CORONATION BOND

CLASS R as at 30 June 2010

CORONATION FUND MANAGERS

PORTFOLIO MANAGER COMMENTARY

The All Bond Index (ALBI) managed a 0.27% return in June, short of the cash return of 0.56% and lagging well behind inflation linkers which returned 1.3%. The short and middle maturity buckets of the curve performed relatively well, but longer-dated returns were weak and even negative at the very long end. For the quarter, the ALBI returned 1.1%. The 1 - 3 and 3 - 7 years buckets again performed best, with these sectors beating the cash return of 1.7%, but yet again inflation linkers were the star performer in the fixed interest universe with a return of 5.1% for the quarter.

Bond and money market returns

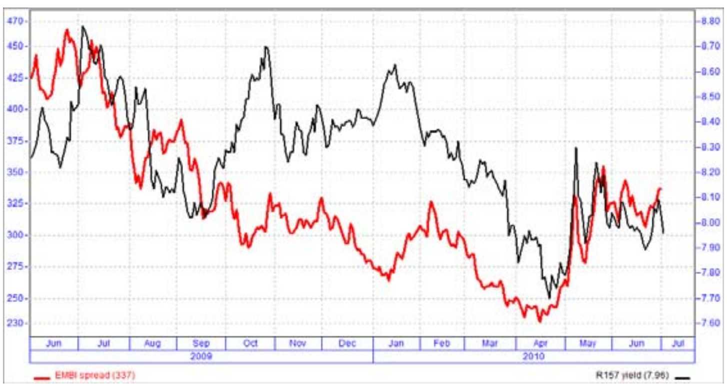
Name	June 2010	3 months	6 months	12 months	Year-to-date
All Bond	**0.27%**	**1.1%**	**5.6%**	**9.9%**	**5.6%**
GOVI	0.27%	1.1%	5.5%	9.7%	5.5%
OTHI	0.30%	1.5%	6.4%	11.3%	6.4%
Bonds 1-3 Years	0.70%	1.8%	4.4%	8.4%	4.4%
Bonds 3-7 Years	0.82%	1.9%	6.0%	10.9%	6.0%
Bonds 7-12 Years	0.10%	0.8%	6.5%	10.8%	6.5%
Bonds 12+ Years	-0.10%	0.5%	4.2%	7.9%	4.2%
Cash	**0.56%**	**1.7%**	**3.6%**	**7.4%**	**3.6%**
Barclays/ABSA Govt Inflation-Linked Bonds	**1.30%**	**5.1%**	**5.1%**	**6.8%**	**5.1%**

Source: Deutsche Bank

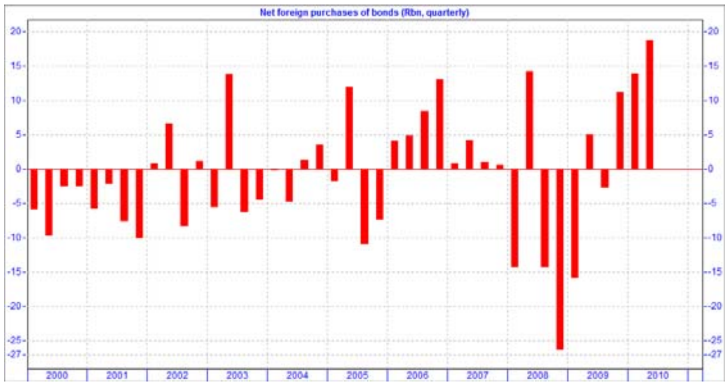
The second quarter of 2010 was largely dominated by a combination of global fears about sovereign debt (especially in the European peripheral countries) and domestic news that showed a combination of economic recovery taking hold but CPI inflation continually coming in lower than forecasted.

Although the massive IMF/EU rescue package announced in May helped stem the spiral that had been seen in peripheral euro markets in general and Greece in particular, it is clear that these economies are by no means out of the woods. Bond yields remain at elevated levels historically, and periphery spreads versus German Bunds remain wide. Moreover, CDS spreads show that concerns about sovereign risk have spread wider than just the periphery – a logical outcome given that the fiscal picture among major economies looks fragile as well. While CDS spreads in the core remain well below Greece (at 910bp) for example, and still show low risk of default, they have widened across the board since late last year, as shown in the table below. Perhaps the most worrying move here is France, where spreads have widened from 23bp in October 2009 to 93bp currently.

By contrast, spreads on emerging market debt – although off their lows of earlier this year – are not much different than they were in October 2009, and better than they were earlier in 2009. This contrast likely reflects two factors: one is that many emerging markets are currently in a healthier fiscal position than their developed market counterparts. The second is that capital inflows into emerging markets have been strong, partly justified by fiscal and growth fundamentals but also aided by very low G10 interest rates and another search for yield. As can be seen from the chart below, while the local bond R157 underperformed Emerging Market Bonds Index performance for a while last year, it has again been following its emerging market counterparts more closely recently. While local bonds too are off their best levels of earlier this year, they remain at better levels than they were for much of the preceding year.



Support for local bonds has come from a number of sources. As with other emerging markets, SA has also seen inflows. Foreigners bought a net R33 billion worth of local bonds in the first six months of 2010, of which R18.8 billion came in in the second quarter and R6.4 billion in June alone. As can be seen from the chart below, these net purchases compare very favourably historically (the picture looks much the same in US dollar terms too). This has clearly been a source of support for local bond yields, helping offset the increased supply associated with SA's currently large budget deficit.



Local news has generally been positive for bonds. The 'Goldilocks' outlook that we alluded to some time ago has materialised, with CPI inflation surprising most initial 2010 forecasts on the downside while growth has exceeded initial expectations. In May CPI printed at 4.6%, comfortably in the middle of the target range. GDP grew by 4.6% in the first quarter of 2010, with export sectors as well as domestic consumption showing a rebound. This in turn has been positive for fiscus, and the indications so far this year are that the Budget deficit will come in significantly below the initial Treasury estimate of 6.2% of GDP. This in turn should help relieve funding pressure.

However, looking ahead, the outlook is not so rosy. Firstly, while funding pressure may be less than initially presumed, weekly bond supply remains high and cumulatively will be negative for the market. While CPI is still expected to fall slightly from its current levels, we think the bottom is near. One of the main drivers of lower inflation had been the stronger rand, but simply base effects mean that the rand influence will start waning within the next few months even if the rand moves largely sideways from here – and clearly there would be worse news ahead were the rand to weaken significantly. Leading indicators of inflation, including PPI, also support the view that CPI will have troughed by the early part of the fourth quarter this year. With a potential rise in CPI (especially if the rand weakens) combined with stronger domestic demand and already very low real interest rates, we think it is unlikely that further interest rate cuts are on the table. Rather, the next move is deciding when factors will combine in such as way as to induce the SA Reserve Bank to start hiking rates (although such a move is probably a year away yet).

We are also concerned about the potential impact on domestic bonds from global bond developments. While emerging market bonds have generally performed well this year, this is in no small part due to low interest rates and abundant liquidity flowing from developed markets – a situation that will turn at some point, and we would expect the strong flows into SA to reverse at the same time they do internationally. This will be especially concerning if domestic funding is still large. Withdrawal of stimulus in the US in particular is also likely to see US and global bond yields rise, and it is unlikely that SA bonds will be immune. While none of this is likely to be near term, these are some clearly significant risks for the market that cannot be ignored.

Our positioning in the fund remains largely neutral from a duration perspective, as we still consider risks balanced between a positive short-term inflation outlook on the one hand, and supply issues and global risk aversion on the other.

Portfolio manager
Mark le Roux

CORONATION BOND

CLASS R as at 30 June 2010

CORONATION FUND MANAGERS

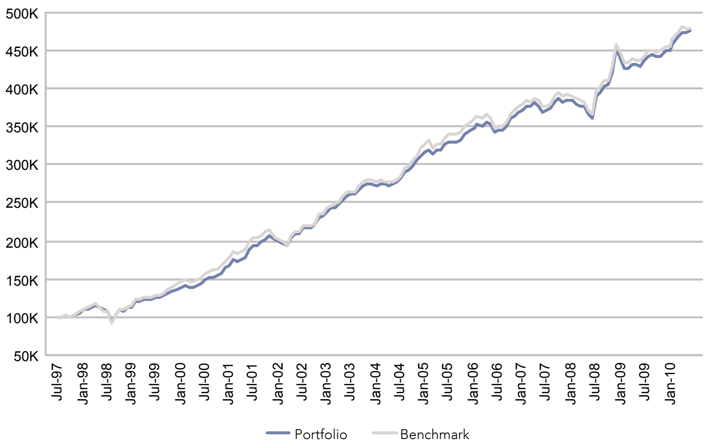
Fund category	Domestic - Fixed Interest - Bond
Fund description	Seeks to provide investors with a well diversified exposure to the SA bond market.
Launch date	01 August 1997
Portfolio manager/s	Mark le Roux

Fund size	R236.75 million
NAV	1307.16 cents
Benchmark	BEASSA ALBI Index
Risk profile	Cons / Mod / Aggr

PERFORMANCE AND RISK STATISTICS[1]

GROWTH OF A R100,000 INVESTMENT

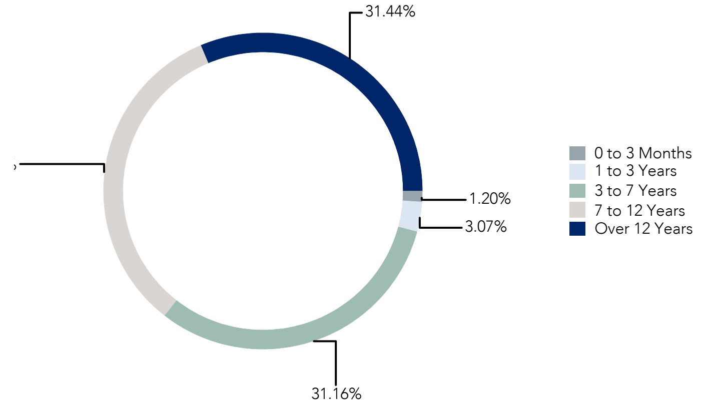
Portfolio R474,632
Benchmark R479,136



PORTFOLIO DETAIL

MATURITY PROFILE

As at 30 Jun 2010



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	374.6%	379.1%	(4.5)%
Since Inception (annualised)	12.8%	12.9%	(0.1)%
Latest 5 years (annualised)	7.8%	7.4%	0.4%
Latest 3 years (annualised)	8.7%	8.4%	0.2%
Latest 1 year (annualised)	10.5%	9.9%	0.6%
Year to date	5.8%	5.6%	0.2%
2009	(0.6)%	(1.0)%	0.4%
2008	17.1%	17.0%	0.2%
2007	4.3%	4.2%	0.1%
2006	6.8%	5.5%	1.3%

MATURITY PROFILE DETAIL

Sector	30 Jun 2010
0 to 3 Months	1.2%
1 to 3 Years	3.1%
3 to 7 Years	31.2%
7 to 12 Years	33.1%
Over 12 Years	31.4%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	7.9%	9.2%
Sharpe Ratio	0.21	0.19
Maximum Gain	26.2%	26.4%
Maximum Drawdown	(19.0)%	(22.3)%
Positive Months	72.9%	72.3%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Interest
31 Mar 2010	01 Apr 2010	50.62	50.62
30 Sep 2009	01 Oct 2009	51.16	51.16
31 Mar 2009	01 Apr 2009	54.92	54.92
30 Sep 2008	01 Oct 2008	54.77	54.77

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2010	0.01%	1.92%	2.17%	1.33%	(0.12)%	0.42%							5.80%
Fund 2009	(2.55)%	(2.85)%	(0.28)%	1.15%	(0.19)%	(0.13)%	1.48%	1.55%	0.19%	(0.25)%	0.13%	1.24%	(0.60)%
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%

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.

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.

Total Expense Ratio (TER)[2]	0.86% per annum

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