

## PORTFOLIO MANAGER COMMENTARY

The fund produced a return of 8.6% during 2010, well ahead of the 6.6% delivered by its STeFI cash benchmark.

This portfolio has been redesigned to provide investors with the maximum yield available from the longer-dated fixed interest market, whilst maintaining a 90 day duration and thereby minimising interest rate risk. We seek to achieve a substantial premium in yield over the money market in the long term. We have fully invested the fund into longer-dated floaters which means that it will function as an enhanced cash fund from hereon out. It is invested in a wide selection of 1 – 5 year floating rate instruments which all trade at a substantial premium to Jibar (Johannesburg Interbank Average Rate).

During late November the South African Reserve Bank announced a further 0.5% repo rate cut taking it to an all-time low of 5.5%. We are however concerned about a potential upward move in inflation this year and believe that ongoing interest rate cuts will further spur this on. We note that the last two CPI inflation readings have come in worse-than-expected (even though the absolute level is still low at 3.6% in November), yet interest rates are still being reduced. Breakeven inflation derived from the shorter end of the inflation-linked curve (2013 and 2017 maturities) remains near the top of the inflation target range at over 5.7%, indicating that the market is expecting inflation to average this figure over the next number of years.

We do not believe there is further scope for cutting interest rates. In fact, should any further repo rate cuts materialise, we would take that as another negative for the longer-term inflation outlook.

Corporate bonds had a very good year, as spreads tightened across the curve on ever improving confidence in credit and a falling risk free rate. Corporate bond issuance remained healthy during the quarter with MTN a steady issuer having reached R4 billion of issuance during 2010. A new entrant into the bond market, Growthpoint, issued a 4 year inaugural floating rate bond which was well received. The fund participated in both of these issues.

At this point in the interest rate cycle money market yields are at 30-year lows and in our view offer minimal value. Banks' funding spreads for 12 – 36 month instruments have also fallen dramatically taking out all the value in this asset class for now. We have fully invested the fund in floating rate investments at the higher spreads, where on average the fund is achieving a yield pick-up over Jibar of 2%. At the time of writing the fund was yielding 7.47% before fees.

Looking forward, in this low interest rate environment we seek to achieve a steady long-term outperformance of our benchmark Jibar. However, the current low level of interest rates needs to be taken into account with regards to overall yield expectations.

**Portfolio manager**  
Tania Miglietta

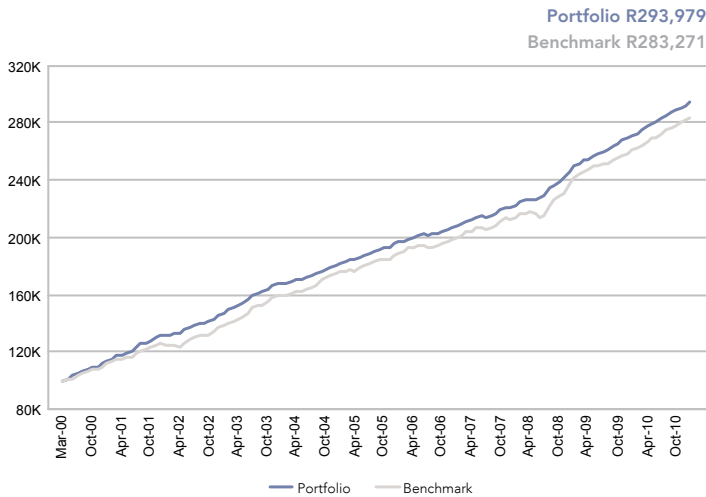
**Fund category** Domestic - Fixed Interest - Income  
**Fund description** Aims to provide a high level of current income with moderate levels of capital growth. Stability of capital invested is of prime focus.  
**Launch date** 03 April 2000  
**Portfolio manager/s** Tania Miglietta

**Fund size** R82.60 million  
**NAV** 1110.55 cents  
**Benchmark** BEASSA ALBI (1-3 year) TR Index  
**Risk profile**



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

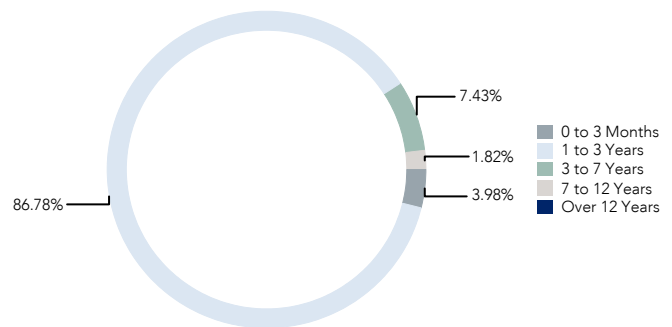
### GROWTH OF A R100,000 INVESTMENT



## PORTFOLIO DETAIL

### MATURITY PROFILE

As at 31 Dec 2010



### PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	194.0%	183.3%	10.7%
Since Inception (annualised)	10.6%	10.2%	0.4%
Latest 10 years (annualised)	10.0%	9.8%	0.2%
Latest 5 years (annualised)	8.4%	8.4%	0.0%
Latest 3 years (annualised)	9.8%	9.8%	0.0%
Latest 1 year (annualised)	8.6%	8.8%	(0.2)%
Year to date	8.6%	8.8%	(0.2)%
2009	8.6%	7.7%	0.8%
2008	12.2%	12.9%	(0.7)%
2007	6.8%	7.1%	(0.3)%

### MATURITY PROFILE DETAIL

As at 31 Dec 2010

0 to 3 Months	4.0%
1 to 3 Years	86.8%
3 to 7 Years	7.4%
7 to 12 Years	1.8%
Over 12 Years	0.0%

### RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	1.8%	2.7%
Sharpe Ratio	0.44	0.15
Maximum Gain	102.1%	32.6%
Maximum Drawdown	(0.3)%	(1.9)%
Positive Months	96.9%	89.9%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Interest
31 Dec 2010	03 Jan 2011	19.59	19.59
30 Sep 2010	01 Oct 2010	20.09	20.09
30 Jun 2010	01 Jul 2010	19.01	19.01
31 Mar 2010	01 Apr 2010	20.55	20.55

### MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2010	0.75%	0.74%	1.10%	0.57%	0.61%	0.72%	0.66%	0.75%	0.65%	0.51%	0.60%	0.59%	8.60%
Fund 2009	1.01%	0.62%	0.47%	1.04%	0.47%	0.46%	0.69%	0.94%	0.65%	0.64%	0.82%	0.44%	8.60%
Fund 2008	0.95%	0.54%	0.36%	0.12%	0.14%	0.75%	2.39%	0.96%	1.18%	0.68%	1.73%	1.76%	12.20%

### FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee*	0.45%

\* 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 fee reduced to 0.45% from 0.75% (excl. VAT) from 1 September 2010

Total Expense Ratio (TER) <sup>2</sup>	0.93% 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 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. <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 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 0.75% and is applied to each contribution and deducted before investment is made.
- Ongoing advice fees may be negotiated to a maximum of 0.50% per annum, 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.