

PORTFOLIO MANAGER COMMENTARY

The FTSE/JSE Top 40 SWIX index was up 9.9% over the quarter, building on its massive recovery rally, and at 31 December 2009 was up 55.3% from its March 2009 lows (In dollar terms the index has more than doubled from its low). 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 S&P 500 index was up 6.0% over the quarter, the FTSE 100 index was up 7.2% and emerging market indices were even stronger in dollar terms (MSCI EMF up 8.3%).

We are acutely aware that the increases in global industrial production and consumer expenditure seen over the last quarter are off a very low base, and are in the context of temporary unprecedented and globally co-ordinated fiscal and monetary stimulus. It is still our view that the apparent “old trend level” trajectory of very strong global economic activity in the years prior to the credit crisis will not be reached post the recovery, due to the necessary structural declines in global leverage. There are a number of stocks that in our view have risen to levels that price in a quick return to “old trend level” growth, especially amongst the large cyclical resources, and we aim to avoid exposure to these stocks.

Since the market peak of May 2008, the Kagiso Protector Fund has succeeded in its objective of asymmetric equity market participation. By having a stronger equity participation in the rally (March 2009 to December 2009) as compared to the market crash (May 2008 to February 2009), the fund produced 0.2% (net of fees) over the entire period (May 2008 to December 2009), versus -10.1% for the FTSE/JSE Top 40 SWIX index. This asymmetric profile has resulted in the fund producing solid real returns ahead of inflation over longer periods, which is its objective.

Implied option volatility (an indicator of the cost of portfolio protection), as measured by the South African Volatility index, is currently at 21.0% versus the credit crisis peak of 58.0% in October 2008. Investors fear levels are now at levels considered low, even by pre-credit crisis standards. It is interesting to observe how often in the recent past a peak in implied volatility (investor fear) corresponded to a trough in the market level and how often a low point in implied volatility corresponded to a peak in market level. Our fund volatility since inception is 10.4% versus 19.8% for the FTSE/JSE Top 40 index.

Proposed Eskom tariff increases (and their direct and secondary impact on consumers) impacted inflation risks over the quarter. It is our view that a 35.0% p.a. increase would result in CPIX slipping out of the 3.0% to 6.0% band for a period.

Over the quarter stock picking detracted slightly from performance. Our overweights in Naspers and the hospital groups added to performance, while our underweight position in resources and overweight position in MTN detracted. After the recent massive price moves, our research indicates that the market as a whole is expensive. There are, however, significant differences in the level of valuation across stocks, and so it is still our view that long-term inflation beating returns will be achieved through exposure to carefully selected equities. The fund's protected equity mechanisms will also substantially dampen the impact of a market correction and will benefit the fund from possible market volatility.

Portfolio manager

Jihad Jhaveri

Fund category	Domestic - Asset Allocation - Targeted Absolute & Real Return
Fund description	Aims to provide steady capital growth and returns that are better than market returns on a risk adjusted basis over the medium to longer-term.
Launch date	11 December 2002
Portfolio manager/s	Jihad Jhaveri

Fund size	R 3.90 million
NAV	1901.53 cents
Benchmark	Risk adjusted returns of an appropriate SA large cap index

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2009
Domestic Assets	98.95%
Equities	54.84%
Oil & Gas	5.14%
Basic Materials	6.22%
Industrials	2.44%
Consumer Goods	6.89%
Health Care	0.55%
Consumer Services	5.70%
Telecommunications	8.73%
Financials	12.76%
Derivatives	6.42%
Preference Shares & Other Securities	1.60%
Cash	42.51%
International Assets	1.05%
Equities	1.05%

TOP 10 HOLDINGS

As at 31 Dec 2009	% of Fund
MTN Group Ltd	8.23%
Sasol Limited	5.14%
Standard Bank of SA Ltd	4.06%
FirstRand	3.89%
Naspers Ltd	3.88%
Tongaat Hullett Ltd	2.64%
Impala Platinum Holdings Ltd	1.76%
Compagnie Financiere Richemont SA	1.71%
ABSA Group Ltd	1.71%
BHP Billiton Plc	1.71%
Total	34.73%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2009	01 Oct 2009	26.37	6.42	19.95
31 Mar 2009	01 Apr 2009	103.26	55.33	47.93
30 Sep 2008	01 Oct 2008	59.62	10.05	49.57
31 Mar 2008	01 Apr 2008	26.93	10.56	16.37

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2009	(3.40)%	(5.25)%	7.77%	1.33%	4.91%	(0.93)%	4.71%	2.76%	(0.34)%	2.41%	(1.02)%	2.01%
Fund 2008	(1.54)%	7.91%	(1.75)%	2.76%	2.78%	(3.27)%	(2.44)%	(0.35)%	(4.82)%	(5.34)%	1.69%	0.97%
Fund 2007	0.86%	0.90%	3.55%	1.86%	1.09%	(0.35)%	0.60%	1.14%	3.32%	3.09%	(2.01)%	(1.20)%

FEES (excl. VAT)

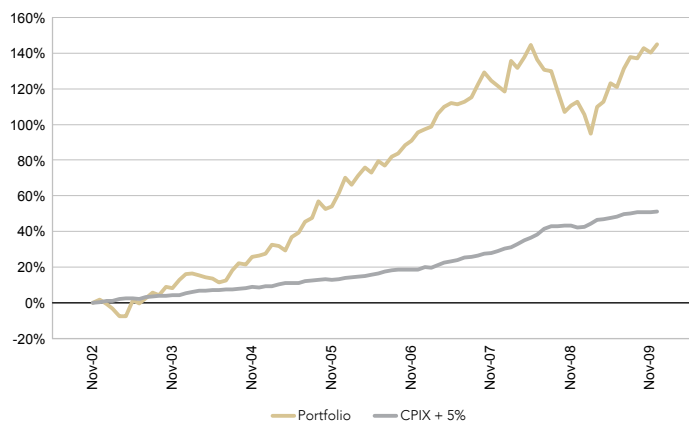
Initial Fee*	Kagiso: 0.00%
Annual Management Fee**	0.75%

* 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.

Total Expense Ratio (TER)² 1.72% per annum

PERFORMANCE AND RISK STATISTIC

CUMULATIVE PERFORMANCE SINCE INCEPTION



PERFORMANCE FOR VARIOUS PERIODS

	Fund	CPIX + 5%	Outperformance
Since Inception (unannualised)	145.00%	51.22%	93.79%
Since Inception (annualised)	13.49%	11.01%	2.47%
Latest 5 years (annualised)	14.13%	11.83%	2.30%
Latest 3 years (annualised)	7.82%	13.41%	(5.59)%
Latest 1 year (annualised)	15.19%	11.36%	3.84%
Year to date	15.19%	11.36%	3.84%
2008	(4.09)%	15.33%	(19.42)%
2007	13.45%	13.57%	(0.12)%
2006	21.04%	9.97%	11.06%
2005	27.61%	9.03%	18.58%

RISK STATISTICS SINCE INCEPTION

	Fund	Top 40 Index
Risk adjusted returns (RAR)	1.30%	0.95%
Annualised Deviation	10.40%	19.80%
Maximum Gain	21.31%	37.42%
Maximum Drawdown	(20.38)%	(43.42)%
Positive Months	62.35%	62.35%

Risk adjusted returns (RAR) is defined as annualised returns divided by the annualised standard deviation.

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.

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. ¹Performance 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. 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 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.