

## CORONATION BOND

Class R

as at 30 June 2008

CORONATION   
FUND MANAGERS

The first half of 2008 has been one of the worst experienced in recent times for the bond market. The All Bond Index has returned -6.7% for the six months, making it one of the poorest periods to be in the bond market in the past decade. Long bond yields have risen more than 220 basis points to around 10.70%, a level last seen in 2002.

The massive problem which has impacted negatively on bond yields, and the majority of financial assets, has been the 'rampant' oil price which has fuelled inflation far beyond initial expectations. This is a phenomenon that is occurring both locally and internationally.

On a year-on-year basis oil is up by more than 100% in rand terms. The direct impact on inflation from this source has been enormous - one just has to look at the petrol price - but the indirect impact has also played a material role in the upward trajectory of inflation. Looking at the price of maize one realises that two of the major inputs into producing the maize crop are diesel and fertiliser - both oil by-products. Add to this the well publicised Eskom tariff hikes and one quickly sees how the bond market has had to face an almost perfect storm.

The Monetary Policy Committee has responded to the rising threat of inflation by hiking rates at both the April and June meetings (10 rate hikes in the current cycle) as well as engaging in some very hawkish and vociferous 'central bank speak'. Judging by their actions and commentary, the SA Reserve Bank certainly appears committed to getting inflation back into the target range.

From a valuation perspective, good value appears to be returning to the bond market and when the interest rate cycle starts to turn, one can expect a strong performance from this asset class. The question does however remain as to 'when?', but hopefully a stabilising/falling oil price will provide that answer.

We have moved the bond portfolio from a short to a neutral position relative to the All Bond Index benchmark at this point in the cycle.

**Mark le Roux**  
Portfolio Manager

# CORONATION BOND

**Class R**  
as at 30 June 2008

**Fund category** Domestic Fixed Interest Bond  
**Fund description** Seeks to provide investors with a well-diversified exposure to the SA bond market.  
**Launch date** 1 August 1997

**Portfolio manager** Mark le Roux  
**Fund size** R466.2 million  
**NAV** 1170.02 cents  
**Benchmark** BEASSA ALBI Index

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Maturity Band	30 June 2008
0 – 1 year	8.50%
1 – 3 years	20.03%
3 – 7 years	10.89%
7 – 12 years	37.88%
12+ years	22.69%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Interest
31/03/2008	01/04/2008	51.29	51.29
30/09/2007	01/10/2007	53.11	53.11
31/03/2007	01/04/2007	49.74	49.74
30/09/2006	01/10/2006	35.92	35.92

### MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	-0.47%	-0.90%	-0.62%	-0.58%	-2.30%	-1.61%						
Fund 2007	0.65%	1.25%	-0.27%	1.47%	-0.95%	-2.02%	0.39%	0.68%	2.23%	1.59%	-1.39%	0.67%
Fund 2006	0.72%	0.93%	-0.26%	1.02%	-0.76%	-2.38%	0.63%	-0.18%	1.43%	3.26%	0.91%	1.34%

## FEES (excl. VAT)

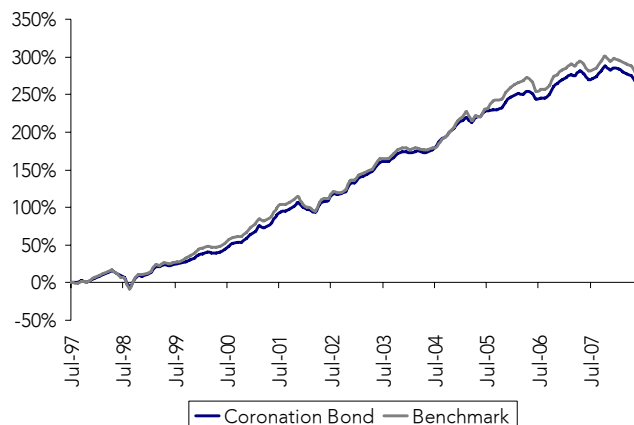
<b>Initial Fee</b>	Coronation: 0.00%
<b>Annual Management Fee*</b>	0.75%
* A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.	
<b>Total Expense Ratio (TER)<sup>2</sup></b>	0.86% per annum

### 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.

## PERFORMANCE AND RISK STATISTICS<sup>1</sup>

### CUMULATIVE PERFORMANCE SINCE INCEPTION



### PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	-6.32%	-6.68%	0.36%
Latest 12 months	-2.38%	-2.70%	0.32%
Latest 36 months (annualised)	3.39%	2.89%	0.50%
Latest 60 months (annualised)	6.78%	6.70%	0.08%
Since inception (annualised)	12.48%	12.61%	-0.13%
2007	4.29%	4.21%	0.08%
2006	6.76%	5.48%	1.28%
2005	10.96%	10.80%	0.16%
2004	13.94%	15.25%	-1.31%

### RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	7.80%	9.27%
Sharpe ratio	0.13	0.12
Maximum gain	26.21%	26.36%
Maximum drawdown	-19.02%	-22.26%
Positive months	73.28%	72.52%