PORTFOLIO MANAGER COMMENTARY

Global equity markets enjoyed yet another strong quarter as investors priced in a stronger global economic recovery. Emerging markets, including South Africa, outperformed developed markets on better growth prospects and more resilient fiscal positions.

The Kagiso Equity Alpha Fund performed slightly better than its peers on good stock selection despite a more defensive overall stance and an underweight position in resources. The fund ended 2009 3rd over 1 year, 2nd over 3 years and 4th over 5 years in the Domestic Equity General sector of unit trusts – currently comprising 80 funds (source: Morningstar). The fund remains 1st over the period since its inception in April 2004.

The S&P 500 index was up 5.5%, the FTSE 100 index was up 5.4% and emerging market indices were even stronger in dollar terms (MSCI EMF up 8.3%). Economic stability across the world is now evident with industrial production and consumer expenditure increasing off a very low 2008 base. Unemployment remains high in developed economies, however, and their government debt burden continues to climb. We remain concerned about levels of underlying economic activity after the inevitable withdrawal of the current unprecedented and globally co-ordinated fiscal and monetary stimulus.

Commodity prices were again much stronger over the quarter, driven by continued Chinese demand, improving industrial production and renewed direct investor interest in commodities. Gold was up 8.9% (although way off its all time high of $1216/oz reached in early December), while oil (up 15.6%), copper (up 19.7%) and platinum (up 13.2%) were much stronger.

The rand was 1.8% stronger against the dollar during the quarter. Its continued strength is likely to significantly dampen the profit potential from South African resources companies, which are also facing high labour and electricity cost increases. The rand is benefiting from high relative interest rates, a narrowing current account deficit, investor interest in commodity based economies and increasing general risk appetite.

The FTSE/JSE All Share index was up 11.4% during the quarter. Resources shares were up 16.7%, industrials increased by 8.5% and financials were up 6.5%. Foreigners were again strong buyers of South African equities during the quarter with net buyers amounting to R12.3billion compared with net buyers of R24.8billion in the 3rd quarter. These strong gains occurred despite a very weak domestic economic environment – a struggling consumer, manufacturers facing weak demand and resources companies likely to deliver very low levels of earnings in the medium-term. The South African economy did, however, technically emerge from recession in the 3rd quarter.

The top resources stocks were Northam (up 45.6%), Anglo American (up 33.9%) and Kumba Iron Ore (up 23.0%). The worst performers were the gold shares: Harmony (down 5.3%), Gold Fields (down 3.5%) and Anglogold Ashanti (up 1.6%) – all despite the record USD gold price.

Industrial top performers were Netcare (up 33.1%), Steinhoff (up 29.8%) and SABMiller (up 20.6%). Construction stocks were weak with Murray & Roberts (down 19.8%) and Wilson Bayly (down 13.4%) as well as Telkom (down 13.4%), Nampak (down 11.0%) and Barloworld (down 8.0%). Financial stocks were weakest, led higher by Santam (up 22.6%), Firstrand (up 12.5%) and Sanlam (up 10.9%). Financial share laggards were Investec (down 5.1%), the JSE (down 2.8%) and Liberty International (up only 1.5%).

Our fund's relative performance over the quarter was negatively impacted by our underweight allocation to the resources sector. Generally, our industrial stock selection added positively to the fund's outperformance, with overweights in hospital stocks Netcare and Mediclinic as well as Naspers being the highlights. MTN was once again a drag on performance. We held a more neutral position in financials, with Firstrand contributing positively and Investec and the JSE detracting.

Going forward, we remain defensively positioned with a strong focus on quality, lower risk companies, which are attractively priced. We favour companies with strong balance sheets, high franchise value and/or dominant market positions, low fixed costs and defensive earnings streams. We are avoiding companies which have strongly re-rated in expectation of high earnings growth in future – growth that we believe may be elusive in the tough economic environment we expect.

The fund remains fairly aggressively positioned in our best stock selections, based on our team's proven bottom-up stock picking process.

Portfolio manager
Gavin Wood

KAGISO EQUITY ALPHA

CLASS A as at 31 December 2009

KAGISO Asset Management

Fund category	Domestic - Equity - General
Fund description	Aims to maintain top quartile performance in its category.
Launch date	26 April 2004
Portfolio manager/s	Gavin Wood
Fund size	R17.30 million
NAV	347.13 cents
Benchmark	Domestic Equity General Funds Mean

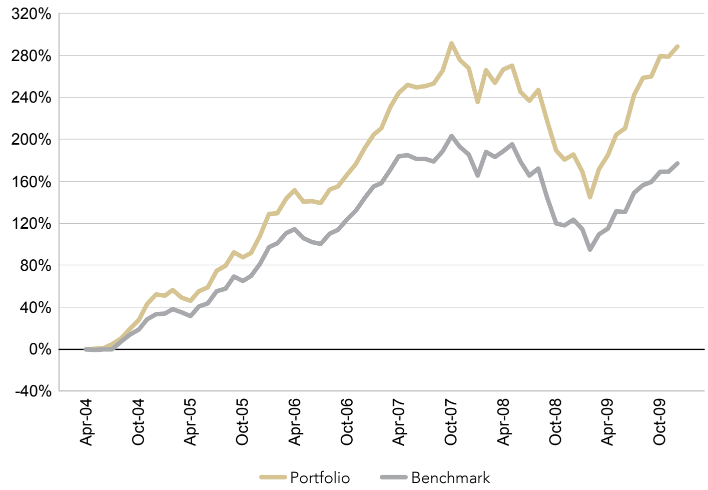
PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2009
Domestic Assets	**94.34%**
Equities	**81.30%**
Oil & Gas	6.71%
Basic Materials	13.34%
Industrials	3.31%
Consumer Goods	9.74%
Health Care	4.96%
Consumer Services	17.96%
Telecommunications	10.20%
Financials	20.26%
Technology	2.11%
Derivatives	(7.29)%
Preference Shares & Other Securities	**3.34%**
Real Estate	**1.04%**
Cash	**8.67%**
International Assets	**5.66%**
Equities	**5.66%**

PERFORMANCE AND RISK STATISTIC

CUMULATIVE PERFORMANCE SINCE INCEPTION



TOP 10 HOLDINGS

As at 31 Dec 2009	% of Fund
MTN Group Ltd	10.20%
Naspers Ltd	7.85%
Sasol Limited	6.71%
Tongaat Hullett Ltd	5.74%
FirstRand	5.59%
1TIME HOLDINGS LIMITED	5.35%
Standard Bank of SA Ltd	4.84%
Trans Hex Group Ltd	4.77%
Discovery Holdings Ltd	3.72%
British American Tobacco Plc	3.56%
Total	**58.33%**

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	288.73%	177.16%	111.57%
Since Inception (annualised)	27.07%	19.71%	7.36%
Latest 5 years (annualised)	20.64%	15.77%	4.88%
Latest 3 years (annualised)	10.08%	4.34%	5.73%
Latest 1 year (annualised)	36.21%	23.97%	12.24%
Year to date	36.21%	23.97%	12.24%
2008	(22.38)%	(21.70)%	(0.67)%
2007	26.15%	17.04%	9.11%
2006	39.90%	34.27%	5.63%
2005	36.96%	36.31%	0.65%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2009	01 Apr 2009	5.60	5.51	0.09
30 Sep 2008	01 Oct 2008	0.33	0.31	0.02
31 Mar 2008	01 Apr 2008	2.12	1.88	0.24
28 Sep 2007	01 Oct 2007	3.26	2.42	0.84

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	17.32%	15.45%
Sharpe Ratio	1.03%	0.68%
Maximum Gain	54.83%	42.25%
Maximum Drawdown	(37.37)%	(35.71)%
Positive Months	72.06%	67.65%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2009	(5.65)%	(8.99)%	10.90%	4.95%	6.70%	2.05%	10.29%	4.66%	0.46%	5.35%	(0.19)%	2.65%
Fund 2008	(8.68)%	8.94%	(3.30)%	3.69%	0.96%	(6.76)%	(2.52)%	3.20%	(8.72)%	(8.81)%	(2.92)%	1.69%
Fund 2007	4.50%	2.00%	6.43%	4.14%	2.26%	(0.72)%	0.41%	0.62%	3.42%	7.13%	(3.97)%	(2.16)%

FEES (excl. VAT)

Initial Fee*	Kagiso: 0.00%
Annual Management Fee**	1.00%

* A portion of Kagiso's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.

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.

Total Expense Ratio (TER)[2]	4.09% per annum

Please note that this fund was renamed from *Kagiso Active Quants* to the above, effective 1 Febuary 2009.

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. The manager is a member of ASISA. [1]Performance is quoted from Morningstar as at 31 December 2009 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 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. Coronation Management Company Ltd is a registered collective investment scheme management company, providing hosting and other administrative services for unit trust funds, including Kagiso Funds.

CORONATION FUND MANAGERS

Client Service: 0800 22 11 77 **Fax:** (021) 680 2500 **Email:** clientservice@coronation.co.za **Website:** www.coronation.com