In a macro environment where uncertainties abound, few changes have been made to the composition of the fund, and our weighting in liquid global diversifieds and local defensives remains intact. MTN remains our largest holding. We are encouraged by the improving prospects of substantial cash returns to investors as this business enters a somewhat more mature phase. Aspen, having offered a buying opportunity, has come back into the portfolio. We are more comfortable owning this long-term success story, than not. Together with Adcock-Ingram, Netcare and Medi-Clinic, healthcare exposure now makes up a chunky part of the portfolio. We see these and other defensive positions (such as Advtech) as a necessary comfort in a tough macro environment that could be getting tougher. In particular, we see substantial challenges ahead for companies exposed to the heavier end of the local industrial economy. The currency is still too strong, both export and domestic demand remain weak, and cost pressures loom large: high wage settlements, rising energy costs and increased regulatory burdens all erode the competitiveness of local firms. It is now a virtual certainty that inflation will make a spectacular comeback. As interest rates rise in tandem, the undignified consumer goods feeding frenzy will finally be over.

A fund comment this quarter would not be complete without giving thought to the harrowing events in Japan, North Africa and the Middle East. The effects of these events on economies and markets might only be determinable well afterwards. This fact does not deter the market from swinging its pendulum between fear and greed, or between 'risk-on' and 'risk-off', with increasing force. It is worthwhile to affirm that our business remains the dispassionate valuation of financial assets, based on the average or typical cash flows expected from them for many years to come. Such projections are informed by company and industry fundamentals, and a study of how the underlying businesses or similar companies performed in previous cycles. The valuations are fairly stable and should not be overly affected by the news of the day. Trading activity, when it does happen, is initiated when market prices offer good or poor returns relative to these stable long-term fair values. This common-sense approach has served well and there is no intention to change it.

Though the environment may be tough, the market is not highly priced. The average forward PE of the portfolio is 11 times, not high considering that global multinationals weigh heavily in our basket. After a disappointing earnings reporting season, earnings bases are generally not as high as they were. Earnings recovery should gain traction as the currency weakens. Inflationary conditions also tend to be easy on corporate profitability. In our assessment, the weighted upside of the portfolio to what we deem to be fair value is above 40%. The many value opportunities that are available suggest that reasonable returns are still on offer in the industrial space. Thus we remain confident of protecting capital and adding alpha over time.

Portfolio managers

Dirk Kotzé and Quinton Ivan

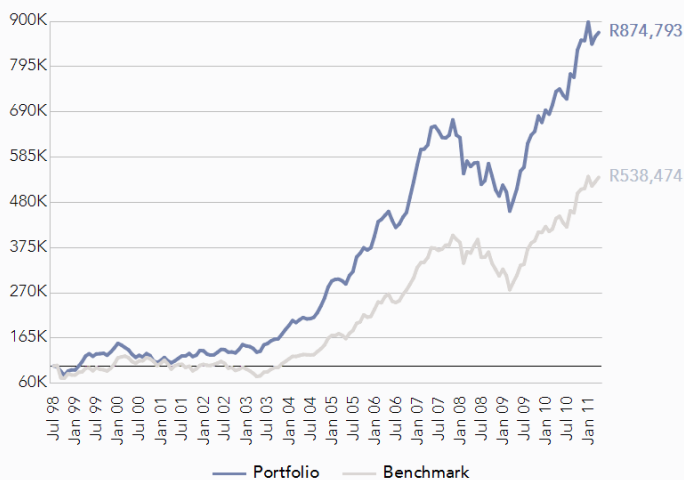
Fund category Domestic - Equity - Industrial
 Fund description Invests in a broad range of domestic industrial shares.
 Launch date 01 July 1998
 Portfolio manager/s Dirk Kotzé and Quinton Ivan

Fund size R174.28 million
 NAV 6846.35 cents
 Benchmark FTSE/JSE Industrial Index
 Risk profile

9/10
Aggressive

PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	774.8%	438.5%	336.3%
Since Inception (annualised)	18.5%	14.1%	4.4%
Latest 10 years (annualised)	23.3%	19.2%	4.1%
Latest 5 years (annualised)	14.2%	15.5%	(1.3)%
Latest 3 years (annualised)	15.8%	14.1%	1.7%
Latest 1 year (annualised)	18.6%	21.6%	(3.0)%
Year to date	(2.7)%	(0.3)%	(2.4)%
2010	29.5%	27.4%	2.1%
2009	33.5%	30.5%	3.0%
2008	(17.5)%	(16.1)%	(1.4)%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	17.4%	20.5%
Sharpe Ratio	0.46	0.17
Maximum Gain	55.8%	61.7%
Maximum Drawdown	(31.6)%	(38.5)%
Positive Months	63.4%	65.4%

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)%
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%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2011	% of Fund
Domestic Assets	91.6%	
■ Equities	90.0%	
Basic Materials	8.4%	
Industrials	21.2%	
Consumer Goods	11.9%	
Health Care	7.0%	
Consumer Services	26.0%	
Telecommunications	14.3%	
Financials	1.2%	
■ Cash	1.6%	
International Assets	8.4%	
■ Equities	8.4%	

TOP 10 HOLDINGS

As at 31 Mar 2011	% of Fund
MTN Group Ltd	14.3%
SABMiller Plc	9.5%
British American Tobacco Plc	8.4%
Bidvest Group Ltd	5.1%
Naspers Ltd	5.0%
Famous Brands Ltd	4.9%
Woolworths Holdings Ltd	4.4%
Mr Price Group Ltd	3.9%
Trencor Ltd	3.7%
Netcare Limited	3.4%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
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
30 Sep 2009	01 Oct 2009	57.76	38.64	19.12

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

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 March 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 December 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.