

## PORTFOLIO MANAGER COMMENTARY

The second quarter of the year was marked by ongoing volatility as global markets vacillated between 'risk on – risk off' trades. This switching between a positive and negative view of the world was driven in large part by the uncertainties surrounding the European debt situation, for which the Greek crisis has been a lightning rod. However, generally weak economic data releases, political gamesmanship in the debate over raising the US debt ceiling, and most recently the decision of the IEA to release strategic oil reserves also contributed to the lack of conviction evident in asset prices.

The relatively contained declines in financial markets for the quarter belie the intra-period movements. Equity markets were broadly positive in April, but retraced in May and June, only to bounce back at the close of the quarter as the Greek parliament approved austerity measures which will enable additional funds to flow into the country's bailout package. Similarly, the US 10-year Treasury yield, a barometer for global risk appetite, rose in April only to strengthen to below 3% in June (levels last seen in December 2010) before closing the quarter at 3.16%. The outcome of the Greek crisis is pivotal to the effective longer-term functioning of the euro. While in isolation Greece is relatively small in the greater European context, the EU's ability to deal with the country's over-indebtedness carries an important read-through to other troubled European member states. It is difficult to envisage a scenario where Greece exits the euro, but similarly the current solution of reinvesting maturing debt into new Greek bonds can only really be a temporary fix. Ultimately some strong medicine needs to be taken, and until such time financial markets are likely to suffer from ongoing mood swings.

Closer to home, the uncertain outlook for global growth has been felt most in weak commodity prices, which carried through to resource stock prices. Similarly the rand has remained strong against developed market currencies.

We continue to manage the fund with the aim of protecting against this sort of volatility. For the quarter, the fund has again safeguarded investor assets and returned 2.2%, which we would consider a pleasing performance under the circumstances. Returns over 1 and 3 years amount to an annualised 12.8% and 11.1% compared to the cash +3% benchmark returns of 8.9% and 11% respectively.

The most significant asset allocation change during the quarter was to increase the fund's international equity exposure from 15.4% to 16.7% and global cash from 2.0% to 2.9%, funded by our domestic equity and cash holdings. We believe much of the uncertainty in developed markets is more than reflected in equity valuations, and we view the rand's strength as unsustainable in the medium term. Domestic property holdings have also increased, while exposure to global assets was increased to above 20%, something we had signalled in previous commentaries that we would look to do if the rand remained strong.

In our view, global interest rates will remain low for some time to come in an attempt to ensure that growth takes hold. The quarter's developments in Europe make this seem all the more likely, and despite the ECB having hiked rates by 25 basis points to 1.5% in July in an attempt to stave off inflation, they will in reality not move too far away from the US, who are likely to keep rates lower for longer. This probably caps the SA Reserve Bank's ability to hike rates as well. The implication for our higher yielding currency is that it is likely to continue to see inflows for as long as this persists.

In the medium to long term however, yields are likely to move higher. For this reason, we retain our negative view on both global and domestic bonds and the fund remains heavily exposed to corporate floating rate and inflation-linked bonds. Similarly an end to low global interest rates points to a weakening rand and therefore, global assets, and in particular global equities remain our favoured asset class.

**Portfolio managers**

Charles de Kock, Mark le Roux and Neill Young

# CORONATION BALANCED DEFENSIVE

CLASS A as at 30 June 2011

**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 6.24 billion  
**NAV** 122.27 cents  
**Benchmark** Alexander Forbes 3-month (SteFI) Index + 3% p.a.

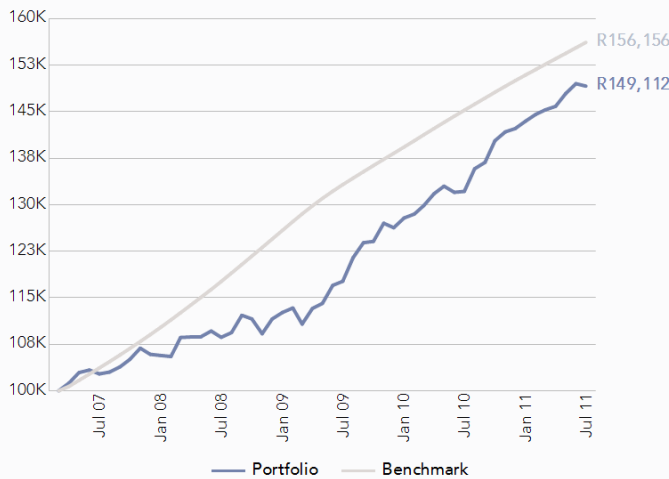
**Risk profile**

Conservative

3/10

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

### GROWTH OF A R100,000 INVESTMENT



## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2011	
<b>Domestic Assets</b>	<b>76.0%</b>	
■ <b>Equities</b>	<b>14.8%</b>	
Oil & Gas	0.8%	
Basic Materials	2.2%	
Industrials	1.7%	
Consumer Goods	2.3%	
Health Care	0.7%	
Consumer Services	1.8%	
Telecommunications	1.6%	
Financials	3.7%	
■ <b>Preference Shares &amp; Other Securities</b>	<b>1.2%</b>	
■ <b>Real Estate</b>	<b>3.2%</b>	
■ <b>Bonds</b>	<b>40.7%</b>	
■ <b>Cash</b>	<b>16.2%</b>	
<b>International Assets</b>	<b>24.0%</b>	
■ <b>Equities</b>	<b>17.5%</b>	
■ <b>Preference Shares &amp; Other Securities</b>	<b>0.0%</b>	
■ <b>Real Estate</b>	<b>1.1%</b>	
■ <b>Bonds</b>	<b>2.5%</b>	
■ <b>Cash</b>	<b>2.9%</b>	

## PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Launch (unannualised)	49.1%	56.4%	(7.3)%
Since Launch (annualised)	9.7%	11.7%	(2.0)%
Latest 3 years (annualised)	11.1%	11.0%	0.1%
Latest 1 year (annualised)	12.8%	8.9%	4.0%
Year to date	3.9%	4.2%	(0.3)%
2010	12.2%	9.6%	2.6%
2009	13.5%	11.6%	1.9%
2008	6.6%	14.7%	(8.2)%

## TOP 10 HOLDINGS

As at 30 Jun 2011	% of Fund
Coronation Global Opportunity Equity Fund	12.0%
Coronation Global Emerging Markets Fund	4.4%
MTN Group Ltd	1.3%
Standard Bank of SA Ltd	1.2%
Fountainhead Property Trust	1.0%
Acucap Properties Ltd	1.0%
Sasol Ltd	0.8%
Anglo American Plc	0.8%
British American Tobacco Plc	0.8%
SABMiller Plc	0.8%

## RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	4.1%	0.6%
Sharpe Ratio	0.24	N/A
Maximum Gain	14.7%	N/A
Maximum Drawdown	(2.6)%	N/A
Positive Months	78.8%	N/A

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Jun 2011	01 Jul 2011	0.99	0.13	0.86
31 Mar 2011	01 Apr 2011	0.98	0.16	0.82
31 Dec 2010	03 Jan 2011	1.01	0.19	0.82
30 Sep 2010	01 Oct 2010	1.12	0.19	0.93

## MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	0.8%	0.5%	0.4%	1.4%	1.1%	(0.3)%							3.9%
Fund 2010	0.5%	1.1%	1.5%	0.9%	(0.8)%	0.1%	2.8%	0.8%	2.6%	1.0%	0.4%	0.8%	12.2%
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%

## 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 of 0.75% 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>	1.83% 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 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. <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 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.

### 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.