# CORONATION BALANCED DEFENSIVE

**Class A**

**as at 31 December 2008**

The year 2008 was traumatic, with the global financial crisis far exceeding our worst expectations. Although one can only have certainty with the passing of time, it appears as though the low point for equities was reached in November. Since then, global markets, including the JSE, have recovered some of the lost ground.

As investors became gripped by fear, risk aversion was the overwhelming driving force in financial markets. The flight from risk assets to perceived safety has been extreme, resulting in equities falling to very attractive valuations, while bond yields around the world benefited from the rush to safety as well as the co-ordinated low interest rate policies being adopted by all the major global economies. The yield on US 10-year bonds fell to close to 2%, while in South Africa the yields on long dated government bonds have declined to around 7%. We find these yields totally unattractive and hold none of these assets.

Instead of holding any of these unattractive conventional bonds, we bought SA government dollar-denominated bonds at an average yield of 9.5%. The other new purchase in the portfolio is a US inflation-linked government bond maturing in 2013. This bond was bought at an attractive real yield of 3.73%. We expect to make some capital gains from a decrease in this real yield over time. The fund's combined exposure to these two instruments is 7.6%.

The fund also added to its holding of preference shares in late October, following a sharp sell-off of these assets. Our total exposure to preference shares is 8.5%. We find the tax-free yield on these instruments very attractive and an appropriate holding for a defensive portfolio.

Despite the market turmoil, we have managed to generate a positive return of 0.93% for the quarter and 6.56% for the past 12 months. Although still behind our target of cash plus 3%, we are pleased at having achieved a positive return for our unit holders over this crisis period.

Looking forward we are of the view that the unprecedented stimulatory actions by the major economic powers of the world will eventually work and prevent a 1930s style depression. Accordingly, we will look to add more risk assets to the portfolio but will stay true to our conservative mandate and try our utmost to limit the volatility of the returns.

Charles de Kock and Mark le Roux
Portfolio Managers

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CORONATION FUND MANAGERS

| | | | |
|---|---|---|---|
| Fund category | Domestic Asset Allocation<br>Prudential Low Equity | Portfolio manager/s | Charles de Kock and Mark le Roux |
| Fund description | The fund aims to provide a reasonable level of current income and seeks to preserve capital in real terms, with lower volatility over the medium to long-term. | Fund size | R278.5 million |
| | | NAV | 104.05 cents |
| | | Benchmark | Alexander Forbes 3-month (STeFI) Index plus 3% p.a. |
| Launch date | 1 February 2007 | | |

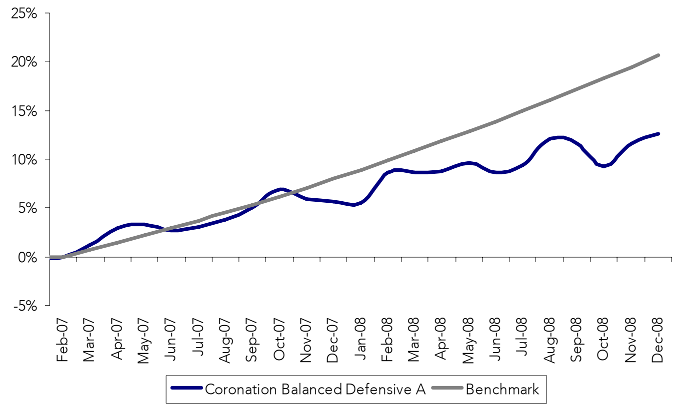
## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

| Sector | 31 December 2008 |
|---|---|
| Domestic Assets | 85.96% |
| Equity | 19.19% |
| Oil & Gas | 1.05% |
| Basic Materials | 2.67% |
| Industrials | 2.30% |
| Consumer Goods | 2.71% |
| Healthcare | 0.46% |
| Consumer Services | 4.15% |
| Telecommunications | 1.76% |
| Financials | 4.09% |
| Preference Shares & Other Securities | 8.48% |
| Real Estate | 4.16% |
| Fixed Interest | 3.44% |
| Cash | 50.69% |
| International Assets | 14.04% |
| Equity | 6.35% |
| Fixed Interest | 7.65% |
| Cash | 0.04% |

## PERFORMANCE AND RISK STATISTICS[1]

### CUMULATIVE PERFORMANCE SINCE INCEPTION




### TOP 10 HOLDINGS

| As at 31 December 2008 | % of Fund |
|---|---|
| Coronation Preference Share Fund | 7.58% |
| Coronation World Wide Equity Fund | 6.07% |
| MTN Group Ltd | 1.64% |
| Standard Bank Group Ltd | 1.51% |
| Reinet Investments SCA | 1.34% |
| Sasol Ltd | 1.05% |
| Anglo American Plc | 1.02% |
| British American Tobacco Plc | 0.99% |
| Naspers Ltd | 0.98% |
| BHP Billiton Plc | 0.95% |
| Total | 23.13% |

### PERFORMANCE FOR VARIOUS PERIODS

| | Fund | Benchmark | Out-performance |
|---|---|---|---|
| Year to date | 6.56% | 14.71% | -8.15% |
| Latest 12 months | 6.56% | 14.71% | -8.15% |
| Since inception (Feb – Dec) | 6.70% | 13.76% | -7.06% |
| 2007 | 5.69% | 10.97% | -5.27% |

### INCOME DISTRIBUTIONS

| Declaration | Payment | Amount | Dividend | Interest |
|---|---|---|---|---|
| 31/12/2008 | 01/01/2009 | 1.75 | 0.32 | 1.43 |
| 30/09/2008 | 01/10/2008 | 1.87 | 0.32 | 1.55 |
| 30/06/2008 | 01/07/2008 | 1.52 | 0.12 | 1.40 |
| 31/03/2008 | 01/04/2008 | 1.36 | 0.22 | 1.14 |

### RISK STATISTICS SINCE INCEPTION

| | Fund | Benchmark |
|---|---|---|
| Annualised deviation | 4.25% | N/A |
| Sharpe ratio | -1.11 | N/A |
| Maximum gain | 4.03% | N/A |
| Maximum drawdown | -2.65% | N/A |
| Positive months | 68.18% | N/A |

### MONTHLY PERFORMANCE RETURNS

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fund 2008 | -0.16% | 2.91% | 0.08% | 0.02% | 0.85% | -0.92% | 0.70% | 2.55% | -0.52% | -2.14% | 2.18% | 0.94% |
| Fund 2007 | | | 1.25% | 1.66% | 0.40% | -0.60% | 0.29% | 0.81% | 1.17% | 1.71% | -0.93% | -0.17% |

## FEES (excl. VAT)

| | |
|---|---|
| Initial Fee | Coronation: 0.00% |
| Annual Management Fee* | 1.50% |

* 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] | 1.85% |

Annual management fee discount:

If the fund delivers a negative return over a rolling 12-month period, then Coronation will forego the total annual management fee.

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.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[1]Performance is quoted from Morningstar as at 31 December 2008 for a lump sum investment using Class A NAV prices with income distributions reinvested. [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 September 2008. 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.