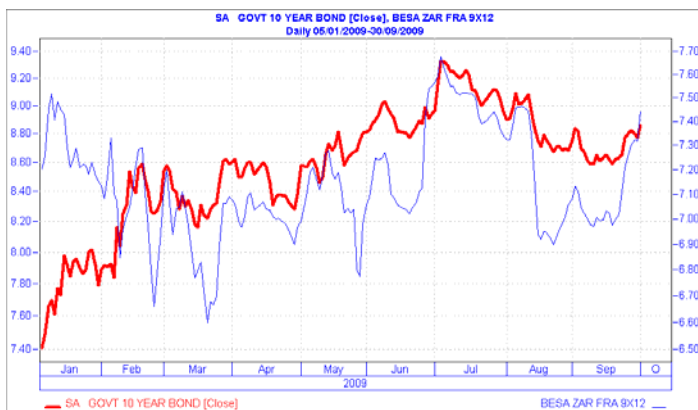


## PORTFOLIO MANAGER COMMENTARY

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.



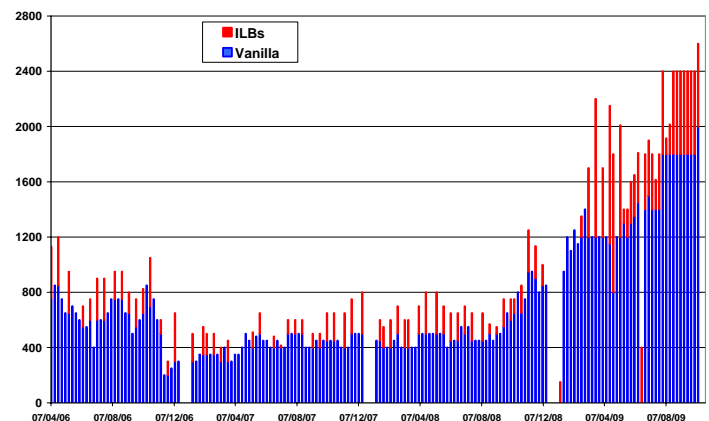
Against that background, the bond market largely ignored what should have been positive factors on other fronts: during September the rand strengthened further, US bond yields fell and the Emerging Markets Bond Index spread contracted. Economic data remained mixed from a bond market perspective. While economic activity data remained weak there were some upside surprises and conversely, while inflation continued to fall, 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. 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 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 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. We purchased certain assets yielding CPI +4% and Jibar +1.50% as these appear very attractive applying a longer-term view. During the month we also sold down the Liberty International position to zero, fortunately prior to the rights issue announcement which placed the share under a fair amount of pressure. Listed property holdings were also trimmed as certain stocks had run hard during the period.

## Portfolio managers

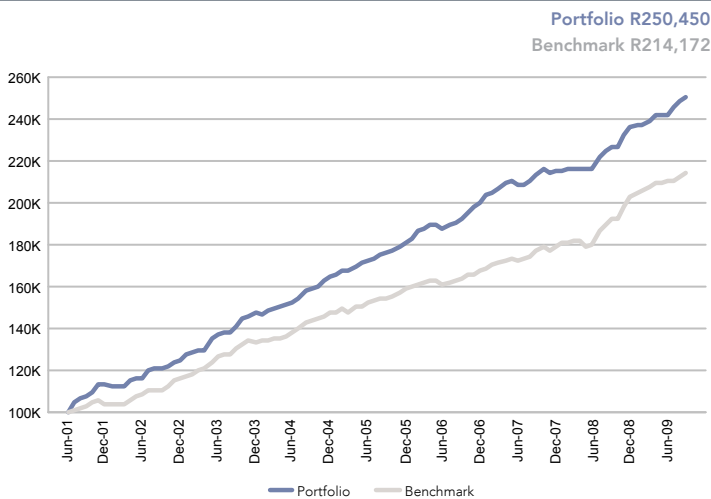
Mark le Roux and Tania Miglietta

**Fund category** Domestic - Fixed Interest - Varied Specialist  
**Fund description** A widely diversified, actively managed fund that aims to provide a higher level of income than a pure income fund.  
**Launch date** 02 July 2001  
**Portfolio manager/s** Mark le Roux and Tania Miglietta

**Fund size** R 3.01 billion  
**NAV** 1294.95 cents  
**Benchmark** BEASSA ALBI (1-3 year) TR index  
**Risk profile** Cons Mod Aggr

## PERFORMANCE AND RISK STATISTICS<sup>1</sup>

### GROWTH OF A R100,000 INVESTMENT



### PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	150.5%	114.2%	36.3%
Since Inception (annualised)	11.8%	9.7%	2.1%
Latest 5 years (annualised)	9.5%	8.3%	1.2%
Latest 3 years (annualised)	9.2%	9.3%	(0.1)%
Latest 1 year (annualised)	10.3%	11.4%	(1.1)%
Year to date	5.9%	5.6%	0.2%
2008	9.7%	12.9%	(3.2)%
2007	7.7%	7.1%	0.7%
2006	10.4%	5.6%	4.7%
2005	9.9%	7.7%	2.2%

### RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	3.4%	3.0%
Sharpe Ratio	0.52	(0.11)
Maximum Gain	29.2%	19.6%
Maximum Drawdown	(1.3)%	(1.9)%
Positive Months	88.9%	86.9%

### MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2009	0.35%	0.06%	0.60%	1.08%	0.06%	0.12%	1.41%	1.24%	0.82%				5.90%
Fund 2008	(0.26)%	0.34%	0.39%	(0.09)%	(0.29)%	0.24%	2.45%	1.43%	1.02%	(0.15)%	2.39%	1.90%	9.70%
Fund 2007	1.69%	0.79%	0.67%	1.70%	0.18%	(1.06)%	0.02%	1.21%	1.24%	1.34%	(0.76)%	0.49%	7.70%

### FEES (excl. VAT)

**Initial Fee** Coronation: 0.00%  
**Annual Management Fee\*** 1.00%  
 \* 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.

The annual management fee of this fund will be reduced to 0.85% (excl VAT) with effect from 1 October 2009.

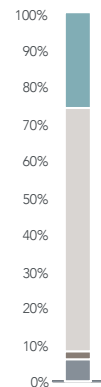
**Benchmark change:** From 1 October 2009, the fund's benchmark will be 110% of the STeFI 3-month Index return.

**Total Expense Ratio (TER)<sup>2</sup>** 1.13% per annum

## PORTFOLIO DETAIL

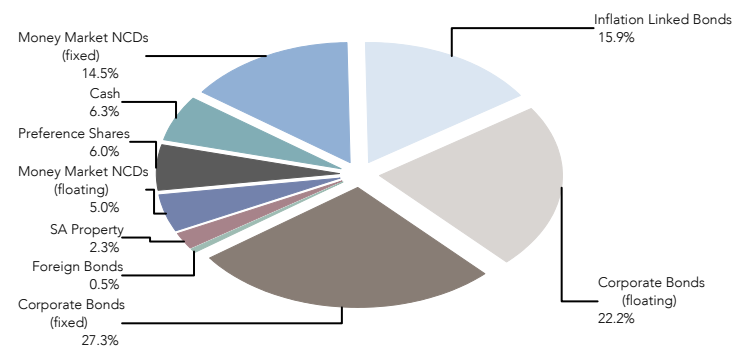
### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Sep 2009
<b>Domestic Assets</b>	<b>95.4%</b>
Cash	24.2%
Bonds	62.9%
Listed Property	2.3%
Preference Shares	6.0%
<b>International Assets</b>	<b>4.6%</b>



### PORTFOLIO COMPOSITION

As at 30 Sep 2009



### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2009	01 Oct 2009	23.30	2.72	20.58
30 Jun 2009	01 Jul 2009	23.11	1.32	21.79
31 Mar 2009	01 Apr 2009	31.62	3.19	28.43
31 Dec 2008	02 Jan 2009	31.85	0.89	30.96

### 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). <sup>1</sup>Performance 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. <sup>2</sup>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 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.