

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 capital markets. While a default has so far been avoided in the European periphery, the debt crisis in Europe are 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. This engineered slowdown however, 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 index 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's return of 1.53% (after all fees) for the quarter was satisfactory, although 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 13.4% 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 returns of the fund are still looking healthy. The annualised returns for the three- and five-year periods are 12.6% and 11.2% respectively. We remain committed to our targets of inflation + 4% and no negative returns over any rolling 12-month periods.

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 these companies.

We also started selling out of 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 in 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 - Targeted Absolute & Real Return

Fund description Focused on the preservation of capital over all rolling 12-month periods. Over the medium term, the objective is to produce real growth of at least 4% per annum.

Launch date 02 July 2001

Portfolio manager/s Louis Stassen and Henk Groenewald

Fund size R 9.88 billion

NAV 2771.46 cents

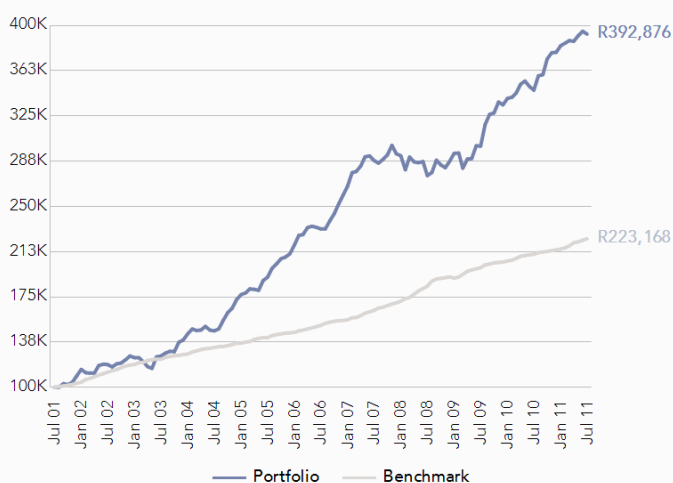
Benchmark CPI + 4% p.a.

Risk profile



PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2011	
Domestic Assets	75.3%	
■ Equities	38.7%	
Oil & Gas	1.2%	
Basic Materials	7.0%	
Industrials	8.6%	
Consumer Goods	3.6%	
Health Care	2.1%	
Consumer Services	3.4%	
Telecommunications	3.1%	
Financials	7.5%	
Technology	0.2%	
Derivatives	1.9%	
■ Preference Shares & Other Securities	4.6%	
■ Real Estate	3.2%	
■ Bonds	26.5%	
■ Cash	2.2%	
International Assets	24.7%	
■ Equities	12.2%	
■ Real Estate	0.2%	
■ Bonds	4.8%	
■ Cash	7.6%	

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Launch (unannualised)	292.9%	123.5%	169.4%
Since Launch (annualised)	14.7%	10.3%	4.4%
Latest 10 years (annualised)	14.7%	10.3%	4.4%
Latest 5 years (annualised)	11.2%	10.9%	0.3%
Latest 3 years (annualised)	12.6%	9.5%	3.0%
Latest 1 year (annualised)	13.4%	9.1%	4.3%
Year to date	2.5%	5.7%	(3.2)%
2010	12.9%	7.5%	5.4%
2009	15.5%	10.3%	5.2%
2008	0.7%	14.3%	(13.6)%

TOP 10 HOLDINGS

As at 30 Jun 2011	% of Fund
Coronation Gbl Opp Eqty Fd Cl B	5.0%
Coronation Gbl Cap Plus Fd Cl B	3.6%
Standard Bank of SA Ltd	2.7%
Coronation Global Managed Fund	2.3%
Remgro Ltd	2.1%
Anglo American Plc	2.0%
MTN Group Ltd	2.0%
Aveng Ltd	1.5%
Spar Group Ltd	1.5%
Sasol Ltd	1.2%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	7.6%	1.7%
Downside Deviation	3.0%	N/A
Sharpe Ratio	0.74	N/A
Maximum Gain	29.5%	N/A
Maximum Drawdown	(8.3)%	N/A
Positive Months	69.2%	N/A

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Jun 2011	01 Jul 2011	15.26	5.60	9.66
31 Mar 2011	01 Apr 2011	20.47	8.00	12.47
31 Dec 2010	03 Jan 2011	16.42	5.91	10.51
30 Sep 2010	01 Oct 2010	19.84	6.70	13.14

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	0.6%	0.5%	(0.1)%	1.2%	1.0%	(0.6)%							2.5%
Fund 2010	0.3%	1.0%	2.2%	0.8%	(1.3)%	(0.9)%	3.4%	0.3%	3.7%	1.4%	0.1%	1.5%	12.9%

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee - performance related*	Minimum - standard: 1.25% Minimum - discounted: 0.75% Maximum: 2.75% Sharing Rate: 10.00%

* 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.

When applicable, Coronation shares in the fund performance above the performance fee hurdle. This performance fee is accrued daily, based on performance over a rolling 12-month period, and paid to Coronation monthly. If the fund produces a return in line with or below the benchmark, the standard minimum fee will be levied. If the fund produces a negative return over a rolling 12-month period, the discounted minimum fee applies. For further information regarding our fee structure please contact us or visit our website.

Total Expense Ratio (TER)² 2.01% per annum, which includes a performance fee of 0.63%

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.

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).
²Performance 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. ³The 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.

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.