

PORTFOLIO MANAGER COMMENTARY

I've got chills. They're multiplying. And I'm losing control. – Danny Zuko, from the song 'You're the one that I want' featured in the 1978 movie Grease.

The happenings in Greece have become the main driver of "risk on - risk off" investor behaviour throughout global financial markets. Will they default/restructure or won't they? If they do, will the contagion spread to those countries that are 'too big to fail and too big to bail' like Spain, for instance? While political leaders in the EU appear to have the will to bail Greece out, the Greek population seem vehemently opposed to the austerity measures that need to be introduced.

Under the now gloomy shadow of the Acropolis, the US 10-year bond yield rallied by around 50 basis points to below 3% during the quarter on some softer economic indicator data released in the US as well as safe haven demand as contagion from the Greek crisis continues to pose a threat to Euroland. Despite the fiscal woes of a number of European countries, the ECB has begun its rate hiking cycle. In April, ECB chief Jean-Claude Trichet hiked short rates by 25 basis points, followed by another 25 basis points in July after signalling 'strong vigilance' with regards to inflationary pressures in the last week of June.

Local bonds have taken their cue from US Treasuries. During the quarter, we have seen the yield on the R186 government bond (maturing in 2026) rally by around 30 basis points to close to 8.50%. Foreign investors have once again returned to the SA bond market and were the main drivers behind the rally. For the month of June alone, foreign investors bought approximately R13 billion worth of SA government bonds. With the rand being relatively stable during the quarter at around R6.80 to the US dollar, and still no sign of rate hikes in the US on the horizon, the carry trade is still alive and well from the foreign side.

Local inflation data continued on its upward trend, passing the midpoint of the SARB's inflation target range in June at 4.6%. Food and energy prices remain the key drivers of inflation and our expectation is that CPI will approach the upper end of the target range of 6% in the fourth quarter of this year. So far, the MPC appears reluctant to act on this rising trend in inflation and the rhetoric coming from the members appears to be that they are waiting for second-round effects to manifest themselves in underlying inflation before responding. With the repo rate currently at 5.50% and inflation heading for 6%, negative real short rates towards the latter part of this year appear to be on the cards. Against this backdrop, we still regard inflation-linked bonds (ILBs) - yielding between 2.50% and 3% real - as attractive alternatives in the SA fixed income space.

For the quarter, the All Bond Index produced a solid return of 3.9%, pretty much in line with ILBs (where one has seen some recent real yield compression) and well ahead of cash which only managed a 1.4% return. The fund was ahead of the benchmark for the period with a return of 4.01%.

Figure 3 : Bond and Money Market (local currency returns)

Code	Name	June 2011	3 months	6 months	12 months	Year-to-date
JAPI05	All Bond	0.16%	3.9%	2.3%	11.3%	2.3%
GOVI	GOVI	0.18%	3.8%	2.3%	11.2%	2.3%
OTHI	OTHI	0.06%	4.5%	2.0%	12.2%	2.0%
JAPI01	Bonds 1-3 Years	0.54%	2.2%	3.5%	7.8%	3.5%
JAPI02	Bonds 3-7 Years	0.57%	3.2%	3.2%	9.9%	3.2%
JAPI03	Bonds 7-12 Years	0.09%	4.0%	2.5%	11.7%	2.5%
JAPI04	Bonds 12+ Years	-0.30%	4.9%	0.8%	12.1%	0.8%
GMC1	Cash	0.47%	1.4%	2.8%	6.1%	2.8%
BSAGI	Barclays/ABSA Govt Inflation-Linked Bonds	0.90%	3.8%	5.0%	10.9%	5.0%
J251	Preference Share Index	2.17%	1.0%	-0.3%	5.1%	-0.3%

Source: Deutsche Bank

On the domestic fiscal front, a substantial deficit still needs to be funded. Large weekly government auctions of R2.1 billion fixed-rate bonds and R600 million ILBs continue to take place and this is unlikely to change in the near future. Given the relatively large supply of bonds, coupled with rising inflation and our view that the next move in short rates is likely to be up, it is hard to envisage a further meaningful rally in long bond yields in the near future from current levels.

We continue to favour running shorter duration positions in our fixed interest portfolios and remain invested in ILBs.

Portfolio manager

Mark le Roux

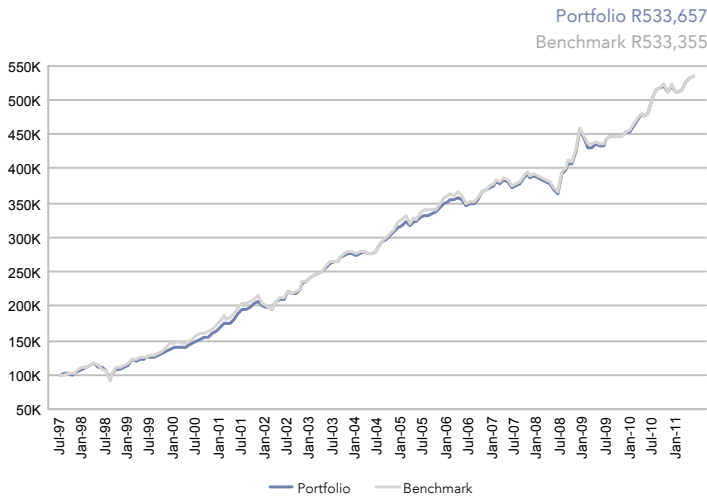
Fund category Domestic - Fixed Interest - Bond
Fund description Seeks to provide investors with a well diversified exposure to the SA bond market.
Launch date 01 August 1997
Portfolio manager/s Mark le Roux

Fund size R239.94 million
NAV 1348.66 cents
Benchmark BEASSA ALBI Index
Risk profile



PERFORMANCE AND RISK STATISTICS¹

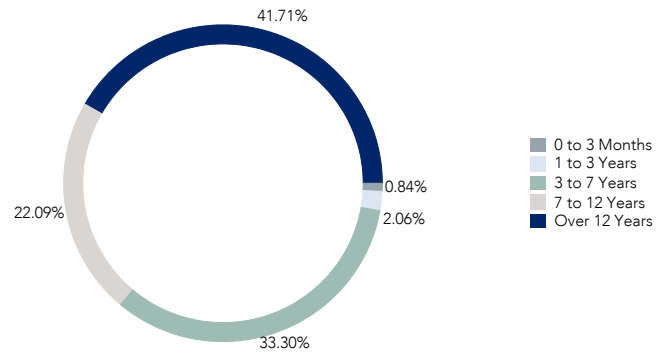
GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

MATURITY PROFILE

As at 30 Jun 2011



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Launch (unannualised)	433.7%	433.4%	0.3%
Since Launch (annualised)	12.8%	12.8%	0.0%
Latest 10 years (annualised)	10.9%	10.4%	0.5%
Latest 5 years (annualised)	9.0%	8.9%	0.1%
Latest 3 years (annualised)	13.5%	13.4%	0.1%
Latest 1 year (annualised)	11.3%	11.3%	0.0%
Year to date	2.5%	2.3%	0.2%
2010	15.0%	15.0%	0.0%
2009	(0.6)%	(1.0)%	0.4%
2008	17.1%	17.0%	0.2%

MATURITY PROFILE DETAIL

Sector	30 Jun 2011
0 to 3 Months	0.8%
1 to 3 Years	2.1%
3 to 7 Years	33.3%
7 to 12 Years	22.1%
Over 12 Years	41.7%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	7.8%	9.0%
Sharpe Ratio	0.69	0.60
Maximum Gain	26.3%	26.4%
Maximum Drawdown	(19.0)%	(22.3)%
Positive Months	73.7%	73.1%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Interest
31 Mar 2011	01 Apr 2011	51.34	51.34
30 Sep 2010	01 Oct 2010	51.49	51.49
31 Mar 2010	01 Apr 2010	50.62	50.62
30 Sep 2009	01 Oct 2009	51.16	51.16

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	(1.95)%	0.01%	0.47%	2.23%	1.51%	0.24%							2.50%
Fund 2010	0.01%	1.92%	2.17%	1.33%	(0.12)%	0.42%	4.00%	2.95%	0.79%	0.75%	(1.63)%	1.55%	15.00%
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)%

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.

Total Expense Ratio (TER) ²	0.89% 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). ¹Performance as calculated by Coronation as at 30 June 2011 for a lump sum investment using Class R 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. 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.