

## PORTFOLIO MANAGER COMMENTARY

Bonds, which returned 1.1% for the quarter, had a very disappointing year, achieving a paltry negative 1% and underperforming cash by close to 10%. Inflation-linked bonds, although having returned just less than cash for the year, had a positive quarter. The combination of an improved inflation outlook as well as continued significant supply of inflation-linked bonds weighed heavily on the asset class and real yields traded higher.

Figure 3 : Bond and Money Market (local currency returns)

Code	Name	December 2009	3 months	6 months	12 months	Year-to-date
JAPI05	All Bond	1.20%	1.1%	4.1%	-1.0%	-1.0%
GOVI	GOVI	1.18%	1.1%	4.0%	-0.8%	-0.8%
OTHI	OTHI	1.26%	1.1%	4.6%	-1.7%	-1.7%
JAPI01	Bonds 1-3 Years	0.69%	2.0%	3.9%	7.7%	7.7%
JAPI02	Bonds 3-7 Years	0.82%	1.7%	4.7%	2.8%	2.8%
JAPI03	Bonds 7-12 Years	1.05%	0.9%	4.1%	-2.2%	-2.2%
JAPI04	Bonds 12+ Years	1.91%	0.5%	3.6%	-7.5%	-7.5%
GMC1	Cash	0.60%	1.8%	3.7%	8.9%	8.9%
Barclia	Barclays/ABSA Govt Inflation-Linked Bonds	0.47%	0.2%	1.6%	7.7%	7.7%
J251	Preference Share Index	1.65%	6.1%	7.4%	14.9%	14.9%
STF3m	STEFI 3-month index	0.58%	1.7%	3.6%	8.6%	8.6%

Source: Deutsche Bank

The proverbial 'elephant in the room' continues to be the extreme oversupply of bonds to the market as large auctions for new government debt are announced weekly. During November the National Treasury stepped up its nominal bond funding requirement to R2.1 billion, and its inflation-linked bond issuance to R600 million per week. This R600 million face value equates to a cash outlay of around double that of the nominal amount. The numbers add up to billions needed each month. Added to that is the continued state-owned enterprise (SOE) issuance such as Transnet, Eskom and the Development Bank of South Africa.

Balanced against the negative story from the supply side is the improving trend in the inflation outlook. We ended 2009 with a year-on-year CPI figure for November of 5.8% - now within the 3% - 6% target range for the second consecutive month. Continued rand strength coupled with weak money supply and negative private sector credit extension bodes well for the inflation outlook for 2010.

Despite the positive inflation story, the heavy bond supply has prevented the bond market from responding positively.

Risks to our relatively benign inflation outlook in 2010 come from a potential unwinding of the base effects of the lower food and fuel prices experienced in 2009, uncertainty over electricity price increases and the chance of a severe bout of global risk aversion which could result in a sharp retracement in the rand.

The portfolio holds around 15% in inflation-linked bonds, most of which were issued by corporate entities and provide additional yield which adds to the overall return during a time of flat to falling inflation. We will continue to hold these for the long term given the favourable yields at which they were issued.

During the quarter we continued to hold a relatively low weighting in property due to the lower relative yields available in these stocks. We kept the holding to preference shares stable. We see value in the preference share market which is yielding between 8% - 10%. This sector contributed favourably to the fund's return both for the quarter (6.1%) and for the year (14.9%).

The fund is currently yielding 8.9%.

#### Portfolio managers

Mark le Roux and Tania Miglietta

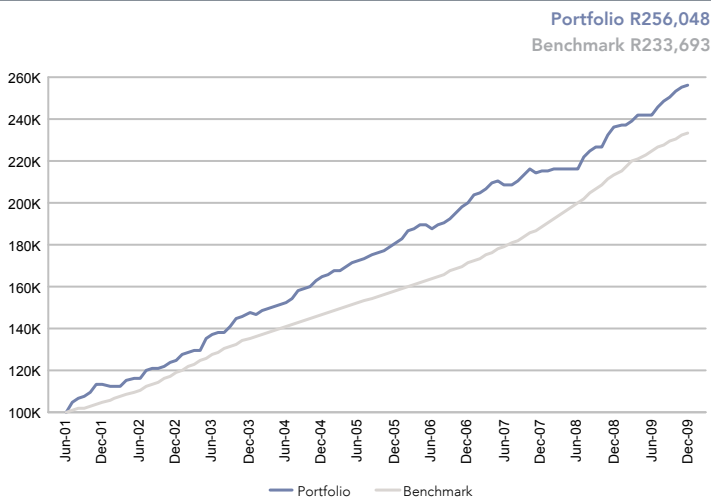
**Fund category** Domestic - Fixed Interest - Varied Specialist  
**Fund description** A widely diversified, actively managed fund that aims to provide a higher level of income than a pure income fund.  
**Launch date** 02 July 2001  
**Portfolio manager/s** Mark le Roux and Tania Miglietta

**Fund size** R 3.12 billion  
**NAV** 1300.14 cents  
**Benchmark** 110% of the STeFI 3-month Index  
**Risk profile**

Cons Mod Aggr

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

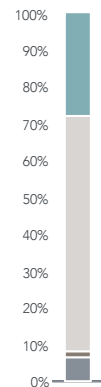
### GROWTH OF A R100,000 INVESTMENT



## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2009
<b>Domestic Assets</b>	<b>94.6%</b>
Cash	27.0%
Bonds	59.2%
Listed Property	1.8%
Preference Shares	6.5%
<b>International Assets</b>	<b>5.4%</b>

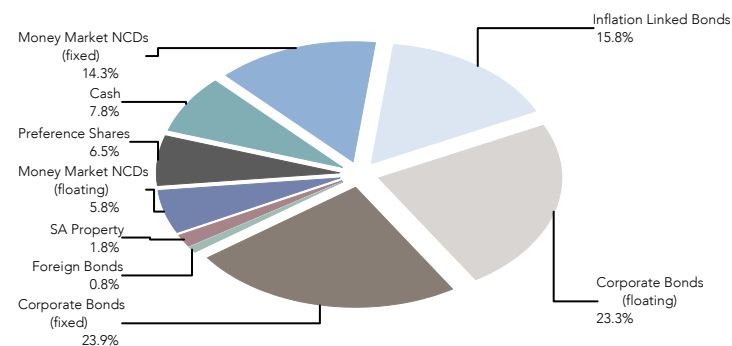


## PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	156.1%	133.7%	22.4%
Since Inception (annualised)	11.7%	10.5%	1.2%
Latest 5 years (annualised)	9.2%	9.8%	(0.6)%
Latest 3 years (annualised)	8.6%	11.0%	(2.4)%
Latest 1 year (annualised)	8.2%	9.5%	(1.3)%
Year to date	8.2%	9.5%	(1.3)%
2008	9.7%	13.0%	(3.2)%
2007	7.7%	10.4%	(2.7)%
2006	10.4%	8.2%	2.2%
2005	9.9%	7.8%	2.1%

## PORTFOLIO COMPOSITION

As at 31 Dec 2009



## RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	3.4%	0.7%
Sharpe Ratio	0.53	0.87
Maximum Gain	29.2%	133.7%
Maximum Drawdown	(1.3)	N/A
Positive Months	89.2%	100.0%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Dec 2009	04 Jan 2010	20.77	0.57	20.20
30 Sep 2009	01 Oct 2009	23.30	2.72	20.58
30 Jun 2009	01 Jul 2009	23.11	1.32	21.79
31 Mar 2009	01 Apr 2009	31.62	3.19	28.43

## MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2009	0.35%	0.06%	0.60%	1.08%	0.06%	0.12%	1.41%	1.24%	0.82%	1.17%	0.55%	0.50%	8.20%
Fund 2008	(0.26)%	0.34%	0.39%	(0.09)%	(0.29)%	0.24%	2.45%	1.43%	1.02%	(0.15)%	2.39%	1.90%	9.70%
Fund 2007	1.69%	0.79%	0.67%	1.70%	0.18%	(1.06)%	0.02%	1.21%	1.24%	1.34%	(0.76)%	0.49%	7.70%

## FEES (excl. VAT)

<b>Initial Fee</b>	Coronation: 0.00%
<b>Annual Management Fee*</b>	0.85%

\* 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.  
 The annual management fee applicable to the A-class was reduced from 1.00% p.a. (excl. VAT) to 0.85% p.a. (excl. VAT) effective 1 October 2009.

## 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.

<b>Total Expense Ratio (TER)<sup>2</sup></b>	1.13% per annum
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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). <sup>1</sup>Performance 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. <sup>2</sup>The 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. 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.