

The Balanced Defensive Fund is a conservative product designed to offer investors some protection against capital losses during bear markets.

The first quarter of 2008 provided the fund with a real test as most global stock markets suffered substantial losses. We are extremely pleased with the way the fund behaved during this eventful time, producing a positive return of 2.8% for the quarter and 7.3% for the past year. Although this missed our target of cash plus 3% (which was 3.4% and 13.0% for the quarter and year respectively) we remain confident of achieving this target as markets normalize.

Developed world stock markets suffered sharp declines as the following list shows:

Dow Jones Industrial -7.6%; Nasdaq -14.1%; FTSE 100 -11.7%; DAX -19.0%; and the Nikkei -18.2%. (All returns expressed in domestic currencies). Viewed against this global backdrop our own JSE held up reasonably well with the all share index up 2.9%. The major components of the JSE however showed exceptional divergence with resources returning a positive 17.5% and financials -12.8%. Property trusts also did poorly, registering -10.7% for the quarter. The all bond index gave a negative 1.9% return with the long end faring the worst. Cash returned 2.6%.

The fund's positive return came largely from the high domestic cash exposure held throughout the period. In addition to domestic cash we also held some off-shore cash which offered investors good protection against the very weak rand. Within domestic equities we held some shares such as Arcelor Mittal and Impala Platinum which performed very well.

Looking ahead we are likely to use the current period of market weakness to add to domestic stocks. We find many domestic shares, especially the interest rate sensitive ones, offer excellent value. The negative sentiment prevailing among investors has pushed a number of high quality companies' prices too low in our view. We do not claim to be able to tell when these shares will bounce, but buying good businesses at cheap levels has always rewarded the investor over the long term.

In the interest-bearing field, rising inflation and the weak rand exchange rate have had a negative impact on yields. The SA Reserve Bank (SARB) is in a difficult position. Its mission is to fight inflation, but the current sources of inflation lie in ever higher energy and food prices. Something the SARB is powerless to control. South Africa runs a large current account deficit and needs foreign investment to finance it. Depressing the domestic economy by hiking interest rates again might well be counter productive. We believe the economy will be better served by keeping interest rates steady for now. The risk of policy error in our view remains high and we therefore continue to keep the modified duration of the interest-bearing component quite short. Once we have greater conviction that the up-cycle in interest rates has ended, we will go somewhat longer.

We remain aware of the vulnerability of the rand and aim to maintain our full global exposure.

Charles de Kock and Mark le Roux
Portfolio Managers

Fund category	Domestic Asset Allocation Prudential Low Equity
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.
Launch date	1 February 2007

Portfolio manager/s
Fund size
NAV
Benchmark

Charles de Kock and Mark le Roux
R104.2 million
105.09 cents
Alexander Forbes 3-month (STeFI)
Index plus 3% p.a.

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2008
Domestic Assets	85.05%
Equity	19.58%
Oil & Gas	1.05%
Basic Materials	3.89%
Industrials	2.90%
Consumer Goods	2.99%
Healthcare	0.33%
Consumer Services	3.06%
Telecommunications	1.16%
Financials	4.20%
Preference Shares & Other Securities	2.30%
Real Estate	3.58%
Fixed Interest	15.49%
Cash	44.10%
International Assets	14.95%
Equity	9.91%
Cash	5.04%

TOP 10 HOLDINGS

As at 31 March 2008	% of Fund
Coronation Global Equity Fund of Funds	9.91%
Standard Bank Group Ltd	2.04%
Liberty International Plc	1.55%
Remgro Ltd	1.52%
Richemont Securities AG	1.41%
Impala Platinum Holdings Ltd	1.36%
Naspers Ltd	1.13%
Sasol Ltd	1.05%
Absa Group Ltd	0.95%
Firststrand Group Ltd	0.86%
Total	21.78%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/03/2008	01/04/2008	1.36	0.22	1.14
31/12/2007	01/01/2008	1.13	0.04	1.09
30/09/2007	01/10/2007	1.33	0.30	1.03
30/06/2007	01/07/2007	1.03	0.02	1.01

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	-0.16%	2.91%	0.08%									
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	2.04%

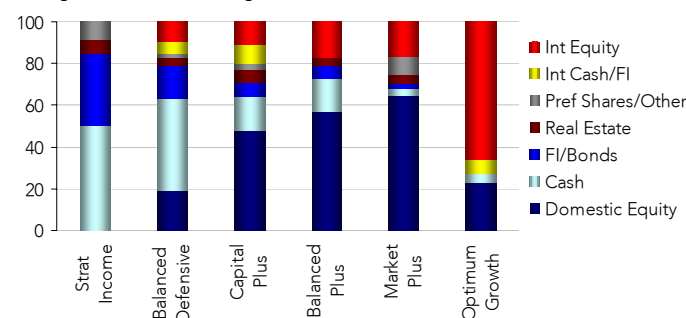
Advice Costs (excluding VAT)

- 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

ASSET ALLOCATION

Managed flexible fund range as at 31 March 2008



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	2.83%	3.40%	-0.57%
Latest 12 months	7.34%	13.04%	-5.70%
Since inception	7.99%	12.95%	-4.97%
2007	5.69%	8.22%	-2.52%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	3.72%	N/A
Sharpe ratio	-0.69	N/A
Maximum gain	4.03%	N/A
Maximum drawdown	-1.26%	N/A
Positive months	69.23%	N/A