PORTFOLIO MANAGER COMMENTARY

World and domestic equity markets continued the strong rally from the first quarter in 2010 until mid-April, when Greece's debt concerns again made world headlines. Since mid-April global markets have declined by between 7% to 12% as the reality of the full repercussions of the global debt orgy started to hit home. Most developed markets are grappling to come to terms with their sizeable debt burdens and are sharpening pencils to steer their respective economies to more manageable gearing levels. As Europe braces itself for austerity measures last seen before WWII, the full impact of the divisions in Europe is reflected in the weak Euro currency.

By connecting the dots, the implications for global growth and therefore corporate earnings are clear: At worst, the world is facing a second recession or, at best, a protracted period of excruciatingly slow growth as economies start to de-leverage. Global sentiment appears to be shifting from outright bullishness on prospects of a recovery to an admission that the recovery will be protracted, as is evidenced by changes to consensus earnings estimates that have now turned negative. Whilst we were early in our call to raise cash levels and focus on high quality companies with low gearing levels, this theme has not run its course and we should anticipate this view to become de rigueur fairly imminently.

The fund's relatively high cash weighting and underweight positions in resources counters contributed to relative performance for the quarter and half year to the end of June 2010. The significant decline in resources counters (minus -11.9% for the second quarter) has resulted in opportunities emerging where share prices are trading closer to their intrinsic values. However, there is a significant caveat: The extent to which the current global fiscal austerity measures impact global economic growth will ultimately dictate the pace of resources' earnings growth. We therefore remain cautious on the global diversified miners.

Illovo is one of the fund's bigger holdings and the company reported its annual results during the quarter. Illovo's investment case centres around the company's increasing exposure to the lucrative EU sugar market in addition to the group's premium-priced regional sugar markets. Illovo produces sugar in Zambia, Malawi, Tanzania, Swaziland Mozambique and South Africa, with a potential investment in Mali currently being assessed for feasibility. Most of Illovo's operations rank in the lowest quartile on the cost curve and this gives the company a clear competitive advantage over other sugar producers. The Zambian operation is expected to increase its sugar production significantly following a R1.3 billion capital expenditure program that will substantially increase Illovo's profitability in future years. We believe that Illovo's current valuation does not account for this significant earnings growth trajectory and we therefore find the share very attractively priced at current levels.

Portfolio manager
Abdulazeez Davids

KAGISO ISLAMIC EQUITY FUND

CLASS A as at 30 June 2010

KAGISO Asset Management

Fund category	Domestic - Equity - General
Fund description	Aims to provide steady capital growth and a total portfolio return that is better than the average domestic equity fund.
Launch date	13 July 2009
Portfolio manager/s	Abdulazeez Davids
Fund size	R21.47 million
NAV	121.59 cents
Benchmark	Domestic Equity General Funds Mean

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2010
Domestic Assets	**99.00%**
Equities	**82.12%**
Oil & Gas	9.80%
Basic Materials	24.95%
Industrials	5.18%
Consumer Goods	17.72%
Health Care	7.23%
Telecommunications	11.72%
Technology	5.51%
Preference Shares & Other Securities	**2.53%**
Cash	**14.36%**
International Assets	**1.00%**
Equities	**1.00%**

TOP 10 HOLDINGS

As at 30 Jun 2010	% of Fund
Sasol Ltd	9.80%
MTN Group Ltd	8.85%
Tongaat Hullett Ltd	5.59%
AECI Ltd	4.67%
Tiger Brands Ltd	4.39%
Mondi Plc	4.26%
African Rainbow Minerals Ltd	4.04%
BHP Billiton Plc	3.48%
Cipla Medpro South Africa Ltd	3.23%
Adcock Ingram Holdings	3.14%
Total	**51.45%**

SHARIAH ADVISORY AND SUPERVISORY BOARD

The Kagiso Islamic Equity Fund has its own Shariah supervisory board of advisors and is headed up by Sheigh Mohammad Tauha Karaan, principal of Darul 'Ulum Arabiyya wal Islamiyya.

Members:

- Sheigh Mohammad Tauha Karaan
- Mufti Zubair Bayat
- Mufti Ahmed Suliman

INVESTOR PROFILE

- The fund is suitable for Muslim investors seeking a Shariah compliant portfolio of South African equity.
- Investors who are in their wealth accumulation phase and require little investment income in the short term.
- Investors seeking exposure to the domestic equity market.
- Investors who are able to withstand short term market fluctuations in pursuit of maximum capital growth over the long term.

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2010	(0.08)%	1.10%	2.52%	1.29%	(2.58)%	(1.19)%							0.98%
Fund 2009								4.98%	0.45%	5.27%	(0.89)%	2.43%	12.70%
Fund 2008													0.00%

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]

As this is a recently launched fund, the TER cannot be accurately determined and will be in line or higher than the quoted annual management fee.

CORONATION FUND MANAGERS