

Bonds were the best performing asset class during 2008, returning an impressive 17% for the year despite a very bearish start brought about 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 bond returns turned positive as 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 3rd quarter, falling sharply thereafter in anticipation of an imminent downward turn in the interest rate cycle. Bond market returns improved dramatically during the 4th quarter, supported 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% cut in the interest rate 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 in a very bullish outcome for short-term interest rates over the next year and is expecting as much as a 1% rate cut in February, with further cuts thereafter.

The fund was well positioned for this sharp turnaround in the bond market, with us having extended its duration during the latter part of the year. Corporate bonds, representing 23% of the fund, contributed to the stronger performance.

The fund's 50% holding in both floating and fixed-rate money market NCDs are the income generators of the portfolio. These instruments, still paying interest in excess of 12% p.a., provide the fund with the required income for investors. 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.

Listed property made an impressive recovery during the second half of 2008, with the listed property index achieving a whopping 33% for the last six months after a dismal first half of the year. This recovery took place in line with the bond market recovery and was backed by ongoing good distribution growth which supported share prices.

Preference shares, still offering good non-taxable yields of around 12% for the bank-issued names, represented 7% of the fund by year end. Prices have been very depressed in this sector, and liquidity low. However, with a non-taxable yield in excess of money market rates, it remains an attractive investment. History shows that the prices respond to changes in the interest rate cycle, and we expect that some price recovery should come through as interest rates are reduced.

After a particularly tough first six months, the fund rebounded strongly with a return of 9.7% for the year – with the majority of the return coming in during the last six months. The fund continues to be conservatively managed 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.

Mark le Roux and Tania Miglietta
Portfolio Managers

Fund category
Fund description

Domestic Fixed Interest Varied Specialist
A widely diversified, actively managed fund that aims to provide a higher level of income than a pure income fund.

Launch date

2 July 2001

Portfolio manager/s
Fund size
NAV
Benchmark

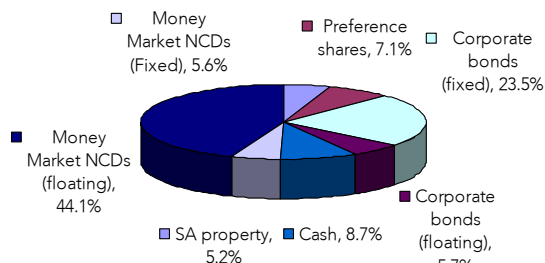
Mark le Roux and Tania Miglietta
R3.7 billion
1308.84 cents
BEASSA ALBI (1 - 3 year) TR Index

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

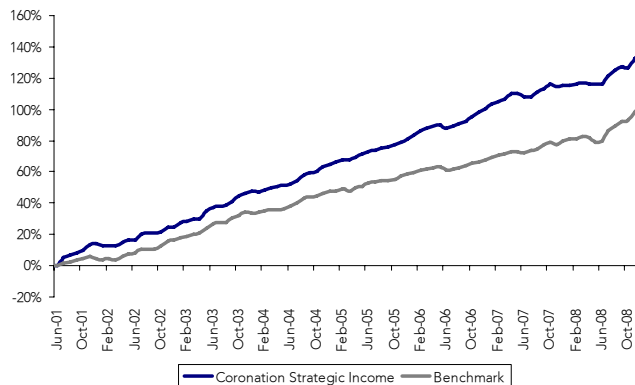
Sector	31 December 2008
Domestic Assets	100.0%
Cash/Money Market	58.4%
Bonds	29.2%
Listed Property	5.2%
Preference Shares	7.1%
International Assets	0.0%

PORTFOLIO COMPOSITION As at 31 December 2008



PERFORMANCE AND RISK STATISTICS¹

CUMULATIVE PERFORMANCE SINCE INCEPTION



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	9.72%	12.90%	-3.18%
Latest 12 months	9.72%	12.90%	-3.18%
Latest 36 months (annualised)	9.28%	8.49%	0.78%
Latest 60 months (annualised)	9.91%	8.66%	1.25%
Since inception (annualised)	12.17%	9.88%	2.28%
2007	7.73%	7.07%	0.66%
2006	10.40%	5.65%	4.75%
2005	9.85%	7.70%	2.15%
2004	11.88%	10.15%	1.73%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/12/2008	01/01/2009	31.85	0.89	30.96
30/09/2008	01/10/2008	35.83	4.12	31.71
30/06/2008	01/07/2008	29.42	1.32	28.10
31/03/2008	01/04/2008	28.02	3.52	24.50

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	3.51%	3.08%
Sharpe ratio	0.60	-0.06
Maximum gain	29.19%	15.89%
Maximum drawdown	-1.29%	-1.85%
Positive months	87.78%	85.56%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	-0.26%	0.34%	0.39%	-0.09%	-0.29%	0.24%	2.45%	1.43%	1.02%	-0.15%	2.39%	1.90%
Fund 2007	1.69%	0.79%	0.67%	1.70%	0.18%	-1.06%	0.02%	1.21%	1.24%	1.34%	-0.76%	0.49%
Fund 2006	1.17%	1.61%	0.87%	0.66%	0.42%	-1.05%	0.73%	0.78%	0.70%	1.78%	1.33%	0.96%

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee*	1.00%
* 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	1.14% 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 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.