PORTFOLIO MANAGER COMMENTARY

Despite two consecutive higher-than-expected inflation releases in the first two months of this year, expectations of rate cuts intensified heading into 2009. This occurred as local and global economic indicators continued to show significant weakness coupled with developed country central banks increasing their pace of monetary easing via both interest rates and direct liquidity injections.

The bond market lost just over 5% in the first quarter of 2009, with the losses realised in January and February before the All Bond Index (ALBI) stabilised in March. There has been a significant difference in performance across maturity bands, however. For the quarter, short-dated bonds returned +2.3% while the longest dated bonds (12 years and more) lost 10.8%. The short end was supported by a 200bp reduction in the repo rate year-to-date and expectations of further aggressive easing. Meanwhile, the long end underperformed due to higher-than-expected inflation data and probably some concerns about the large amount of supply due to hit the market. This was coupled with a retracement in global bonds, which continue to have a strong influence on SA bonds.

The fund's exposure to shorter dated corporate bonds contributed greatly to its recent performance given their link to the R153 (RSA 2010 maturity) government bond, which rallied strongly and reach a yield to maturity of around 6.53% - an all time low. This after a big buy-back programme on these bonds got underway this quarter. On the negative side, corporate spreads have widened somewhat, reflecting the market's saturation of corporate debt and the increased risk prevailing at the moment. We do, however, see this spread widening as a very good buying opportunity for bond and income funds.

Against the economic background, SA money market rates continued their steady fall as prospects for lower interest rates became more likely. The Reserve Bank surprised the market with its call to meet monthly rather than bi-monthly, which signalled that the bank would accelerate repo rate cuts, although Governor Tito Mboweni subsequently said that the MPC would not feel compelled to cut rates at every meeting. On 24 March, at the first of the monthly meetings, the Governor announced a 1% repo rate cut, equalling the February cut and in line with expectations. This resulted in 2.5% in interest rate cuts so far in the current easing cycle, bringing the repo rate to 9.5%. The FRA market has been pricing in a quick succession of interest rate cuts, expecting the market to bottom out with the repo rate as low as 6.5% at one point. This has since been tempered somewhat, with a low of 7% now expected.

The fund holds around 40% in money market assets, with another 18% in floating rate corporate bonds. These act as an interest rate volatility buffer and have provided the fund with much needed protection during recent months. These assets also contribute to the overall yield of the fund as they are largely linked to JIBAR with a generous spread.

A new entry into this fund is a small holding in the ABSA inflation-linked bond which was bought at a real yield of 6% and will provide inflation protection going forward. Given market pricing on inflation-linked bonds relative to nominal bonds, we believe that the better value lies in the inflation-linked market.

The fund has a duration of 0.92, which is shorter than that of its benchmark, the 1 – 3 year Bond Index. Given the nature of its mandate to provide yield and capital protection where possible, we deem it prudent to remain just short of the index as we have with all of our other fixed income funds.

CORONATION INCOME

CLASS A as at 31 March 2009

CORONATION FUND MANAGERS

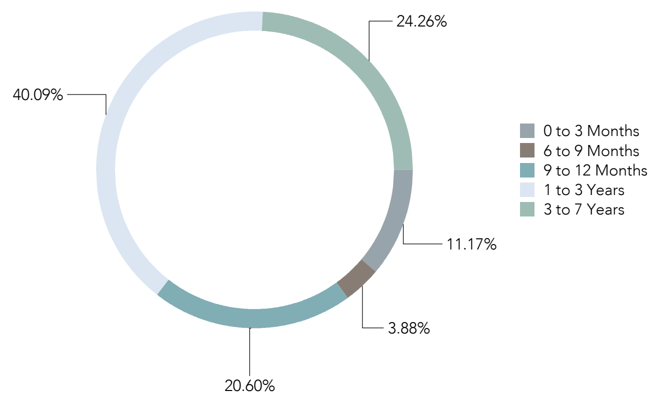
Fund category	Domestic - Fixed Interest - Income
Fund description	Aims to provide a high level of current income with moderate levels of capital growth. Stability of capital invested is of prime focus.
Launch Date	03 April 2000
Portfolio manager/s	Tania Miglietta

Fund size	R79.22 million
NAV	1102.14 cents
Benchmark	BEASSA ALBI (1-3 year) TR Index
Risk profile	Cons / Mod / Aggr

PORTFOLIO DETAIL

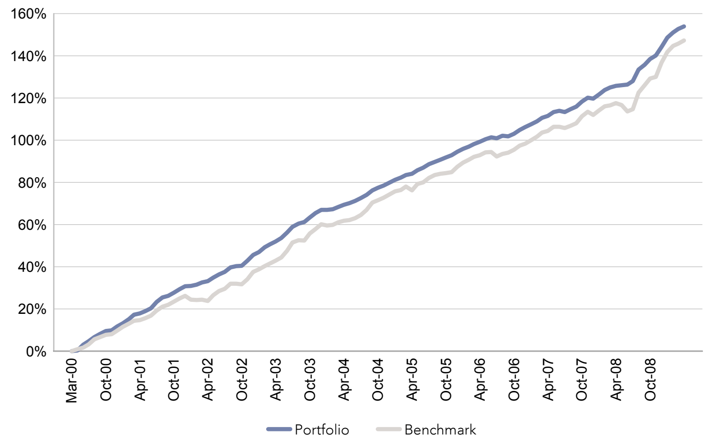
MATURITY PROFILE

As at 31 Mar 2009



PERFORMANCE AND RISK STATISTICS [1]

CUMULATIVE PERFORMANCE SINCE INCEPTION



MATURITY PROFILE DETAIL

As at 31 Mar 2009

0 to 3 Months	11.17%
6 to 9 Months	3.88%
9 to 12 Months	20.60%
1 to 3 Years	40.09%
3 to 7 Years	24.26%

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	153.85%	147.28%	6.57%
Since Inception (annualised)	10.91%	10.58%	0.32%
Latest 60 months (annualised)	8.43%	8.86%	(0.42)%
Latest 36 months (annualised)	8.41%	8.65%	(0.24)%
Latest 12 months (annualised)	12.44%	13.65%	(1.21)%
Year to date	2.11%	2.28%	(0.17)%
2008	12.16%	12.90%	(0.74)%
2007	6.79%	7.07%	(0.28)%
2006	5.93%	5.65%	0.28%
2005	8.16%	7.70%	0.46%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Interest
31 Mar 2009	01 Apr 2009	26.48	26.48
31 Dec 2008	02 Jan 2009	28.79	28.79
30 Sep 2008	01 Oct 2008	28.60	28.60
30 Jun 2008	01 Jul 2008	26.43	26.43

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	1.95%	2.95%
Sharpe Ratio	0.35	0.12
Maximum Gain	101.41%	26.14%
Maximum Drawdown	(0.26)%	(1.85)%
Positive Months	95.37%	87.96%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2009	1.01%	0.62%	0.47%									
Fund 2008	0.95%	0.54%	0.36%	0.12%	0.14%	0.75%	2.39%	0.96%	1.18%	0.68%	1.73%	1.76%
Fund 2007	0.66%	0.82%	0.42%	0.86%	0.27%	(0.26)%	0.59%	0.58%	1.12%	0.89%	(0.23)%	0.88%

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.

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 0.75% and is applied to each contribution and deducted before investment is made.
- Ongoing advice fees may be negotiated to a maximum of 0.50% per annum, 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.

Total Expense Ratio (TER)[2]	0.92% per annum

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). [1]Performance is quoted from Morningstar as at 31 March 2009 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. [2]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 December 2008. 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.