

PORTFOLIO MANAGER COMMENTARY

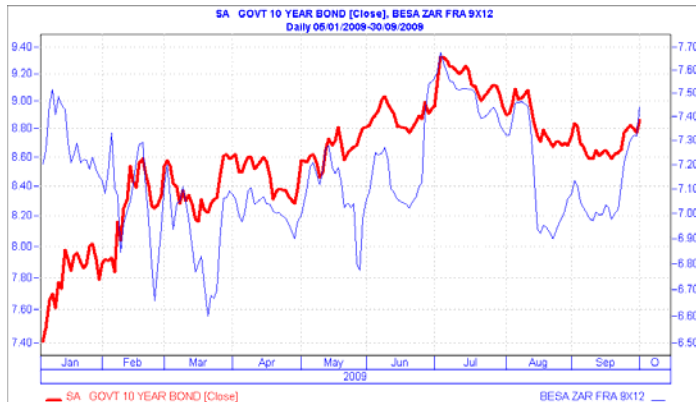
Bonds showed a marginally positive return in September, with the All Bond Index (ALBI) returning 0.08% and a respectable 3.0% for the quarter. Although the shorter maturity spectrum outperformed in September, it underperformed the rest of the index for the quarter, with long-dated bonds and especially non-government bonds being the best performers. The third quarter also saw bonds outperform both cash (1.9%) and inflation-linked bonds (1.4%). However, bonds still show a negative return year to date, lagging well behind both cash and inflation linkers.

Bond and money market returns

Name	September 2009	3 months	6 months	12 months	Year-to-date
All Bond	0.08%	3.0%	3.3%	9.1%	-2.0%
GOVI	0.03%	2.9%	3.1%	9.0%	-1.9%
OTHI	0.33%	3.5%	3.9%	9.6%	-2.8%
Bonds 1-3 Years	0.63%	1.9%	3.3%	11.4%	5.6%
Bonds 3-7 Years	0.20%	2.9%	3.5%	11.3%	1.1%
Bonds 7-12 Years	0.06%	3.1%	3.1%	9.0%	-3.1%
Bonds 12+ Years	-0.10%	3.1%	3.2%	6.7%	-7.9%
Cash	0.61%	1.9%	4.1%	10.2%	7.0%
Barclays/ABSA Govt Inflation-Linked Bonds	0.63%	1.4%	4.9%	10.7%	7.4%

Source: Deutsche

The lacklustre performance of bonds in September was largely due to a weakening towards month-end, which seems to have been largely influenced by the retracement in FRAs at the time (see chart below). These moves followed the South African Reserve Bank's decision to leave interest rates on hold at the September MPC meeting (following a surprise cut in August). Although unchanged rates had been consensus, it was clear that the markets were getting bullish on a possible rate cut and thus disappointed at the actual outcome.



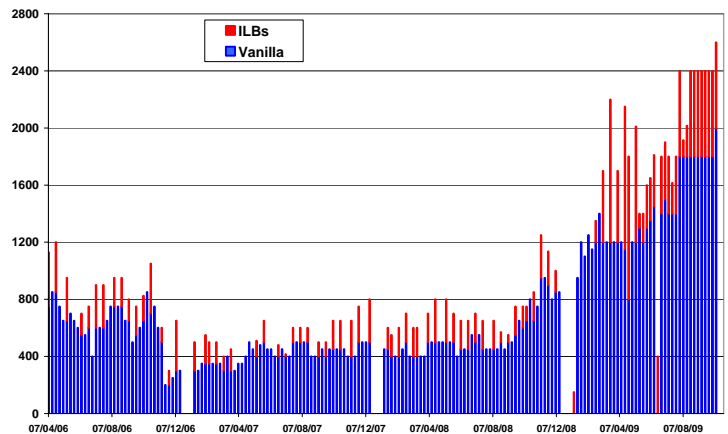
Against this background, the bond market largely ignored what should have been positive factors on other fronts: during September the rand strengthened further, US bond yields fell and the Emerging Markets Bond Index (EMBI) spread contracted. Economic data remained mixed from a bond market perspective. While economic activity data remained weak, there were some upside surprises; and conversely while inflation continued to fall, the rate of decline remains gradual and CPI is still above the target range.

While the bond market does not seem to have taken much notice of the stronger rand we would emphasise that should the currency stay around these levels for any length of time, it has the potential to positively (and significantly) influence inflation going forward. We have already had a 5% petrol price cut announced for October and a number of other categories – including food prices – will be positively affected by rand appreciation. The risk is thus that inflation falls into target sooner than the market currently expects and that 2010 inflation is generally better than current market forecasts.

The biggest concern probably remains to be the huge amount of supply to come to the market. The budget deficit has widened sharply in the first five months of the fiscal year as revenues show the effects of recession and expenditure on investment projects is frontloaded in the fiscal year. While official numbers will be announced later this month in the Medium-Term Budget Policy Statement, it looks like the budget deficit for the current fiscal year will probably be well north of 7%. However, there was a tentative improvement in both revenue and expenditure in August after some terrible figures earlier in the fiscal year and the final outcome may well be better than what is implied by simply extrapolating the year-to-date numbers. Even so, the final number will still be large.

The chart below shows how weekly bond market funding has increased of late. Unless the fiscus manages to correct, or unless there is another offshore issue, bond market funding will need to rise even further. Despite the corporate issuers (mainly banks), the funding requirement from Government and state-owned enterprises (SOE) remain huge.

Weekly government bond market funding (Rm):



The modified duration of the ALBI continues to move longer with every re-weighting and is now at 6.12. The reason for this is that the bulk of the heavy issuance, with respect to both Government and SOE debt, is taking place at the longer end of the curve. With issuance expected to remain high and with the bulk to continue taking place at the longer end, the ALBI MD should continue to move longer for a while. This will provide some support for bonds from benchmark tracking funds.

Portfolio manager

Mark le Roux

CORONATION BOND

CLASS R as at 30 September 2009

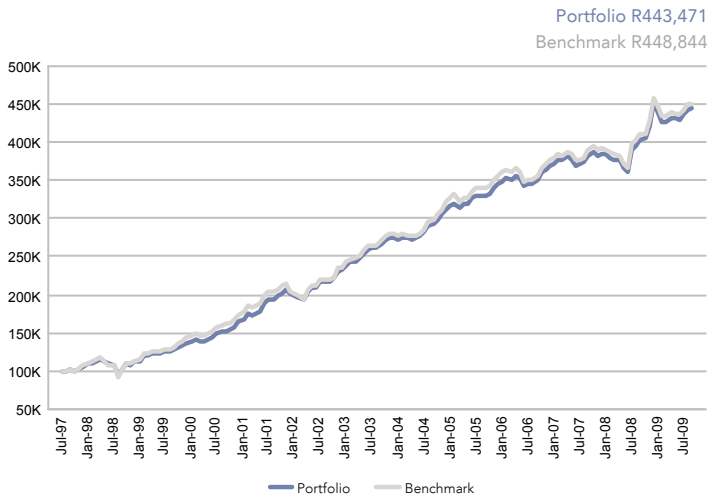
Fund category Domestic - Fixed Interest - Bond
Fund description Seeks to provide investors with a well diversified exposure to the SA bond market.
Launch date 01 August 1997
Portfolio manager/s Mark le Roux

Fund size R226.85 million
NAV 1320.37 cents
Benchmark BEASSA ALBI Index
Risk profile

Cons Mod Aggr

PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	343.5%	348.8%	(5.4)%
Since Inception (annualised)	13.0%	13.1%	(0.1)%
Latest 5 years (annualised)	8.6%	8.5%	0.1%
Latest 3 years (annualised)	8.2%	8.0%	0.2%
Latest 1 year (annualised)	9.8%	9.1%	0.7%
Year to date	(1.7)%	(2.0)%	0.3%
2008	17.1%	17.0%	0.2%
2007	4.3%	4.2%	0.1%
2006	6.8%	5.5%	1.3%
2005	11.0%	10.8%	0.2%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	8.1%	9.4%
Sharpe Ratio	0.20	0.18
Maximum Gain	26.2%	26.4%
Maximum Drawdown	(19.0)%	(22.3)%
Positive Months	72.6%	71.9%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2009	(2.55)%	(2.85)%	(0.28)%	1.15%	(0.19)%	(0.13)%	1.48%	1.55%	0.19%				(1.70)%
Fund 2008	(0.47)%	(0.90)%	(0.62)%	(0.58)%	(2.30)%	(1.61)%	8.03%	1.18%	2.37%	0.02%	4.24%	7.17%	17.10%
Fund 2007	0.65%	1.25%	(0.27)%	1.47%	(0.95)%	(2.02)%	0.39%	0.68%	2.23%	1.59%	(1.39)%	0.67%	4.30%

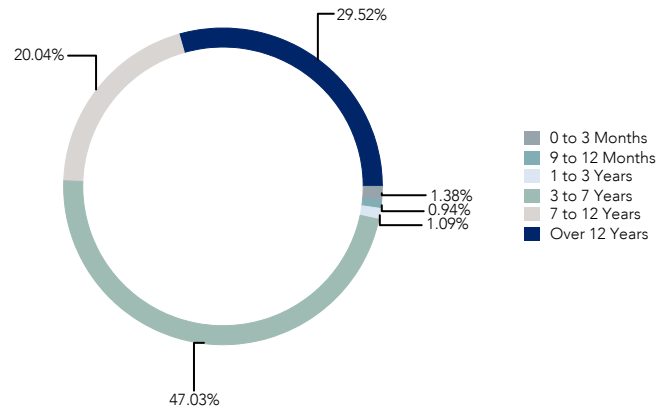
FEES (excl. VAT)

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	0.86% per annum

PORTFOLIO DETAIL

MATURITY PROFILE

As at 30 Sep 2009



MATURITY PROFILE DETAIL

Sector	30 Sep 2009
0 to 3 Months	1.4%
9 to 12 Months	0.9%
1 to 3 Years	1.1%
3 to 7 Years	47.0%
7 to 12 Years	20.0%
Over 12 Years	29.5%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Interest
30 Sep 2009	01 Oct 2009	51.16	51.16
31 Mar 2009	01 Apr 2009	54.92	54.92
30 Sep 2008	01 Oct 2008	54.77	54.77
31 Mar 2008	01 Apr 2008	51.29	51.29

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.

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 is quoted from Morningstar as at 30 September 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. 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 June 2009. 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.