CORONATION BOND

Class R
as at 31 March 2008

The SA bond market had a particularly poor start to the year. The ALBI returned -1.88% for the quarter and -0.53% for the month of March. The long end of the curve was the hardest hit with the 12+ area losing in excess of 6.5% for the quarter, and the 1 to 3 year bracket fared the best, producing 1.6%. This weak performance from the bond asset class should be seen in the light of further negative surprises on CPIX inflation, a sharply weaker currency, an intensification of the credit crunch overseas (with the Bear Stearns debacle) and a widening in emerging market spreads. Needless to say, in this environment the all bond index once again underperformed both cash and inflation-linked bonds during the quarter.

Our analysis shows that we are currently very close to the peak in inflation. It is important to remember that inflation is a means of measuring the rate of growth of prices, which means that prices remaining high do not mean high inflation. Food prices, although not falling yet, are in the process of topping out supported by the huge supply response domestically. Oil remains an enigma and is likely to remain at speculative levels as long as geopolitical tensions persist in the Middle East. However, the one wildcard has to be electricity - to go from a 14% increase to a requested 60% in the space of a few months begs many questions? If the regulator grants such an increase, we could see the inflation rate peaking in double digits of around 10.50% by July of this year.

Evidence in the economy suggests that the past eight interest rate hikes, taking us from 7.00% in June 2006 to 11.00%, are in the process of working. Retail sales and vehicle sales are already under enormous pressure, with more to come as the lagged effect of monetary policy (12 – 18 months) works its way into the system. While the full effects of the four interest rate hikes in 2007 have not yet fully filtered through, any excess consumer demand in the economy has shown signs of abating. 'Yes' we have an inflation target, and 'yes' we are in breach due to factors beyond our control, namely oil and food. But would a further interest rate hike help? Or would the impact on the consumer be the equivalent of 'pushing on a piece of string?'

The turmoil in global credit markets has put the local corporate credit and securitization markets under severe strain. This, coupled with incessant funding pressure from the banks, has resulted in these markets virtually ceasing to function. Examples are the recent shelving of a home loan securitisation by one of the big four banks through lack of demand; The Development Bank of Southern Africa issuing only R1billion of a proposed new R2 billion bond due to lack of bids, and most recently, the large blue chip, Anglo American being forced to withdraw their inaugural bond issue due to insufficient demand at a reasonable price (140 bps over the referenced Government bond).

Maximum exposure to corporate credit by institutional investors and a lack of liquidity in the majority of credit issues has all but caused trade in this market to dry up. Furthermore, one of the largest money market unit trust funds in the country which had been an aggressive accumulator of bank conduit paper (a regulatory arbitrage vehicle that invest predominantly in securitisations and corporate credit) has virtually withdrawn from this area of the market, leaving it and the credit market in an oversupplied position.

A further problem in the credit market has been the lack of realistic price discovery and unrealistic mark to mark of a number of the assets due to poor tradability and lack of liquidity. A deteriorating economic outlook and rising interest rates have also put pressure on a number of the underlying assets in the securitisation vehicles.

This rather toxic concoction will need to right itself before vast sums of planned new issuance can find its way into the bond market. That said, we believe that the time to pick up bargains in this area of the market could be now.

We should be approaching the cyclical peak in inflation and from a fair valuation point of view bonds are beginning to show value. Thus we believe now is the time to start to add duration to the fixed income portfolio.

Mark le Roux
Portfolio Manager

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CORONATION BOND
Class R
as at 31 March 2008

Fund category	Domestic Fixed Interest Bond	Portfolio manager	Mark le Roux
Fund description	Seeks to provide investors with a well-diversified exposure to the SA bond market.	Fund size	R441.5 million
		NAV	1275.53 cents
		Benchmark	BEASSA ALBI Index
Launch date	1 August 1997		

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

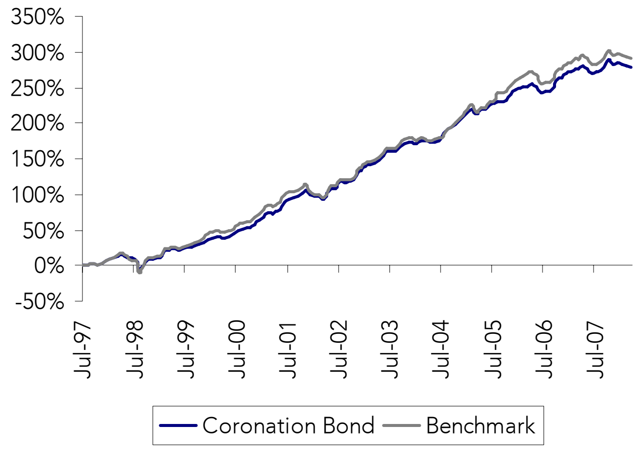
Maturity Band	31 Mar 2008
0 – 1 year	6.74%
1 – 3 years	24.02%
3 – 7 years	11.49%
7 – 12 years	33.76%
12+ years	24.00%

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

PERFORMANCE AND RISK STATISTICS[1]

CUMULATIVE PERFORMANCE SINCE INCEPTION



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	-1.98%	-1.88%	-0.10%
Latest 12 months	0.59%	0.62%	-0.03%
Latest 36 months (annualised)	6.49%	6.23%	0.26%
Latest 60 months (annualised)	9.14%	9.19%	-0.05%
Since inception (annualised)	13.27%	13.45%	-0.19%
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	7.77%	9.26%
Sharpe ratio	0.23	0.21
Maximum gain	26.21%	26.36%
Maximum drawdown	-19.02%	-22.26%
Positive months	75.00%	74.22%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	-0.47%	-0.90%	-0.62%									
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)

Initial Fee	Coronation: 0.00%
Annual Management Fee*	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.	
Total Expense Ratio (TER)[2]	0.87% 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.