

PORTFOLIO MANAGER COMMENTARY

Financial markets continued the positive trend of the previous two quarters, helped along by data releases supporting the view that the global economy is indeed recovering. The South African economy also posted a small positive growth number for the third quarter thereby signalling an end to our recession too.

Stock markets, which have anticipated the return to economic and profit growth well in advance, forged ahead towards the year-end. The JSE All Share Index returned 11.4% during the final quarter with resources leading the pack with a 16.7% return. The one-year return for the All Share Index was 32.1%, a number far higher than most would have expected at the start of the year. As reported earnings were weak, the rise in the market was purely due to a substantial rerating.

The bond market suffered as risk appetite returned and the market had to absorb enormous funding pressure from the government. The result was a poor year for bonds with a negative 1.0% return for the full year. The final quarter did however see a positive 1.1% return, although still below the 1.8% return on cash.

Policy makers have with very few exceptions kept the foot on the accelerator with extremely loose monetary and fiscal policies. It is the continuation of these unprecedented loose policies that leave many investors concerned about the future. At some point interest rates will have to move higher, while financing the massive fiscal deficits will place pressure on capital markets.

The fund delivered a return of 3.03% over the quarter and 13.53% for the year. The numbers are ahead of cash for the quarter (1.8%) and for the year (8.9%). Over the year we are comfortably ahead of the fund's cash plus 3% target. We are very proud of the fact the this fund ended third out of the fifty funds that participate in the low equity prudential category of unit trusts for the 2009 calendar year. The fund is first in its category over the last two years and will have a three-year track record by the end of the first quarter 2010. The fund has attracted steady inflows and went past the R1 billion mark during December.

Looking forward to 2010 we are of the view that money market interest rates will remain fairly stable around current low levels. Cash is unlikely to return more than 7% for the full year. Bond yields will remain under pressure due to funding pressure and although returns from bonds should beat cash, it is unlikely to give investors a return much better than the current yield of around 9%.

Equities, as mentioned earlier, have already run in anticipation of the better profits to come and no longer offer great value. We have therefore reduced our equity exposure to reflect a more conservative stance. We continue to hold a diverse spread of assets including preference shares and listed property. We also have an approximate 14% exposure to foreign equities and selected global bonds and cash. Although the rand remains volatile we are of the view that it is vulnerable to a sizable depreciation from current levels. When that happens the rand value of the offshore assets will rise.

We also welcome Neill Young as co-manager of the fund. Neill has been with Coronation for more than 10 years and has managed the Coronation Financial fund for almost 6 years. We are excited about his future involvement and contribution.

Portfolio managers

Charles de Kock, Mark le Roux and Neill Young

CORONATION BALANCED DEFENSIVE

CLASS A as at 31 December 2009

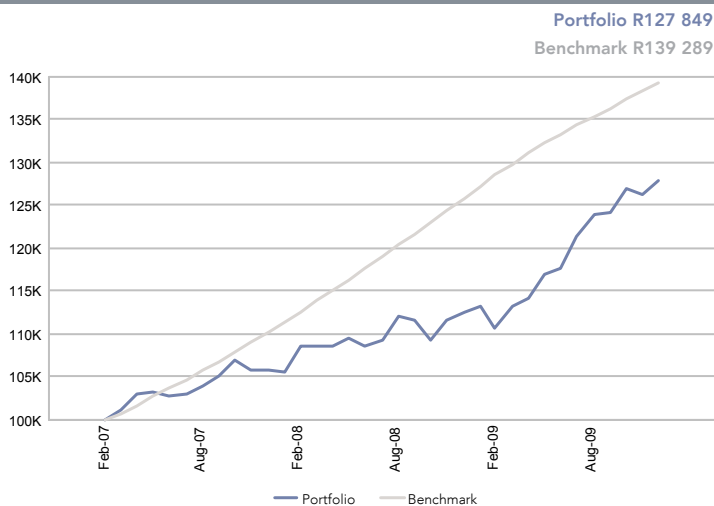
CORONATION
FUND MANAGERS

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 01 February 2007
Portfolio manager/s Charles de Kock, Mark le Roux and Neill Young

Fund size R 1.03 billion
NAV 110.86 cents
Benchmark/Performance Fee Hurdle Alexander Forbes 3-month (STeFI) Index + 3% p.a.
Risk profile Cons Mod Aggr

PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2009	
Domestic Assets	85.3%	
Equities	15.2%	
Oil & Gas	0.9%	
Basic Materials	1.9%	
Industrials	2.2%	
Consumer Goods	2.0%	
Health Care	0.6%	
Consumer Services	3.8%	
Telecommunications	2.3%	
Financials	3.8%	
Derivatives	(2.3)%	
Preference Shares & Other Securities	6.0%	
Real Estate	3.0%	
Bonds	33.8%	
Cash	27.3%	
International Assets	14.7%	
Equities	9.0%	
Preference Shares & Other Securities	0.0%	
Bonds	3.7%	
Cash	2.0%	

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	27.9%	39.5%	(11.7)%
Since Inception (annualised)	9.1%	13.0%	(4.0)%
Latest 1 year (annualised)	13.5%	11.6%	1.9%
Year to date	13.5%	11.6%	1.9%
2008	6.6%	14.7%	(8.2)%

TOP 10 HOLDINGS

As at 31 Dec 2009	% of Fund
Coronation World Equity Fund	6.1%
MTN Group Ltd	2.0%
Coronation Preference Share Fund	1.8%
Naspers Ltd	1.4%
Standard Bank of SA Ltd	1.3%
British American Tobacco Plc	1.1%
SABMiller Plc	0.9%
Sasol Limited	0.9%
FirstRand	0.9%
Liberty International Plc	0.9%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	4.7%	0.5%
Sharpe Ratio	(0.31)	N/A
Maximum Gain	14.7	N/A
Maximum Drawdown	(2.6)	N/A
Positive Months	73.5	N/A

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Dec 2009	04 Jan 2010	0.94	0.08	0.86
30 Sep 2009	01 Oct 2009	1.31	0.32	0.99
30 Jun 2009	01 Jul 2009	1.24	0.28	0.96
31 Mar 2009	01 Apr 2009	2.29	0.99	1.30

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2009	0.6%	(2.3)%	2.3%	0.7%	2.5%	0.6%	3.2%	2.0%	0.2%	2.4%	(0.6)%	1.2%	13.5%
Fund 2008	(0.2)%	2.9%	0.1%	0.0%	0.9%	(0.9)%	0.7%	2.5%	(0.5)%	(2.1)%	2.2%	0.9%	6.6%
Fund 2007			1.3%	1.7%	0.4%	(0.6)%	0.3%	0.8%	1.2%	1.7%	(0.9)%	(0.2)%	5.7%

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee*	1.50%
Annual Management Fee - performance related*	Minimum - discounted: 0.00%

* 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 1.73% per annum

Annual management fee discount:

If the fund delivers a negative return over a rolling 12-month period, a discounted fee rate of 0.75% will apply. If the fund delivers a negative return over a rolling 24-month period Coronation will forego the total annual management fee until the historical 24 month rolling return is positive. For further information regarding our fee structure please contact us or visit our website.

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.

Unit trusts should be considered a medium- to long-term investment. The value of units may go down as well as up. Past performance is not necessarily an indication of future performance. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Instructions must reach the Management Company before 2pm (12pm for the Money Market Fund) to ensure same day value. Fund valuations take place at approximately 15h00 each business day and forward pricing is used. Coronation is a Full member of the Association for Savings & Investment SA (ASISA). ¹Performance is quoted from Morningstar as at 31 December 2009 for a lump sum investment using Class A NAV prices with income distributions reinvested. Performance figures are quoted after the deduction of all costs incurred within the fund. ²The TER is calculated as a percentage of the average NAV of the portfolio incurred as charges, levies and fees in the management of the portfolio for a rolling 12-month period to end September 2009, as well as the actual performance fee incurred over the 12 months to end September 2009. A higher TER ratio does not necessarily imply a poor return nor does a low TER imply a good return. The current disclosed TER cannot be regarded as an indication of future TER's.