PORTFOLIO MANAGER COMMENTARY

After a very strong final quarter of 2010 (the fund returned over 11%), 2011 started slowly with a negative return of 6.7% for the quarter to end March. Considering the destabilising nature of global events such as the political turmoil in Egypt and Libya and the resultant upward pressure on oil prices, together with the earthquake and tsunami in Japan, it is not surprising that a high beta sector of the market such as small cap equities, struggled. Small caps tend to outperform large caps in a bull market and underperform in a bear market (the definition of high beta). On a rolling 3-year basis, the fund has returned 6.5% per annum, better than the peer group average return of 0.65% per annum. This return places the fund third out of a total of seven competing small cap funds.

In our fund commentary for the first quarter of 2010, we highlighted companies exposed to the residential building sector as potential investment opportunities. This is what we said:

'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.'

Another year has gone by and the sector has yet to recover, with many companies reporting very weak results, and share prices falling further. While we do not expect the year ahead to show any meaningful recovery, we are reasonably confident that the worst is over. This is borne out by the statistics on building plans passed, one of the best indicators of the health of this industry, which show a steady recovery from a sharply contracting market to a market seemingly poised for growth (see chart). Due to the lag between plans passed and building spend, this optimism might only transpire towards the end of the year, or in 2012.

We have used this period of pessimism in this industry to build some meaningful positions in various companies operating in this space. While this has been a drag on short term performance, we believe that we have invested in these companies at a large discount to their mid-cycle intrinsic value.

The fund trades on a 1-year forward PE of 9.2 times, close to its average level of the past 6 years. Based on our assessment of normal earnings for each company in the fund, the forward PE on normal earnings is 7.4 times. This implies that we consider the level of earnings of the companies held by the fund to be on average 24% below normal. As such, on a medium term basis we would expect the fund to benefit from both a normalisation of earnings, as well as a re-rating from the 7.4 times level to roughly 10 times (about 35% re-rating). As we all know, markets can be volatile in the short term, but based on the above metrics, we remain positive on the medium to long-term prospects of mid and small cap shares in South Africa.

Portfolio manager
Alistair Lea

CORONATION SMALLER COMPANIES

CLASS R as at 31 March 2011

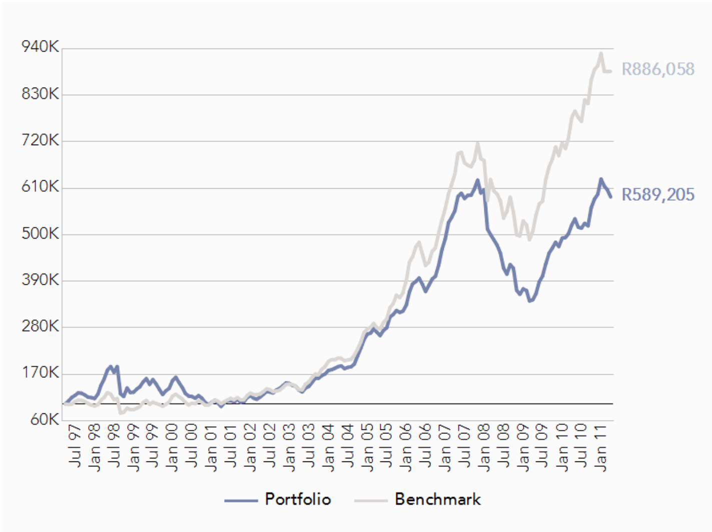
CORONATION FUND MANAGERS

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	R162.15 million
NAV	4308.94 cents
Benchmark	Composite: FTSE/JSE Africa Mid & Small Cap Indices
Risk profile	10/10 Aggressive

PERFORMANCE AND RISK STATISTICS[1]

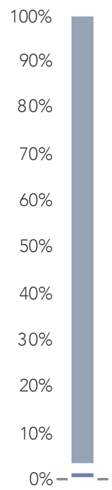
GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2011
Domestic Assets	**97.2%**
Equities	96.8%
Basic Materials	13.1%
Industrials	41.7%
Consumer Goods	13.5%
Health Care	4.5%
Consumer Services	11.3%
Financials	9.1%
Technology	3.6%
Cash	0.4%
International Assets	**2.8%**
Equities	0.9%
Real Estate	1.9%



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	489.2%	786.1%	(296.8)%
Since Inception (annualised)	13.5%	16.9%	(3.4)%
Latest 10 years (annualised)	20.2%	24.3%	(4.2)%
Latest 5 years (annualised)	8.6%	13.4%	(4.8)%
Latest 3 years (annualised)	6.5%	13.7%	(7.2)%
Latest 1 year (annualised)	12.7%	14.1%	(1.4)%
Year to date	(6.7)%	(4.6)%	(2.1)%
2010	28.4%	29.6%	(1.1)%
2009	32.2%	34.5%	(2.3)%
2008	(38.7)%	(21.1)%	(17.6)%

TOP 10 HOLDINGS

As at 31 Mar 2011	% of Fund
Omnia Holdings Ltd	5.2%
Advtech Ltd	4.1%
Trencor Ltd	4.1%
Bowler Metcalf Ltd	3.7%
Ceramic Industries Ltd	3.6%
Zeder Investments Ltd	3.5%
MMI Holdings Ltd	3.4%
O-Line Holdings Ltd	3.4%
AECI Ltd	3.2%
Famous Brands Ltd	3.1%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	21.4%	18.9%
Sharpe Ratio	0.11	0.31
Maximum Gain	67.2%	62.6%
Maximum Drawdown	(50.2)%	(38.2)%
Positive Months	62.5%	61.3%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2011	01 Apr 2011	23.36	20.04	3.32
30 Sep 2010	01 Oct 2010	22.28	19.98	2.30
31 Mar 2010	01 Apr 2010	52.83	47.08	5.75
30 Sep 2009	01 Oct 2009	51.76	46.16	5.60

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	(2.7)%	(1.4)%	(2.8)%										(6.7)%
Fund 2010	0.3%	1.8%	4.1%	2.8%	(3.7)%	(0.4)%	2.2%	(1.1)%	8.3%	3.6%	1.9%	6.1%	28.4%
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%

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	1.12% 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). [1]Performance 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. [2]The 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.