CORONATION INCOME

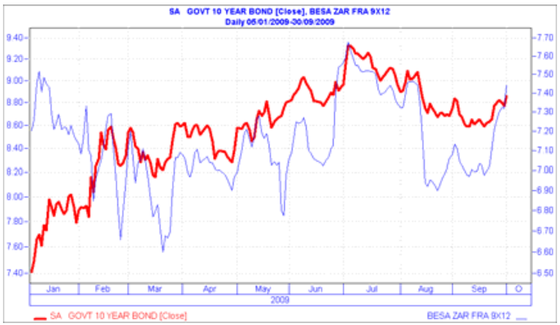
CLASS A as at 30 September 2009

CORONATION FUND MANAGERS

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 during the quarter, with long-dated bonds and non-government bonds in particular the best performers during the period. The third quarter also saw bonds outperform both cash (1.9%) and inflation-linked bonds (1.4%). Year to date, however, bonds still show a negative return, lagging well behind both cash and inflation linkers.

The lacklustre performance of bonds in September was largely due to a weakening towards month-end, and this 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.



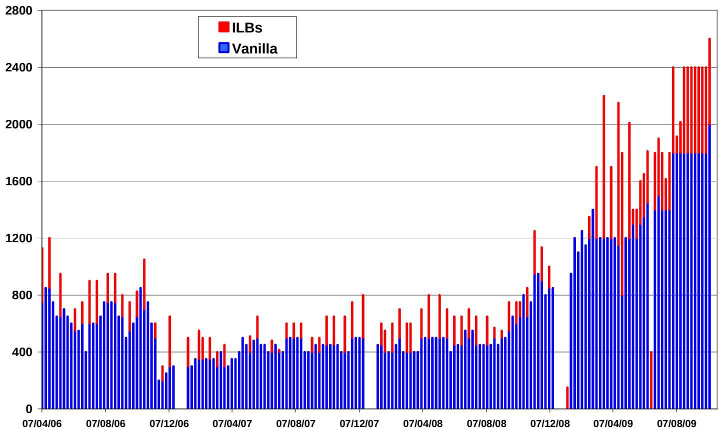
Against that background, the bond market largely ignored what should have been positive factors on other fronts: during September the rand strengthened further, US bond yields fell and the Emerging Markets Bond Index spread contracted. Economic data remained mixed from a bond market perspective. While economic activity data remained weak there were some upside surprises and conversely, while inflation continued to fall, 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. Thus the risk is that inflation falls into target sooner than the market is currently expecting and that 2010 inflation is generally better than current market forecasts.

The biggest concern probably remains the huge amount of bond 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. 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 recently. It will need to rise further unless the fiscus manages to correct, or unless there is another offshore issue. Despite corporate issuers (mainly banks), the funding requirement from government and SOE remain huge.

Weekly government bond market funding (Rm):



During September we continued to increase the inflation-linked and floating rate bond exposure in the fund. The fund, with a small holding in high yielding corporate bonds, is further positioned for rising interest rates and inflation over the next few years; more than 50% of the fund is invested in floating rate investments and 10% in inflation-linked bonds which will provide a natural hedge resulting in higher income for investors as inflation and/or interest rates rise.

Portfolio manager
Tania Miglietta

CORONATION INCOME

CLASS A as at 30 September 2009

CORONATION FUND MANAGERS

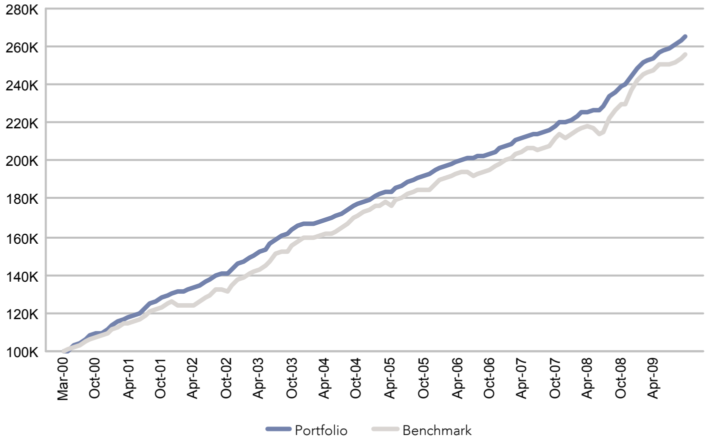
Fund category	Domestic - Fixed Interest - Income	Fund size	R80.83 million
Fund description	Aims to provide a high level of current income with moderate levels of capital growth. Stability of capital invested is of prime focus.	NAV	1099.29 cents
Launch date	03 April 2000	Benchmark	BEASSA ALBI (1-3 year) TR Index
Portfolio manager/s	Tania Miglietta	Risk profile	Cons / Mod / Aggr

PERFORMANCE AND RISK STATISTICS[1]

GROWTH OF A R100,000 INVESTMENT

Portfolio R264,828

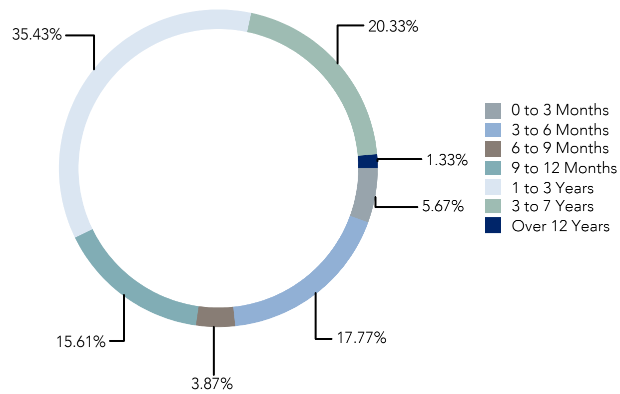
Benchmark R255,427



PORTFOLIO DETAIL

MATURITY PROFILE

As at 30 Sep 2009



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	164.8%	155.4%	9.4%
Since Inception (annualised)	10.8%	10.4%	0.4%
Latest 5 years (annualised)	8.4%	8.3%	0.1%
Latest 3 years (annualised)	9.3%	9.3%	(0.1)%
Latest 1 year (annualised)	11.0%	11.4%	(0.4)%
Year to date	6.5%	5.6%	0.9%
2008	12.2%	12.9%	(0.7)%
2007	6.8%	7.1%	(0.3)%
2006	5.9%	5.6%	0.3%
2005	8.2%	7.7%	0.5%

MATURITY PROFILE DETAIL

As at 30 Sep 2009

0 to 3 Months	5.7%
3 to 6 Months	17.8%
6 to 9 Months	3.9%
9 to 12 Months	15.6%
1 to 3 Years	35.4%
3 to 7 Years	20.3%
Over 12 Years	1.3%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	1.9%	2.9%
Sharpe Ratio	0.36	0.09
Maximum Gain	101.4%	26.1%
Maximum Drawdown	(0.3)%	(1.9)%
Positive Months	95.6%	88.6%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Interest
30 Sep 2009	01 Oct 2009	20.33	20.33
30 Jun 2009	01 Jul 2009	22.37	22.37
31 Mar 2009	01 Apr 2009	26.48	26.48
31 Dec 2008	02 Jan 2009	28.79	28.79

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2009	1.01%	0.62%	0.47%	1.04%	0.47%	0.46%	0.69%	0.94%	0.65%				6.50%
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%	12.20%
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%	6.80%

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]	0.91% per annum

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.

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