

The past quarter proved to be a tough one for equity markets, with the FTSE/JSE All Share Index declining by 3%. Within the quarter, markets experienced significant volatility, including a drawdown close to 8% during December. The fund did well to protect capital, declining by only 0.25% over the quarter. The return for 2007 now stands at 9.5%. This return is ahead of inflation, which is currently running close to 8%, but below the outperformance target of inflation + 4%. Given current market conditions our first priority is one of capital protection and returns over the longer term remain well above the out-performance target, with the annualised return for the past 5 years at 18.6%.

Positioning within the fund remains more cautious, with equity exposure currently around 40%. We still have significant hedging in place over the equity component of the portfolio, which will protect the fund in the event of further market declines.

While equity exposure remained largely unchanged over the quarter, we did do some buying into share price weakness, and some re-positioning within the fund.

The Sasol position was reduced significantly to the current level of 0.8%. Sasol has long been a high conviction position in the fund, and was the top contributor to equity performance over the past quarter, and also a significant contributor over longer periods. A core part of our philosophy is selling shares when they reach, or exceed, our estimation of fair value as in this case. While our fair value assumes a long term oil price of \$60, the current oil price close to \$100 must be at least partly reflected in expectations and hence the current share price, which presents downside risk in the share. We believe the positive resolution around the windfall tax issue to be discounted in the current share price, leaving no margin of safety for regulatory or other risks.

Purchases over the quarter were all additions to existing positions. Tiger Brands has been increased to a significant 3.2% of the fund. We believe this to be an ideal absolute return stock, with strong brands and pricing power that will benefit revenue in a rising food price environment. The management team is shareholder friendly, with a long history of value creation through unbundling, and we believe that the unbundling of Adcock will be no exception. Our position in Standard Bank was also further increased, and remains our top banking pick. We support the ICBC acquisition and believe that relationship will further strengthen the banks drive into Africa, and create value for shareholders over the long term. Other purchases for the quarter include adding to Woolworths, Remgro, Richemont and Bidvest.

The equity component of the portfolio remains very focused, with the top 10 positions accounting for two thirds of this. We believe the positioning is also defensive, with no exposure to high-flying commodity and construction shares.

Listed property had a poor quarter with the index declining by 0.4%, but remains the best performing asset class over the past year. Our positioning here remains focused on a handful of high quality properties. During the quarter we increased our position in Hospitality A shares through underwriting of a rights issue. With a yield comparable to current government bond rates, and growth in distributions of 5% guaranteed before B shareholders receive any income, we believe it to be an attractive investment.

Bonds also had a poor quarter, with the All Bond Index return of 0.9% below the cash return of 2.7%. We have been bearish on bonds over a long period, and sold the position taken during the second quarter of the year. Our preference remains for cash and short term money market assets which are offering very attractive returns currently.

During the quarter we also increased our holding in preference shares through buying Absa prefs. With these shares trading at yields of 76% of prime and higher, we believe they are very attractive currently. In addition to offering attractive after tax yields, we believe there is a fair chance of capital appreciation to enhance returns over the longer term.

International markets were negative over the past quarter, with the MSCI falling by 2.3% in dollar terms, and the rand appreciating marginally. Despite this negative environment, returns in the international component of the portfolio were only marginally down. Our conviction remains high for maximum offshore allocation currently, especially given the present level of the exchange rates and inherent risks in the current environment.

The fund has come through the volatility of the past year quite well and remains defensively positioned. It is well placed to protect capital going forward and we will continue to use market uncertainty to acquire quality assets as prices decline.

While nominal returns are expected to be lower than the past few years, we remain confident that we can continue to deliver on fund objectives going forward.

Edwin Schultz and Gavin Joubert
Portfolio Managers

Fund category	Domestic Asset Allocation Targeted Absolute and Real Return
Fund description	Focused on the preservation of capital over all rolling 12-month periods. Over the medium term, the objective is to produce real growth of at least 4% per annum.
Launch date	2 July 2001

Portfolio manager/s	Edwin Schultz and Gavin Joubert
Fund size	R4.8 billion
NAV	2348.04x cents
Benchmark/performance fee hurdle	CPIX + 4%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2007
Domestic Assets	84.20%
Equity	40.27%
Oil & Gas	0.83%
Basic Materials	4.83%
Industrials	5.83%
Consumer Goods	9.43%
Healthcare	2.53%
Consumer Services	13.32%
Telecommunications	1.46%
Financials	9.06%
Derivatives	(7.02%)
Preference Shares & Other Securities	2.75%
Real Estate	4.91%
Fixed Interest	5.77%
Cash	30.50%
International Assets	15.80%
Equity	9.40%
Fixed Interest	2.28%
Cash	4.12%

TOP 10 HOLDINGS

As at 31 December 2007	% of Fund
Coronation Global Equity Fund of Funds	4.97%
Naspers Ltd – N ordinary shares	4.25%
Woolworths Ltd	3.81%
Remgro Ltd	3.59%
Absa Group Ltd – Ordinary and Preference Shares	3.42%
Standard Bank Group Ltd	3.33%
Impala Platinum Holdings Ltd	3.24%
Tiger Brands Ltd	2.92%
Network Healthcare Holdings Ltd	2.53%
Edinburgh Partners Euro Opportunity Fund	2.24%
Total	34.30%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/12/2007	01/01/2008	19.32	3.15	16.17
30/09/2007	01/10/2007	26.82	12.51	14.31
30/06/2007	01/07/2007	14.29	0.94	12.66
31/03/2007	01/04/2007	17.02	5.72	11.30

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2007	4.23%	0.32%	1.63%	2.72%	0.25%	-1.30%	-0.76%	1.09%	1.27%	2.71%	-2.30%	-0.60%
Fund 2006	3.70%	0.26%	2.55%	0.53%	-0.42%	-0.57%	0.00%	2.90%	2.45%	3.39%	2.83%	2.82%
Fund 2005	0.77%	1.87%	-0.18%	-0.46%	4.50%	1.45%	3.85%	1.87%	2.08%	0.71%	1.25%	3.48%

FEES (excl. VAT)

Initial Fee*	Coronation: 0.00% (Direct)
Annual Management Fee - performance related**	Minimum - standard: 1.25% Minimum - discounted: 0.75% Maximum: 2.75% Sharing rate: 10%

* An initial fee of 0.25% will be charged on all investments placed via administration platforms like Linked Investment Service Providers (LISPs).

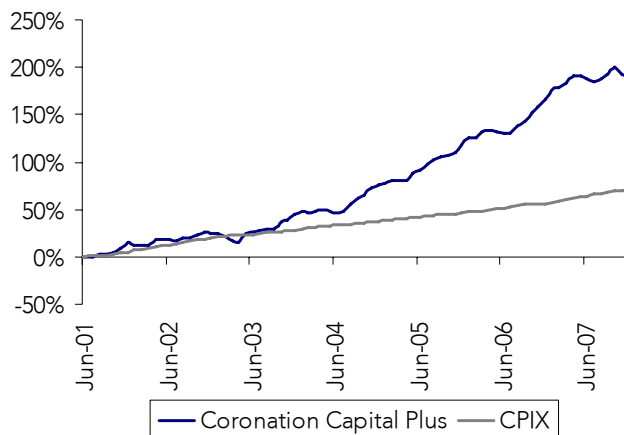
** A portion of Coronation's annual management fee may be paid to administration platforms like LISPs as a payment for administrative and distribution services.

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.

PERFORMANCE AND RISK STATISTICS¹

CUMULATIVE PERFORMANCE SINCE INCEPTION



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	9.46%	12.45%	-2.99%
Latest 12 months (annualised)	9.46%	12.45%	-2.99%
Latest 36 months (annualised)	18.18%	9.80%	8.38%
Latest 60 months (annualised)	18.57%	9.15%	9.43%
Since inception (annualised)	17.89%	9.95%	7.94%
2006	22.38%	7.64%	14.74%
2005	23.22%	8.03%	15.19%
2004	22.49%	8.29%	14.20%
2003	15.93%	8.05%	7.89%

RISK STATISTICS SINCE INCEPTION

	Fund	CPIX
Annualised deviation	7.63%	1.45%
Downside deviation	3.68%	0.37%
Sharpe ratio	1.07	N/A
Maximum gain	29.49%	N/A
Maximum drawdown	-8.20%	N/A
Positive months	69.23%	N/A

Total Expense Ratio (TER)²

2.80% per annum, which includes a performance fee of 1.30%

When applicable, Coronation shares in the fund performance above the benchmark. This performance fee is accrued daily, based on performance over a rolling 12-month period, and paid to Coronation monthly. If the fund produces a positive return in line with or below the benchmark, the standard minimum fee will be levied. If the fund produces a negative return over a rolling 36-month period, the discounted minimum fee applies.

For further information regarding our fee structure please contact us or visit our website.