

PORTFOLIO MANAGER COMMENTARY

Although the global economy remains in a deep recession, the forward-looking financial markets have latched on to the 'green shoots' of economic recovery and staged a strong revival. During the quarter, developed world equities, as represented by the MSCI World Index, gained 21.0% (in US dollar terms), while emerging markets - relishing in the return of risk appetite - gained a whopping 34.8%.

Foreign inflows caused surprising rand strength and limited the rand returns to only 8.6% for the FTSE/JSE All Share Index (ALSI). In dollar terms, the index, however, performed more or less in line with the emerging markets average.

Global bond markets also responded to the 'green shoots' of recovery and longer-dated yields kicked higher, resulting in steepening yield curves around the world. The bellweather US 10-year bond yield rose from 2.7% at the start of the quarter to almost 4% before pulling back to 3.5% at quarter-end. South African bonds followed the global trend higher, although not to the same extent. Rising yields result in capital losses and over the period the All Bond Index returned a paltry 0.3% - significantly less than equities and cash.

In the interest-bearing space, we have held mostly cash and inflation-linked bonds. The latter was bought at very attractive yields and in our view offered much better value than conventional bonds. The fund did not hold any conventional longer-dated bonds at all and the rise in yields therefore had no detrimental effect on the portfolio.

The preference shares we bought over the past year contributed positively to the overall return of the fund for the quarter as well as over one year. The South African Reserve Bank has come close to the end of the cutting cycle, and the dividend distributions from preference shares are now lower as these are linked to the prime interest rate. Where many ordinary shares have cut dividends in the current tough economic climate, the preference shares have continued its prime-linked payouts. Preference shares are currently yielding between 8.5% and 10.5%, depending on the quality of the issuer. These yields still compare very favourably to what is available in the money market.

From an asset allocation point of view the fund has benefitted from the upturn in equities as we added to our equity exposure at the very low prices in the first quarter. We managed to produce a return of 3.86% for the recent three-month period, beating the target (cash plus three percent) of 2.90%. Over the past year, the fund's return of 8.32% is still behind target, but within the low equity universe of funds it remains one of the very top performers.

Looking forward, the world remains in a very uncertain space. The tremendous stimulus provided by the fiscal and monetary authorities is likely to have a positive effect eventually, but over the short term the markets may have run ahead too quickly in anticipation of a recovery.

In this fund we continue to be cautious and limit the fund's exposure to 'risk' assets (equity and property) to a maximum of 40% of the entire portfolio. Conservative asset allocation combined with careful selection of the equities suitable for a defensive fund has since inception proven to be a sound approach. Even in these very difficult times returns have remained positive over all rolling 12-month periods.

Portfolio managers

Charles de Kock and Mark le Roux

CORONATION BALANCED DEFENSIVE

CLASS A as at 30 June 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 and Mark le Roux

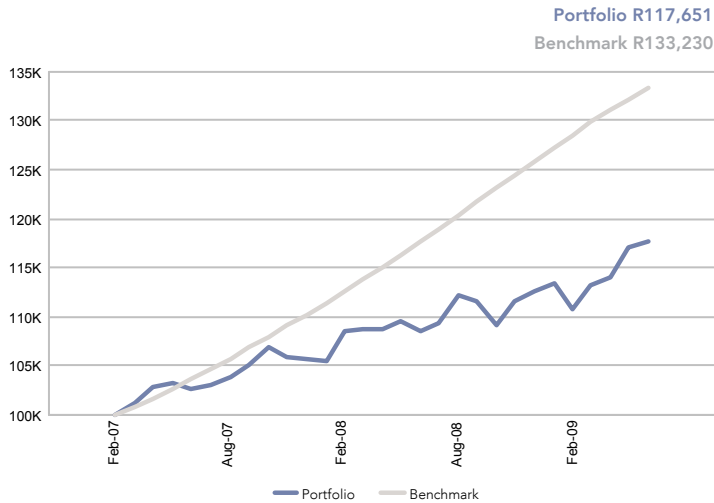
Fund size R406.65 million
NAV 104.49 cents
Benchmark/Performance Fee Hurdle Alexander Forbes 3-month (STeFI) Index + 3% p.a.

Risk profile

Cons **Mod** **Aggr**

PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

| Sector | 30 Jun 2009 | 100% |
|---------------------------------------------------|--------------|------|
| Domestic Assets | 86.1% | |
| ■ Equities | 15.3% | |
| Oil & Gas | 1.2% | |
| Basic Materials | 2.6% | |
| Industrials | 2.3% | |
| Consumer Goods | 1.5% | |
| Health Care | 0.4% | |
| Consumer Services | 4.5% | |
| Telecommunications | 2.6% | |
| Financials | 4.5% | |
| Derivatives | (4.4)% | |
| ■ Preference Shares & Other Securities | 6.1% | |
| ■ Real Estate | 5.5% | |
| ■ Bonds | 24.0% | |
| ■ Cash | 35.2% | |
| International Assets | 13.9% | |
| ■ Equities | 7.2% | |
| ■ Bonds | 2.6% | |
| ■ Cash | 4.1% | |

PERFORMANCE FOR VARIOUS PERIODS

| | Fund | Benchmark | Outperformance |
|--------------------------------|-------|-----------|----------------|
| Since Inception (unannualised) | 17.7% | 33.5% | (15.8)% |
| Since Inception (annualised) | 7.2% | 13.6% | (6.4)% |
| Latest 1 year (annualised) | 8.3% | 14.1% | (5.8)% |
| Year to date | 4.5% | 6.4% | (1.9)% |
| 2008 | 6.6% | 14.7% | (8.2)% |

TOP 10 HOLDINGS

| As at 30 Jun 2009 | % of Fund |
|------------------------------------|-----------|
| Coronation Preference Share Fund B | 5.5% |
| Coronation World Equity Fund | 3.8% |
| MTN Group Ltd | 2.4% |
| Coronation Latitude Fund B3 | 2.1% |
| Standard Bank of SA Ltd | 1.9% |
| Liberty International Plc | 1.9% |
| Anglo American Plc | 1.4% |
| Naspers Ltd | 1.4% |
| Sasol Limited | 1.2% |
| Hyprop Investments Ltd | 1.1% |

RISK STATISTICS SINCE INCEPTION

| | Fund | Benchmark |
|----------------------|--------|-----------|
| Annualised Deviation | 4.6% | 0.3% |
| Sharpe Ratio | (0.86) | N/A |
| Maximum Gain | 6.2 | N/A |
| Maximum Drawdown | (2.6) | N/A |
| Positive Months | 71.4 | N/A |

INCOME DISTRIBUTIONS

| Declaration | Payment | Amount | Dividend | Interest |
|-------------|-------------|--------|----------|----------|
| 30 Jun 2009 | 01 Jul 2009 | 1.24 | 0.28 | 0.96 |
| 31 Mar 2009 | 01 Apr 2009 | 2.29 | 0.99 | 1.30 |
| 31 Dec 2008 | 02 Jan 2009 | 1.75 | 0.32 | 1.43 |
| 30 Sep 2008 | 01 Oct 2008 | 1.87 | 0.32 | 1.55 |

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% | | | | | | | 4.5% |
| Fund 2008 | (0.2)% | 2.9% | 0.1% | 0.0% | 0.9% | (0.9)% | 0.7% | 2.6% | (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% |

* 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 1.76% per annum

Annual management fee discount:

If the fund delivers a negative return over a rolling 12-month period, then Coronation will forego the total annual management fee.

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 30 June 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 March 2009, as well as the actual performance fee incurred over the 12 months to end March 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.