

The fund had a very disappointing start to the year, with January in particular being the fund's worst month since inception almost 7 years ago. Over the past few months several of the fund's top holdings have declined by 20% - 30% or more and this has inevitably had a negative impact on performance. The fund's return over the past one year period is just 1.2%, which we are disappointed with.

While we were more cautiously positioned going into the equity market sell-off, having reduced equity exposure and put significant hedging in place, it was not enough to off-set the declines in share prices. While our belief has been that our equity selections are defensive, and should decline by less than the market in a falling market, they have not behaved in this manner in the short term. Hedging partly helped, but was not sufficient to off-set share price declines. A portion of our hedging is on the all share index, which has proved ineffective in an environment of rising resource shares. We continue to believe that commodity prices and valuations are too high and are therefore keeping this hedging in place for now.

We are clearly not happy with the fund's performance, but at the same time we believe that the fund's large holdings are now substantially undervalued rather than merely undervalued as they were a few months ago. As a result, we are very optimistic about the prospects for the fund going forward. It is inevitable that all funds go through shorter-term periods of poor performance, but importantly, the long-term performance numbers of the fund remain very compelling. Since inception the fund has generated an annualised return of 16.9% with volatility of just 7.8% and returns of just under 20% per annum over the past 5 years.

Over the past few months we have seen the global credit crisis, the start of a US recession, a global bear market, Polokwane, Eskom and a crumbling South African consumer. These factors have naturally had an impact on the fund, but even more importantly was the rare situation where several of the fund's largest holdings were impacted by stock-specific (unpredictable) events detailed below, and all have declined by 20% - 30%.

- Naspers: the announcement of a large acquisition (Tradus) where the market took the view that they were overpaying for the asset and that equity might be issued to fund the transaction.
- Tiger Brands: the bread fixing scandal followed shortly thereafter by allegations of price fixing within Adcock Ingram.
- Woolworths: impacted by a slowing economy and producing very poor results below the market's expectation.
- Netcare: threat of regulatory intervention by Government.
- JSE: concerns over volumes declining due to a bear market.

Over the past few months we have carefully assessed our 5 year earnings estimates and valuations for the 5 companies mentioned above (and indeed all of the fund's holdings). The net result is that while there have been some reductions in earnings and fair values, these reductions are marginal and bear no correlation to the 20% - 30% share price declines in these stocks. As a result, our confidence that these companies are undervalued has increased - there have been large share price declines with very little change in what we believe these businesses are worth. Our synthesised view on each of these holdings and the current concerns are as follows:

- Naspers: we have done a considerable amount of research on Tradus (which can simplistically be described as the ebay of Eastern Europe) and hold the view that the potential for this asset is significant and that the price paid is quite likely to turn out to be far more attractive than the view taken by the market. Equity was not issued.

- Tiger Brands: while the allegations of price fixing are naturally disappointing and raises concerns about this being a wider practice within the Tigers group, we back the board under Lex Van Vught to fully investigate this issue and take appropriate corrective action. At the same time, it is rare that one is able to buy a stake in a company with the collection of great brands that Tigers owns on such an attractive valuation (8.5 forward PE multiple and dividend yield of almost 6%). One typically only gets such an opportunity when a company stumbles and investors are too focused on the short-term. It is our view that today is one such opportunity. As a result we have added significantly to the fund's position in Tigers over the past few months.
- Woolworths: The biggest (shorter-term) issue with Woolworths (which is what the market is focusing on) was that the company did not anticipate the severity of the slowdown and as such was still investing heavily. As a result, the significant cost growth had a negative impact on profits. Over the shorter-term we are comfortable that management are taking the necessary steps to control costs and over the longer-term we believe that Woolworths will continue to grow their business (the SA consumer will pick herself up again at some point: everything moves in cycles) and take market share in foods whilst also improving the returns of the clothing business. We hold the view that the Woolworths brand is a great asset and at the current valuation (forward PE of 8.3 and dividend yield of 7.5%) the market is woefully undervaluing this asset.
- Netcare: We are not sure what form regulatory intervention will take (most likely pricing caps) but what we can do is calculate a range of valuations under different scenarios. A worse case scenario would still give a fair value of R12 a share (some 40% above the current share price of R8.50). We also believe that the degearing of the debt in the UK business over time will add significantly to earnings growth.
- JSE: Stock exchanges are arguably the biggest beneficiaries of market volatility. During these periods (as we are currently experiencing) volumes explode and a large part of the resultant revenue for the exchanges flows straight through to the bottom line (as a result of a cost base that is largely fixed). The volumes on the JSE are up over 70% year to date (Jan-Mar). This would translate into roughly a 150% increase in net profit for the JSE, yet the share price is down 25% over this same period. So the company continues to grow its intrinsic value while the share price continues to decline, creating a great opportunity as the gap between current share price and intrinsic value increases.

Given our increased confidence in the fund's holdings and resultant additional buying, the equity exposure of the fund has increased from just over 40% in December to near maximum equity exposure of 50%. The fund is also at its full international exposure given our view that global equity markets are attractive and that the rand will depreciate over time. As bonds approach the 9.5% level we have been slowly buying; 5% of the fund is now invested in bonds. Property stocks are becoming more interesting as they decline, but at this point the fund still has relatively modest exposure of 5%.

Given the large declines in the fund's holdings and the marginal reduction in our fair values for those businesses, we are more confident (not less) that the fund will be able to meet its return objective of inflation +4% over the longer-term and achieve this with low volatility.

Edwin Schultz and Gavin Joubert
Portfolio Managers

Fund category	Domestic Asset Allocation Targeted Absolute and Real Return
Fund description	Focused on the preservation of capital over all rolling 12-month periods. Over the medium term, the objective is to produce real growth of at least 4% per annum.
Launch date	2 July 2001

Portfolio manager/s	Edwin Schultz and Gavin Joubert
Fund size	R4.4 billion
NAV	2288.98 cents
Benchmark/performance fee hurdle	CPIX + 4% p.a.

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2008
Domestic Assets	80.15%
Equity	47.90%
Oil & Gas	0.73%
Basic Materials	5.64%
Industrials	6.51%
Consumer Goods	12.84%
Healthcare	2.29%
Consumer Services	12.79%
Telecommunications	3.46%
Financials	9.97%
Derivatives	(6.33%)
Preference Shares & Other Securities	3.21%
Real Estate	5.99%
Fixed Interest	6.99%
Cash	16.06%
International Assets	19.85%
Equity	10.78%
Fixed Interest	2.99%
Cash	6.08%

TOP 10 HOLDINGS

As at 31 March 2008	% of Fund
Coronation Global Equity Fund of Funds	5.97%
Naspers Ltd	4.32%
Tiger Brands Ltd	3.97%
Remgro Ltd	3.56%
Woolworths Holdings Ltd	3.35%
Richemont Securities AG	3.24%
Standard Bank Group Ltd	3.15%
Edinburgh Partners Euro Opportunity Fund	2.62%
SABMiller Plc	2.54%
BHP Billiton Plc	2.42%
Total	35.14%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/03/2008	01/04/2008	22.71	8.60	14.11
31/12/2007	01/01/2008	19.32	3.15	16.17
30/09/2007	01/10/2007	26.82	12.51	14.31
30/06/2007	01/07/2007	14.29	0.94	12.66

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	-3.97%	3.78%	-1.38%									
Fund 2007	4.23%	0.32%	1.63%	2.72%	0.25%	-1.30%	-0.76%	1.09%	1.27%	2.71%	-2.30%	-0.60%
Fund 2006	3.70%	0.26%	2.55%	0.53%	-0.42%	-0.57%	0.00%	2.90%	2.45%	3.39%	2.83%	2.82%

FEES (excl. VAT)

Initial Fee*	Coronation: 0.00% (Direct)
Annual Management Fee - performance related**	Minimum - standard: 1.25% Minimum - discounted: 0.75% Maximum: 2.75% Sharing rate: 10%

* An initial fee of 0.25% will be charged on all investments placed via administration platforms like Linked Investment Service Providers (LISP's).

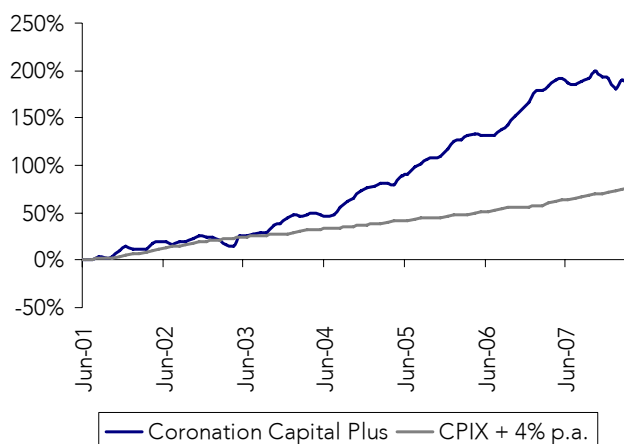
** A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.

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

CUMULATIVE PERFORMANCE SINCE INCEPTION



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	-1.72%	3.69%	-5.40%
Latest 12 months	1.23%	13.43%	-12.20%
Latest 36 months (annualised)	16.55%	10.22%	6.33%
Latest 60 months (annualised)	19.63%	9.31%	10.31%
Since inception (annualised)	16.87%	10.16%	6.72%
2007	9.46%	8.90%	0.55%
2006	22.38%	7.64%	14.74%
2005	23.22%	8.03%	15.19%
2004	22.49%	8.29%	14.20%

RISK STATISTICS SINCE INCEPTION

	Fund	CPIX
Annualised deviation	7.89%	1.46%
Downside deviation	4.28%	N/A
Sharpe ratio	0.89	N/A
Maximum gain	29.49%	N/A
Maximum drawdown	-8.20%	N/A
Positive months	67.90%	N/A

Total Expense Ratio (TER)²

2.65% per annum, which includes a performance fee of 1.11%

When applicable, Coronation shares in the fund performance above the benchmark. This performance fee is accrued daily, based on performance over a rolling 12-month period, and paid to Coronation monthly. If the fund produces a positive return in line with or below the benchmark, the standard minimum fee will be levied. If the fund produces a negative return over a rolling 12-month period, the discounted minimum fee applies.

For further information regarding our fee structure please contact us or visit our website.