

PORTFOLIO MANAGER COMMENTARY

The All Bond Index (ALBI) gave up some ground in June, resulting in an anaemic return of 0.3% for the quarter. The shorter-dated area of the curve was the right area to be in, but that still underperformed cash (both in June and for the quarter as a whole). While inflation-linked bonds performed well throughout the period, they lagged cash in June. Year to date, inflation linkers have been the best performing asset class, followed by cash, with the ALBI lagging significantly behind.

| Bond and Money Market | | | | | |
|---|---------------|-------------|--------------|--------------|--------------|
| Name | June 2009 | 3 months | 6 months | 12 months | Year-to-date |
| All Bond | -0.23% | 0.3% | -4.9% | 19.3% | -4.9% |
| GOVI | -0.23% | 0.3% | -4.6% | 18.6% | -4.6% |
| OTHI | -0.24% | 0.4% | -6.0% | 22.1% | -6.0% |
| Bonds 1-3 Years | 0.11% | 1.4% | 3.7% | 16.8% | 3.7% |
| Bonds 3-7 Years | -0.28% | 0.6% | -1.8% | 20.7% | -1.8% |
| Bonds 7-12 Years | -0.03% | -0.1% | -6.0% | 19.9% | -6.0% |
| Bonds 12+ Years | -0.52% | 0.1% | -10.7% | 24.1% | -10.7% |
| Cash | 0.66% | 2.2% | 5.0% | 11.5% | 5.0% |
| Barclays BESA Govt Inflation-Linked Bonds | 0.10% | 3.4% | 5.9% | 7.7% | 5.9% |

Source: Deutsche Bank

A number of factors undermined local bond yields this year and especially in the second quarter when yields failed to take much heart from, for example, a stronger rand. Also note that the lacklustre performance of bonds has happened despite the aggressive easing in short rates this year – the South African Reserve Bank (SARB) took just 6 months to unwind almost all of the tightening put in place over the two years from June 2006 to June 2008.

Firstly, consumer price inflation (CPI) has surprised on the upside in each of the five releases for 2009. Even the fact that producer price inflation surprised on the downside did not do much to temper the caution signalled by the CPI outcomes. While we may yet see some more rapid downward movement in CPI owing to the recent stronger rand, many analysts have had to revise their forecasts higher, which has undermined bonds. However, this has presumably been one of the factors supporting inflation-linked bonds.

A second factor undermining local bonds this past quarter has been the rise in global bond yields. The US 10-year yield has risen from around 2.70% to 3.50%, threatening the 4% level at one point. As talk on the global stage has turned to recovery and with it exit strategies from the expansionary policies, including quantitative easing, global bond yields have risen. SA bonds often move in tandem with global bonds and this time has been no exception.

Thirdly, as fiscal positions almost everywhere have suffered from the economic slowdown (i.e. declining tax revenues as well as spending pressures), concerns have mounted about the large increases in the supply of bonds required to fund fiscal deficits. South Africa has been no exception to this, and just past quarter-end Finance Minister Pravin Gordhan announced some details of the revenue shortfall to date – significantly worse than many in the market had anticipated. From an originally budgeted deficit of 3.8% of GDP announced in February, it now looks likely that the deficit will probably come in in excess of 5% of GDP. Indeed, if trends do not improve from what we have seen so far in the fiscal year, it could even be in excess of 6%. While the exact intentions for funding this deficit remain unclear at present, what is clear is that the domestic bond market will not escape unscathed.

Finally, despite our earlier mention of the rapid unwind of last year's rate increases, note that the SARB paused its easing cycle in June against market expectations of a further 50bp repo rate cut. While this is positive for the bond market in the longer term (as it supports the longer-term inflation outlook), in the short term it acted to brake potential gains in domestic bonds.

The near-term outlook for bonds remains murky. On the one hand, a positive argument can be made from the likely trends in CPI and the fact that the market may well have underestimated the effect of a stronger rand on pulling inflation rates down from current levels. But on the other hand, concerns about supply pressure will remain and may well weigh the market down for a while, especially while the exact composition of the revised funding requirement remains unknown.

Portfolio manager

Mark le Roux

CORONATION BOND

CLASS R as at 30 June 2009

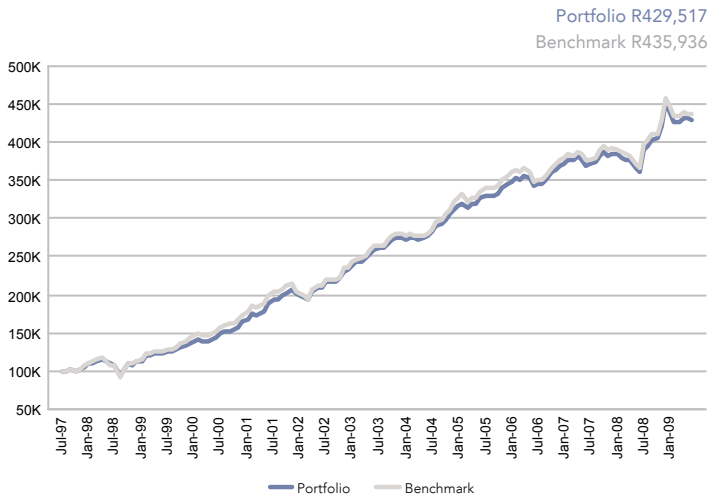
Fund category Domestic - Fixed Interest - Bond
Fund description Seeks to provide investors with a well diversified exposure to the SA bond market.
Launch date 01 August 1997
Portfolio manager/s Mark le Roux

Fund size R224.26 million
NAV 1278.77 cents
Benchmark BEASSA ALBI Index
Risk profile

Cons Mod Aggr

PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PERFORMANCE FOR VARIOUS PERIODS

| | Fund | Benchmark | Outperformance |
|--------------------------------|--------|-----------|----------------|
| Since Inception (unannualised) | 329.5% | 335.9% | (6.4)% |
| Since Inception (annualised) | 13.0% | 13.2% | (0.1)% |
| Latest 5 years (annualised) | 9.2% | 9.3% | (0.1)% |
| Latest 3 years (annualised) | 7.7% | 7.7% | 0.0% |
| Latest 1 year (annualised) | 19.0% | 19.3% | (0.2)% |
| Year to date | (4.8)% | (4.9)% | 0.1% |
| 2008 | 17.1% | 17.0% | 0.2% |
| 2007 | 4.3% | 4.2% | 0.1% |
| 2006 | 6.8% | 5.5% | 1.3% |
| 2005 | 11.0% | 10.8% | 0.2% |

RISK STATISTICS SINCE INCEPTION

| | Fund | Benchmark |
|----------------------|---------|-----------|
| Annualised Deviation | 8.2% | 9.5% |
| Sharpe Ratio | 0.18 | 0.17 |
| Maximum Gain | 26.2% | 26.4% |
| Maximum Drawdown | (19.0)% | (22.3)% |
| Positive Months | 72.0% | 71.3% |

MONTHLY PERFORMANCE RETURNS

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|-----------|---------|---------|---------|---------|---------|---------|-------|-------|-------|-------|---------|-------|---------|
| Fund 2009 | (2.55)% | (2.85)% | (0.28)% | 1.15% | (0.19)% | (0.13)% | | | | | | | (4.80)% |
| Fund 2008 | (0.47)% | (0.90)% | (0.62)% | (0.58)% | (2.30)% | (1.61)% | 8.03% | 1.18% | 2.37% | 0.02% | 4.24% | 7.17% | 17.10% |
| 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% | 4.30% |

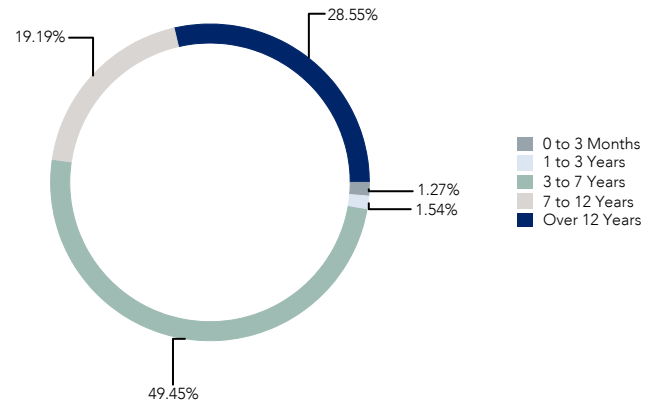
FEES (excl. VAT)

| | |
|--|-------------------|
| 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 |

PORTFOLIO DETAIL

MATURITY PROFILE

As at 30 Jun 2009



MATURITY PROFILE DETAIL

| Sector | 30 Jun 2009 |
|---------------|-------------|
| 0 to 3 Months | 1.3% |
| 1 to 3 Years | 1.5% |
| 3 to 7 Years | 49.5% |
| 7 to 12 Years | 19.2% |
| Over 12 Years | 28.5% |

INCOME DISTRIBUTIONS

| Declaration | Payment | Amount | Interest |
|-------------|-------------|--------|----------|
| 31 Mar 2009 | 01 Apr 2009 | 54.92 | 54.92 |
| 30 Sep 2008 | 01 Oct 2008 | 54.77 | 54.77 |
| 31 Mar 2008 | 01 Apr 2008 | 51.29 | 51.29 |
| 28 Sep 2007 | 01 Oct 2007 | 53.11 | 53.11 |

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. 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.