

PORTFOLIO MANAGER COMMENTARY

Investors are often surprised by the apparent disconnect between the real economy and the prices of financial assets. The past year was a good example. Whilst economists correctly used phrases such as 'anaemic', 'sub-par' or 'jobless' to describe the state of the global economy, prices of financial assets performed very well. Developed world equities gave a dollar return of 12.3% for the year, while emerging market equities returned 19.2%.

In an attempt to bolster the struggling global economy, and in the absence of inflationary pressure, monetary authorities kept interest rates at historically low levels. Investors facing near zero interest rates and sluggish growth in the developed world looked for opportunities in the emerging world where yields were far higher and economic prospects brighter. Money flowed from the developed to the emerging world resulting in appreciating currencies and rising prices of financial assets.

The South African rand, the JSE and our government bond yields all benefitted from this global economic environment. Over the year the All Bond Index delivered a return of 15.0%, the All Share Index 19.0% and listed property a very strong 29.6%. The rand appreciated by 11.8% against the dollar and by even more against the euro.

The fund had a very good year. Strong inflows saw the fund's value rise from just over R1 billion to more than R4 billion. It remains a top performer in the Low Equity Prudential category. Returns for the quarter were 2.3% and 12.2% for the year, comfortably above its target of cash plus 3%.

Looking forward into 2011, one is still struck by the many risks facing the global economy with over-indebted governments facing very serious funding issues. Global bond markets are nervous and rightly so. We have avoided investing in conventional bonds for some time and still prefer inflation-linked bonds where we believe we get protection from the overly loose monetary policies implemented by the monetary authorities. We also hold corporate bonds which we bought at attractive yields.

Within equities our selection favours good dividend payers and companies with defensive business models.

As far as our global exposure is concerned we have kept our exposure below the maximum allowed 20% throughout the year. This was a deliberate portfolio decision based on the desire to limit the volatility of the fund's performance on the one hand and the lack of yield available off shore. We are likely to increase our global exposure during the next year, however interest rates will eventually normalise and in this process emerging currencies are likely to experience a reversal of the favourable inflows of the past year. When this will occur is impossible to predict, but when it does the rand is going to weaken. Our offshore investments will then contribute to performance.

Portfolio managers

Charles de Kock, Mark le Roux and Neill Young

CORONATION BALANCED DEFENSIVE

CLASS A as at 31 December 2010

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 4.22 billion
NAV 119.62 cents
Benchmark Alexander Forbes 3-month (SteFl) Index + 3% p.a.

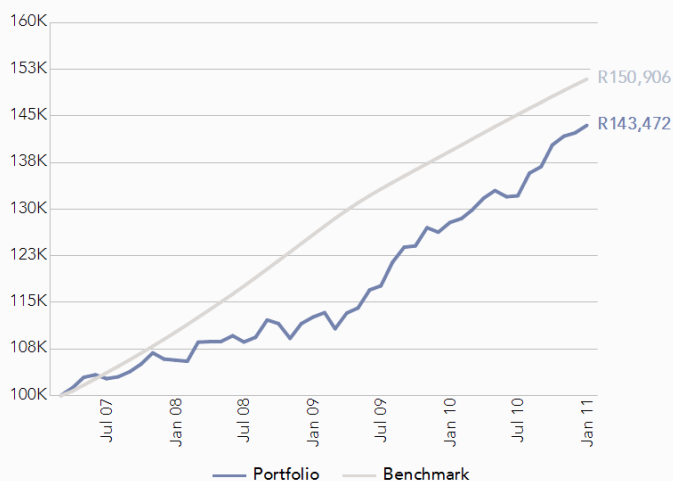
Risk profile

Conservative

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PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2010	100%
Domestic Assets	82.4%	
■ Equities	17.0%	
Oil & Gas	1.0%	
Basic Materials	2.3%	
Industrials	1.8%	
Consumer Goods	1.7%	
Health Care	0.9%	
Consumer Services	2.1%	
Telecommunications	2.1%	
Financials	5.1%	
Derivatives	(0.1)%	
■ Preference Shares & Other Securities	1.8%	
■ Real Estate	3.4%	
■ Bonds	38.4%	
■ Cash	21.7%	
International Assets	17.6%	
■ Equities	13.4%	
■ Preference Shares & Other Securities	0.0%	
■ Real Estate	0.2%	
■ Bonds	2.1%	
■ Cash	1.9%	

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	43.5%	51.2%	(7.7)%
Since Inception (annualised)	9.9%	12.1%	(2.2)%
Latest 3 years (annualised)	10.7%	12.0%	(1.2)%
Latest 1 year (annualised)	12.2%	9.6%	2.6%
Year to date	12.2%	9.6%	2.6%
2009	13.5%	11.6%	1.9%
2008	6.6%	14.7%	(8.2)%

TOP 10 HOLDINGS

As at 31 Dec 2010	% of Fund
Coronation Gbl Opp Eqty Fd Cl B	7.5%
Coronation Global Emerging Markets Fund	3.7%
MTN Group Ltd	1.7%
Standard Bank of SA Ltd	1.6%
Coronation Fund Managers Limited	1.1%
Sasol Ltd	1.0%
Anglo American Plc	0.9%
Naspers Ltd	0.9%
SA Corporate Real Estate Fund	0.8%
FirstRand	0.8%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	4.3%	0.6%
Sharpe Ratio	0.07	N/A
Maximum Gain	14.7%	N/A
Maximum Drawdown	(2.6)%	N/A
Positive Months	78.3%	N/A

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Dec 2010	03 Jan 2011	1.01	0.19	0.82
30 Sep 2010	01 Oct 2010	1.12	0.19	0.93
30 Jun 2010	01 Jul 2010	1.12	0.18	0.94
31 Mar 2010	01 Apr 2010	1.26	0.19	1.07

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2010	0.5%	1.1%	1.5%	0.9%	(0.8)%	0.1%	2.8%	0.8%	2.6%	1.0%	0.4%	0.8%	12.2%
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%

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.

Annual management fee discount:

If the fund delivers a negative return over a rolling 12-month period, a discounted fee of 0.75% applies. 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.

Total Expense Ratio (TER) ²	1.73% 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). ¹Performance as calculated by Coronation as at 31 December 2010 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 2010, as well as the actual performance fee incurred over the 12 months to end September 2010. 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.

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.