

## PORTFOLIO MANAGER COMMENTARY

Bonds returned 0.27% in June, short of the cash return of 0.56% and lagging well behind inflation-linked bonds which returned 1.3%. The fund returned 0.9% for the month.

The past quarter was largely dominated by a combination of global fears about sovereign debt (especially in the European peripheral countries), and domestic news that suggested a combination of the economic recovery taking hold, with CPI inflation 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.

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. 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. CPI printed at 4.6% in May, comfortably in the middle of the target range and GDP grew by 4.6% in the first quarter, with export sectors as well as domestic consumption showing a rebound. This in turn has been positive for the 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 should help relieve funding pressure.

While CPI is expected to still fall slightly from its current levels, we think the bottom is near. A potential rise in CPI (especially if the rand weakens) combined with stronger domestic demand and already very low real interest rates, leads us to think that further interest rate cuts are unlikely. Rather, the next move is deciding when factors will combine in such a way as to induce the SA Reserve Bank to start hiking rates (although such a move is probably a year away yet).

The 3-month JIBAR (Johannesburg Interbank Average Rate) rate remained at 6.6% during the quarter. There has been strong demand for floating rate investments given the current low point of the interest rate cycle. In response to this demand issuance in 2 – 4 year floating rate notes has been strong. The fund holds 35% in floating rate notes or bonds which in the current credit conditions pay an attractive average spread of 1.5% over the JIBAR reference rate. These act as a good interest rate hedge when interest rates rise.

Preference shares had a good start to the year, but after their early rally they have remained flat for the quarter. Clean yields range between 7.5% – 8.5%, attractive relative to money market yields. The fund continues to hold a core holding in these.

Listed property took a breather after a very strong start to the year, returning 0.6% for the quarter. Despite the general sense that vacancies and lease renewal rates are under pressure, signs of an improvement are gradually coming through. Property clean yields average around 8.9% and growth prospects for the sector remain positive although short-term volatility can be expected as macro-economic variables remain uncertain.

Inflation-linked bonds had a good quarter, returning 5.1% versus nominal bonds returning 1.1%. The fund holds 15% in these inflation-hedging investments as a core holding.

**Portfolio managers**

Mark le Roux and Tania Miglietta

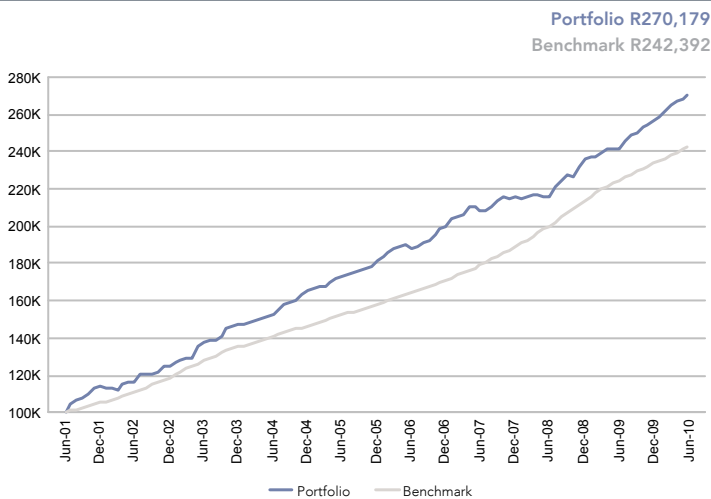
**Fund category** Domestic - Fixed Interest - Varied Specialist  
**Fund description** A widely diversified, actively managed fund that aims to provide a higher level of income than a pure income fund.  
**Launch date** 02 July 2001  
**Portfolio manager/s** Mark le Roux and Tania Miglietta

**Fund size** R 3.53 billion  
**NAV** 1323.13 cents  
**Benchmark** 110% of the STeFI 3-month Index  
**Risk profile**

Cons Mod Aggr

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

### GROWTH OF A R100,000 INVESTMENT



### PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	170.2%	142.4%	27.8%
Since Inception (annualised)	11.7%	10.3%	1.3%
Latest 5 years (annualised)	9.3%	9.7%	(0.4)%
Latest 3 years (annualised)	9.1%	10.6%	(1.5)%
Latest 1 year (annualised)	11.7%	7.8%	3.8%
Year to date	5.5%	3.7%	1.8%
2009	8.2%	9.5%	(1.3)%
2008	9.7%	13.0%	(3.2)%
2007	7.7%	10.4%	(2.7)%
2006	10.4%	8.2%	2.2%

### RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	3.3%	0.7%
Sharpe Ratio	0.58	0.84
Maximum Gain	29.2%	142.4%
Maximum Drawdown	(1.3)	N/A
Positive Months	89.8%	100.0%

### MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2010	1.08%	1.09%	1.34%	0.80%	0.19%	0.90%							5.50%
Fund 2009	0.35%	0.06%	0.60%	1.08%	0.06%	0.12%	1.41%	1.24%	0.82%	1.17%	0.55%	0.50%	8.20%
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%

### FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee*	0.85%

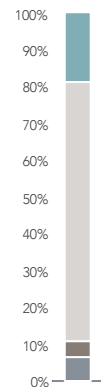
\* A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.  
 The annual management fee applicable to the A-class was reduced from 1.00% p.a. (excl. VAT) to 0.85% p.a. (excl. VAT) effective 1 October 2009.

Total Expense Ratio (TER)<sup>2</sup> 1.04% per annum

## PORTFOLIO DETAIL

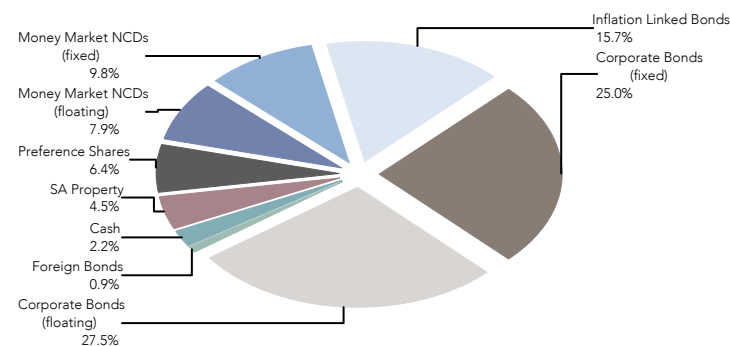
### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2010
<b>Domestic Assets</b>	<b>94.6%</b>
Cash	18.7%
Bonds	65.5%
Listed Property	4.1%
Preference Shares	6.4%
<b>International Assets</b>	<b>5.4%</b>



### PORTFOLIO COMPOSITION

As at 30 Jun 2010



### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Jun 2010	01 Jul 2010	22.04	1.20	20.84
31 Mar 2010	01 Apr 2010	26.39	2.37	24.02
31 Dec 2009	04 Jan 2010	20.77	0.57	20.20
30 Sep 2009	01 Oct 2009	23.30	2.72	20.58

### 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). <sup>1</sup>Performance is quoted from Morningstar as at 30 June 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 March 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.