

PORTFOLIO MANAGER COMMENTARY

The second quarter of 2011 continued to resemble the pattern of market volatility seen since the start of the year. Despite some wild swings, the FTSE/JSE All Share Index ended back nearly where it started, losing only 0.6% for the quarter. It is also at similar levels to the start of the year.

The developed world continued to experience an economic recovery however, at a very pedestrian pace. The quarter-end also coincided with the conclusion of QE2, with a lot of uncertainty around the future impact of lower liquidity on economies and asset markets. While default has so far been avoided in the European periphery, the debt crisis in Europe is still far from resolved and remains a major risk to investor sentiment.

The economic powerhouses of emerging markets and specifically China continue to outgrow the developed world. China's balance sheet looks very healthy and hence flexibility around monetary policy is much greater than their developed peers. Since October 2010, they have been using this flexibility to tighten policy to combat inflation and remove some of the liquidity that smoothed China through the financial crisis in 2009. The engineered slowdown weighed on commodity prices and our domestic resource shares.

For the quarter, the Shareholder Weighted Index (SWIX) returned 0.2%. The difference between the SWIX and the ALSI's performance was driven by the former's lower weighting in resource shares. The Resources Index lagged for the quarter (-5.7%) as concerns on global and Chinese growth intensified. The other two major market sectors – financial and industrial shares - delivered positive returns.

World markets performed better than our local bourse, with the MSCI World Index returning 0.7% in US dollars for the quarter. Since the start of the year, the MSCI World has outperformed the All Share by over 7%.

South African Bonds (as measured by the All Bond Index) delivered 3.9%, while cash returned 1.3% over the quarter. Property shares continued their outperformance, with the property sector returning 5%.

In this environment the fund returned 0.7% (after all fees), lagging its inflation-linked benchmark. The fund is to a large extent dependent on equity returns to enable us to reach our return targets. While equities offer excellent long-term returns, returns can be volatile over shorter periods.

The 12-month return of 17.9% is pleasing (helped by strong equity markets during the final four months of 2010) and comfortably ahead of our benchmark. More importantly, the longer-term annualised returns over the three- and five-year periods are 11.9% and 11.4% respectively. We remain committed to our target of inflation + 6%.

For the quarter, the major drivers of the fund's performance were holdings in defensive equities (British American Tobacco, Tiger Brands and Vodacom), inflation-linked bonds and offshore assets. The holding in resource shares detracted from performance, especially large holdings like Sasol and Anglo American.

Over the quarter we used weakness in resource and construction shares to increase exposure to these sectors. We think that much of the bad news is already reflected in the prices of the companies.

We also started selling government inflation-linked bonds. This was only a small part of the inflation-linked bond portfolio that is concentrated in corporate linkers. The government linkers have eroded significantly over the past year (which benefited the fund), and hence we see less value in these instruments.

We also own no nominal government bonds, being concerned about the potential of capital loss from their current yields. In both nominal and inflation-linked bonds, we prefer exposure to corporate bonds that offer higher yields and still reasonable safety of capital.

The fund's small holdings in defensive property stocks performed well, but the small allocation to this sector means that the fund will not fully benefit from any continuing performance. We remain concerned about valuation levels in this sector.

As mentioned above, world markets outperformed local equity markets and for the second quarter in a row the offshore holdings contributed to performance. This has certainly not been the case for the preceding decade where any offshore allocation normally dragged performance down.

Over the last decade the outperformance of SA markets, poor performance from developed markets and a strong rand has led to what we believe to be an attractive entry point into international assets. We believe that offshore markets will outperform South African assets in the coming decade. Offshore equities is our preferred asset class and, coupled with the current levels of the rand, we believe that the maximum allowed offshore exposure of 25% is correct at this time.

Portfolio managers

Louis Stassen and Henk Groenewald

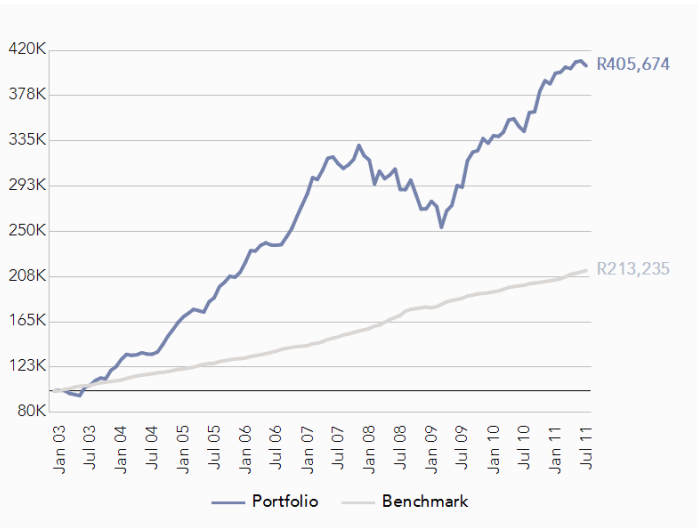
Fund category Domestic - Asset Allocation - Flexible
Fund description Aims to maintain a real growth rate of 6% per annum, and preserve capital over any rolling 36-month period.
Launch date 02 December 2002
Portfolio manager/s Louis Stassen and Henk Groenewald

Fund size R 1.79 billion
NAV 3376.78 cents
Benchmark CPI + 6%
Risk profile



PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2011	
Domestic Assets	77.8%	
■ Equities	53.7%	
Oil & Gas	2.2%	
Basic Materials	10.1%	
Unit Trust	2.9%	
Industrials	12.4%	
Consumer Goods	6.0%	
Health Care	5.5%	
Consumer Services	3.8%	
Telecommunications	3.8%	
Financials	10.5%	
Technology	0.3%	
Derivatives	(3.7)%	
■ Preference Shares & Other Securities	0.1%	
■ Real Estate	2.2%	
■ Bonds	13.0%	
■ Cash	8.8%	
International Assets	22.2%	
■ Equities	17.1%	
■ Real Estate	0.3%	
■ Bonds	1.0%	
■ Cash	3.8%	

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Launch (unannualised)	305.7%	113.7%	191.9%
Since Launch (annualised)	17.7%	11.8%	5.9%
Latest 5 years (annualised)	11.3%	12.9%	(1.5)%
Latest 3 years (annualised)	11.9%	11.5%	0.4%
Latest 1 year (annualised)	17.9%	11.1%	6.8%
Year to date	1.8%	6.7%	(4.9)%
2010	17.3%	9.5%	7.8%
2009	22.1%	12.3%	9.8%
2008	(12.2)%	16.3%	(28.5)%

TOP 10 HOLDINGS

As at 30 Jun 2011	% of Fund
Coronation Global Managed Fund	9.6%
Coronation Gbl Opp Eqty Fd Cl B	5.3%
Remgro Ltd	4.6%
Standard Bank of SA Ltd	4.6%
MTN Group Ltd	3.8%
Netcare Limited	2.8%
Aspen Pharmacare Holdings Ltd	2.7%
Sasol Ltd	2.2%
Coronation Global Emerging Market Fund	2.0%
Arcelormittal SA Ltd	2.0%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	10.4%	1.7%
Downside Deviation	4.8%	N/A
Sharpe Ratio	0.86	N/A
Maximum Gain	31.3%	N/A
Maximum Drawdown	(23.3)%	N/A
Positive Months	66.0%	N/A

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2011	01 Apr 2011	30.00	14.72	15.28
30 Sep 2010	01 Oct 2010	28.71	16.50	12.21
31 Mar 2010	01 Apr 2010	16.66	5.37	11.29
30 Sep 2009	01 Oct 2009	15.07	1.67	13.40

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	0.3%	1.2%	(0.3)%	1.5%	0.3%	(1.1)%							1.8%
Fund 2010	(0.1)%	1.1%	3.3%	0.4%	(2.1)%	(1.3)%	5.1%	0.2%	5.3%	2.6%	(0.7)%	2.5%	17.3%
Fund 2009	(1.8)%	(7.1)%	6.1%	1.9%	6.8%	(0.5)%	8.5%	2.6%	0.5%	3.5%	(1.3)%	2.1%	22.1%

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee - performance related*	Minimum - standard: 1.25% Minimum - discounted: 0.75% Maximum: 3.00% Sharing Rate: 20.00%

* 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. The maximum fee was reduced from 3.75%, effective 1 May 2011.

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 30 June 2011 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 March 2011, as well as the actual performance fee incurred over the 12 months to end March 2011. 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.

Total Expense Ratio (TER) ²	3.00% per annum, which includes a performance fee of 1.61%
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¹Benchmark Methodology - From January 2009 CPIX was replaced with a newly reweighted and rebased CPI. The benchmark is calculated using a combination of the official month-to-month CPIX numbers pre-January 2009 and the new CPI from January 2009.

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.