

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) surprised on the upside this year, remaining persistently high despite a fast declining producer inflation. While we may yet see some more rapid downward movement in CPI, owing to the recent stronger rand, many analysts have revised their forecasts higher and this has undermined bonds, but adds support to inflation-linked bonds.

A second factor undermining local bonds during the 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 ones 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 surpass 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.

Money market rates have fallen dramatically this year, but retraced by a percent in the 1-year area following the SARB's announcement in June to halt its interest rate cutting cycle. Both Treasury Bill and corporate paper issuance have increased this year, taking substantial market share from the banks. This is starting to put some upward pressure on NCD rates. We took the opportunity to switch out of a few select corporate bonds and medium-dated RSA bonds just prior to the interest rate announcement and switched the proceeds into the 1-year NCD at its higher levels. We recently introduced a holding in the R153 government bond, now having retraced from its lows of less than 5% to over 7% yield to maturity; this, in keeping with the fund's benchmark exposure to the bond.

Preference shares, returning 12% for the year, performed very well in response to a rapidly declining interest rate environment. As expected, this good performance did slow during the past quarter given the likelihood that interest rates have bottomed for now. Although dividend distributions from preference shares are now lower as they are linked to the prime rate (currently at 11%), these distributions are likely to continue paying handsomely throughout the cycle as declining company earnings are putting pressure on dividends from ordinary shares. Preference shares are yielding between 8.5% and 10.5%, depending on the credit quality of the issuer. Although coupled with added risks, these yields are still higher than those available in the money market.

Corporate bonds, which include parastatals, are showing very attractive yields given new issuance (greater supply) in the market at ever-widening credit spreads. Issuers have been looking for funding via this market due to bank funding becoming more challenging. Consequently, these bonds have been lapped up by funds seeking higher yields over the medium to longer term. We participated in the Standard Bank and ABSA senior bond issues priced at 260bp over the RSA bond equivalents, which we believe are very attractive yields for funding ranking pari passu with bank deposits.

Property stocks have remained very volatile this year and may come under some pressure should interest rates not decline further. We have reduced our holding via one share in particular due to the expected lower distribution. This brings our overall property exposure down to 5.4%. We also remain concerned about the possible effect of a bottoming interest rate cycle on the property sector over the shorter term. We have kept a small strategic holding in the fund as the expected return over three years continues to be north of 20%.

The fund continues to weather the storm of volatile markets in a challenging macro-economic environment by staying on the conservative side and choosing entry and exit points into the riskier assets in a measured way.

Portfolio managers

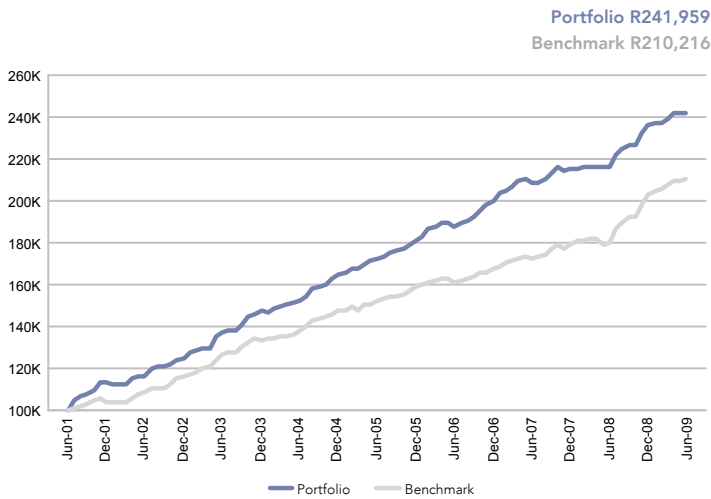
Mark le Roux and Tania Miglietta

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 2.94 billion
NAV 1274.18 cents
Benchmark BEASSA ALBI (1-3 year) TR 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)	142.0%	110.2%	31.7%
Since Inception (annualised)	11.7%	9.7%	1.9%
Latest 5 years (annualised)	9.7%	8.8%	0.9%
Latest 3 years (annualised)	8.8%	9.3%	(0.5)%
Latest 1 year (annualised)	11.9%	16.8%	(4.9)%
Year to date	2.3%	3.7%	(1.4)%
2008	9.7%	12.9%	(3.2)%
2007	7.7%	7.1%	0.7%
2006	10.4%	5.6%	4.7%
2005	9.9%	7.7%	2.2%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	3.5%	3.0%
Sharpe Ratio	0.46	(0.11)
Maximum Gain	29.2%	17.4%
Maximum Drawdown	(1.3)%	(1.9)%
Positive Months	88.5%	86.5%

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%							2.30%
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)

Initial Fee	Coronation: 0.00%
Annual Management Fee*	1.00%

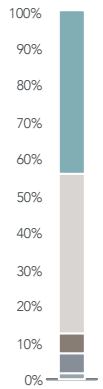
* A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.

Total Expense Ratio (TER) ²	1.13% per annum
--	-----------------

PORTFOLIO DETAIL

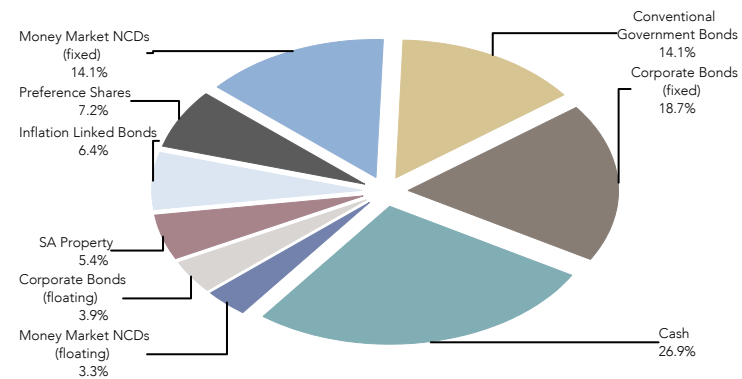
EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2009
Domestic Assets	100.0%
Cash	44.3%
Bonds	43.1%
Listed Property	5.4%
Preference Shares	7.2%
International Assets	0.0%



PORTFOLIO COMPOSITION

As at 30 Jun 2009



INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Jun 2009	01 Jul 2009	23.11	1.32	21.79
31 Mar 2009	01 Apr 2009	31.62	3.19	28.43
31 Dec 2008	02 Jan 2009	31.85	0.89	30.96
30 Sep 2008	01 Oct 2008	35.83	4.12	31.71

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.