

Bonds were the best performing asset class during 2008, returning an impressive 16.97% for the year despite a very bearish start brought on by a surge in inflation and sharply rising interest rates. Bonds looked set to produce negative returns for most of the year until July when the oil price started to fall and Statistics SA indicated that the CPIX index would be reweighted and rebased in January 2009. Calculations showed that inflation was indeed going to fall sharply.

However, this has taken some time to materialise and only in November 2008 did we see the first convincing decline in inflation. By December, CPIX was at 12.1% - still high, but moving lower. Bond yields peaked in the third quarter falling sharply thereafter, anticipating an imminent turn downwards in the interest rate cycle. Bond market returns improved dramatically during the fourth quarter helped along by domestic investors piling in after months of being short duration. On the 11th of December SA Reserve Bank Governor Tito Mboweni announced the first 0.5% repo rate cut of the cycle, taking the repo rate to 11.5% after 10 consecutive hikes starting in June 2006. During December bonds touched 7% before ending the year slightly higher at 7.21%. The market is pricing a very bullish outcome for short term interest rates over the next year, and is expecting as much as a 1% repo rate cut in February, following with further cuts thereafter.

The fund was well positioned for this sharp turnaround in the bond market, with its substantial holding in corporate bonds which represents 30% of the fund and contributed to the stronger performance.

The fund's holding in both floating and fixed-rate money market NCDs are the income generators for the portfolio. These instruments still paying interest in excess of 12% p.a. and provide the fund with the required income for investors. The floating rate notes bought earlier in 2008 at a significant spread over JIBAR provided a good buffer to rising interest rates during the year. Money market rates, now much lower, are pricing in all of the expected interest rate cuts, and no longer offer the same excellent value that they did during 2008.

The fund returned a pleasing 12.2% for the year. We continue to be manage it conservatively, with the focus on income generation and looking for opportunities to generate capital returns from assets where the risk/return trade-off is in our favour.

Tania Miglietta
Portfolio Manager

Fund category Domestic Fixed Interest Income
Fund description Aims to provide a high level of current income with moderate levels of capital growth. Stability of capital invested is of prime focus.
Launch date 3 April 2000

Portfolio manager Tania Miglietta
Fund size R78.2 million
NAV 1108.04 cents
Benchmark BEASSA ALBI (1 – 3 year) TR Index

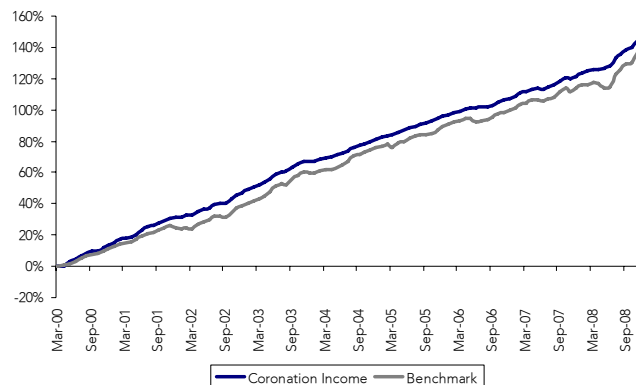
PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Maturity Band	31 December 2008
0 – 12 months	16.88%
1 – 3 years	55.72%
3 – 7 years	27.40%

PERFORMANCE AND RISK STATISTICS¹

CUMULATIVE PERFORMANCE SINCE INCEPTION



INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Interest
31/12/2008	01/01/2009	28.79	28.79
30/09/2008	01/10/2008	28.60	28.60
30/06/2008	01/07/2008	26.43	26.43
31/03/2008	01/04/2008	24.32	24.32

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	12.16%	12.90%	-0.74%
Latest 12 months	11.16%	12.90%	-0.74%
Latest 36 months (annualised)	8.26%	8.49%	-0.23%
Latest 60 months (annualised)	8.29%	8.66%	-0.37%
Since inception (annualised)	10.97%	10.62%	0.35%
2007	6.79%	7.07%	-0.28%
2006	5.93%	5.65%	0.28%
2005	8.16%	7.70%	0.46%
2004	8.52%	10.17%	-1.64%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	1.97%	2.98%
Sharpe ratio	0.40	0.15
Maximum gain	101.41%	26.14%
Maximum drawdown	-0.26%	-1.85%
Positive months	95.24%	87.62%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	0.95%	0.54%	0.36%	0.12%	0.14%	0.75%	2.39%	0.96%	1.18%	0.68%	1.73%	1.76%
Fund 2007	0.66%	0.82%	0.42%	0.86%	0.27%	-0.26%	0.59%	0.58%	1.12%	0.89%	-0.23%	0.88%
Fund 2006	0.56%	0.60%	0.53%	0.60%	0.48%	-0.25%	0.60%	-0.13%	0.61%	0.83%	0.71%	0.64%

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee**	0.75%
<small>* 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.</small>	
Total Expense Ratio (TER)²	0.92% per annum

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 0.75% and is applied to each contribution and deducted before investment is made.
- Ongoing advice fees may be negotiated to a maximum of 0.50% per annum 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.