

## PORTFOLIO MANAGER COMMENTARY

The return of risk appetite among global investors was the key feature of the third quarter. As a result, money poured into emerging market bonds in search of higher yields as well as into equities in search of faster growth opportunities. South Africa attracted its fair share of the global flows leading to a 9.7% appreciation of the rand against the US dollar over the period.

The aggressive buying of our bonds by foreigners caused yields to decline sharply resulting in a remarkable return by the All Bond Index of 8.0% for the quarter.

Not to be outdone, equities also had a spectacular run with the ALSI posting a 13.3% return over the same period. It was especially domestic consumer shares that ran very hard, fuelled by foreign purchases and culminating in the Wal-Mart offer for Massmart.

Faced with an ever stronger rand and lower than expected inflation the Reserve Bank cut its key interest rate by a further 50 basis points which certainly contributed to the strong performance of domestic equities.

The global economy remains fragile and we have no special crystal ball to tell us how events will turn out. Rather than basing our asset allocation decisions on unreliable forecasts, we instead focus on valuation of the various assets classes.

In the interest bearing space we hold no conventional government bonds at all. We prefer to hold inflation-linked bonds as well as floating rate assets. In our view, we are near the bottom of the inflation cycle and the rate available on government bonds does not protect the holders against the risk of a negative inflation surprise.

In the light of ever declining returns available in the money market we have searched for opportunities across all asset classes. The portfolio has a wide spread of assets including preference shares, quoted property, ordinary domestic shares and global equities. Within global equities we hold both developed and emerging market stocks.

In the domestic stock market our preference is for the more defensive equities and especially those companies that pay good dividends.

The fund, although conservatively positioned, had enough exposure to growth assets to benefit from the strong markets and posted a 6.2% return for the quarter. Over the past year the fund has returned 13.1%. The fund has been a very good performer in its category since inception and is the top performer over the three-year period ending September 2010 with an annualized return of 10.1%. The fund has outperformed its cash plus 3% benchmark over all periods other than the three-year number where we are ahead of cash, but behind the cash plus 3% target.

**Portfolio managers**

Charles de Kock, Mark le Roux and Neill Young

# CORONATION BALANCED DEFENSIVE

CLASS A as at 30 September 2010

**CORONATION**  
FUND MANAGERS

**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

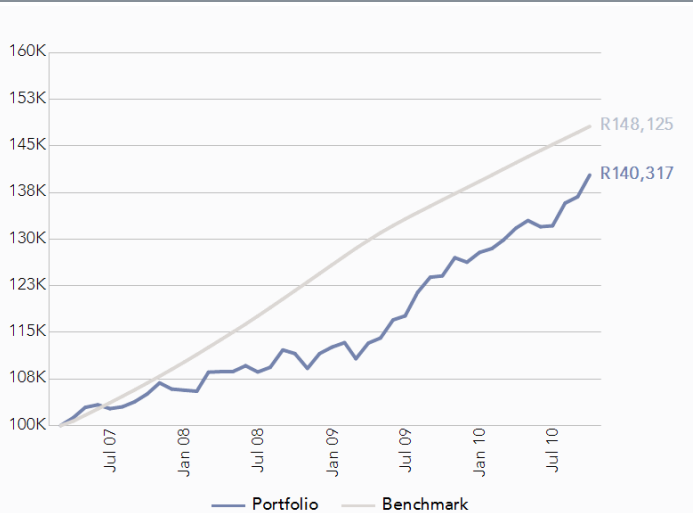
**Fund size** R 2.91 billion  
**NAV** 118.11 cents  
**Benchmark/Performance Fee Hurdle** Alexander Forbes 3-month (SteFl) Index + 3% p.a.

**Risk profile**



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

### GROWTH OF A R100,000 INVESTMENT



## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Sep 2010	100%
<b>Domestic Assets</b>	<b>83.5%</b>	
Equities	16.1%	
Oil & Gas	1.1%	
Basic Materials	2.4%	
Industrials	2.0%	
Consumer Goods	1.7%	
Health Care	0.6%	
Consumer Services	3.0%	
Telecommunications	2.1%	
Financials	4.5%	
Derivatives	(1.3)%	
Preference Shares & Other Securities	2.8%	
Real Estate	3.8%	
Bonds	41.4%	
Cash	19.4%	
<b>International Assets</b>	<b>16.5%</b>	
Equities	12.2%	
Preference Shares & Other Securities	0.0%	
Real Estate	0.3%	
Bonds	2.6%	
Cash	1.5%	

## PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	40.3%	48.4%	(8.1)%
Since Inception (annualised)	9.9%	12.3%	(2.4)%
Latest 3 years (annualised)	10.1%	12.3%	(2.2)%
Latest 1 year (annualised)	13.1%	9.9%	3.2%
Year to date	9.8%	7.3%	2.5%
2009	13.5%	11.6%	1.9%
2008	6.6%	14.7%	(8.2)%

## TOP 10 HOLDINGS

As at 30 Sep 2010	% of Fund
Coronation Gbl Opp Eqty Fd Cl B	5.4%
Coronation Global Emerging Markets Fund	3.7%
MTN Group Ltd	1.8%
Standard Bank of SA Ltd	1.4%
Naspers Ltd	1.1%
Sasol Ltd	1.1%
Coronation Fund Managers Limited	1.0%
British American Tobacco Plc	1.0%
Anglo American Plc	0.9%
Acucap Properties Ltd	0.9%

## RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	4.5%	0.5%
Sharpe Ratio	0.03	N/A
Maximum Gain	14.7	N/A
Maximum Drawdown	(2.6)	N/A
Positive Months	76.7	N/A

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
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
31 Dec 2009	04 Jan 2010	0.94	0.08	0.86

## 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%				9.8%
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 rate 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) <sup>2</sup>	1.68% 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 is quoted from Morningstar as at 30 September 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 June 2010, as well as the actual performance fee incurred over the 12 months to end June 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.