

## PORTFOLIO MANAGER COMMENTARY

Whereas the calendar year started slowly for equity markets around the world, the month of March brought lots of joy. This resulted in respectable returns being produced by these markets over the first three months of 2010. The South African equity market was up 4.5% over the period, with bonds rerating strongly to produce 4.4%. Listed property returned 9.9% and preference shares 7.8%, while inflation-linked bonds showed virtually 0% return over the period. The rand strengthened by 1.5% over the quarter against the US dollar, and by a whopping 6.7% against the euro. The MSCI World Index returned 3.4% since the start of the year, with developed equity markets actually outperforming emerging markets for the first time since the rebound started. Within developed markets Japan and the United States outperformed Europe by some margin.

Against this backdrop the fund had a strong quarter. The three-month return of 3.5% exceeded the benchmark of inflation plus 4%, but more importantly, the 12-month return of 21.4% and the 5-year number of 14.2% per annum compare favourably with both the benchmark and some of our peers in the sector. Since inception the fund has returned 15.4% per annum versus the benchmark's 10.6% per annum.

Once again our equity holdings contributed strongly. Stock selection was good, with the equity portion of the fund outperforming underlying indices by a wide margin. The most significant contributors amongst the equity holdings were Standard Bank, Woolworths, Tiger Brands, Mondi, AVI, and Remgro. A gratifying aspect of the attribution analysis is the fact that very few of our equities detracted from performance in absolute terms. MTN (our biggest holding where we continue to hold a very positive view on the stock), Pan African Resources, AngloGold, and Hulamin were the only real detractors.

Domestic property contributed positively and we have used the strength in this sector to reduce the fund's exposure further. The fund's preference shares benefited from a strong rerating in that sector. The big position in inflation-linked bonds has not yielded positive results yet, but we continue to hold the view that it is an attractively priced asset over the medium term. We are accumulating more of these instruments at acceptable prices.

Our international exposure performed well in dollar terms. Unfortunately the strength of the rand pared these gains. During the period we continued to consolidate our international exposure into a few pooled vehicles managed actively by ourselves. This has already led to increased focus and a greater alignment of investment objectives. We continue to advocate a full offshore position, and will manage the fund to achieve this goal. We think that the rand is vulnerable to changes in risk appetite, and on top of this view (that at the best of times cannot be classified as a high conviction view) we continue to prefer offshore equities to domestic equities.

Investors around the world are embracing risk again. Whereas the economic outlook for many of the troubled economies has improved over the last few months, one has to be wary in terms of how much of this good news has already been priced into financial markets. We have already bought quite a number of put options against the equity holdings in the fund. We have also introduced written call options on some of our equity holdings where we think the upside has reduced as a result of price action. We will continue to be true to the absolute return objectives of the fund in our future dealings.

**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 5.85 billion

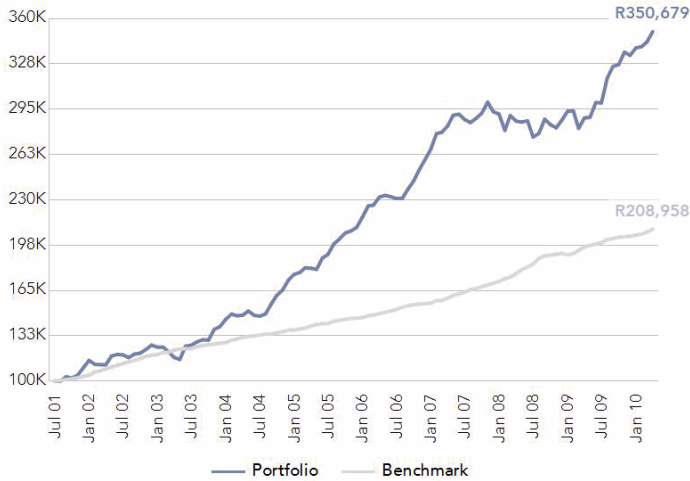
**NAV** 2566.48 cents

**Benchmark/Performance Fee Hurdle** CPI + 4% p.a.

**Risk profile** Cons Mod Aggr

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

### GROWTH OF A R100,000 INVESTMENT



## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2010	100%
<b>Domestic Assets</b>	<b>80.1%</b>	
■ <b>Equities</b>	<b>30.8%</b>	
Oil & Gas	0.4%	
Basic Materials	3.8%	
Industrials	3.7%	
Consumer Goods	7.1%	
Health Care	0.0%	
Consumer Services	5.5%	
Telecommunications	4.3%	
Financials	5.4%	
Technology	0.0%	
Derivatives	0.4%	
■ <b>Preference Shares &amp; Other Securities</b>	<b>4.8%</b>	
■ <b>Real Estate</b>	<b>3.1%</b>	
■ <b>Bonds</b>	<b>27.9%</b>	
■ <b>Cash</b>	<b>13.6%</b>	
<b>International Assets</b>	<b>19.9%</b>	
■ <b>Equities</b>	<b>13.2%</b>	
■ <b>Bonds</b>	<b>2.0%</b>	
■ <b>Cash</b>	<b>4.7%</b>	

## PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	250.7%	109.3%	141.4%
Since Inception (annualised)	15.4%	10.6%	4.9%
Latest 5 years (annualised)	14.2%	10.9%	3.3%
Latest 3 years (annualised)	7.4%	12.4%	(5.0)%
Latest 1 year (annualised)	21.4%	9.3%	12.1%
Year to date	3.4%	2.9%	0.5%
2009	15.5%	10.3%	5.2%
2008	0.7%	14.3%	(13.6)%
2007	9.5%	12.6%	(3.1)%
2006	22.4%	9.0%	13.4%

## TOP 10 HOLDINGS

As at 31 Mar 2010	% of Fund
Coronation World Wide Equity Fund	4.2%
Coronation Global Managed Fund - Class A	3.9%
Coronation Global Latitude Fund Class B	3.5%
MTN Group Ltd	3.0%
Tiger Brands Ltd	2.4%
Naspers Ltd	2.0%
Standard Bank of SA Ltd	2.0%
Spar Group Ltd	2.0%
Remgro Ltd	1.8%
British American Tobacco Plc	1.4%

## RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	7.9%	1.7%
Downside Deviation	4.9	N/A
Sharpe Ratio	0.70	N/A
Maximum Gain	29.5	N/A
Maximum Drawdown	(8.3)	N/A
Positive Months	68.6	N/A

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2010	01 Apr 2010	18.71	3.94	14.77
31 Dec 2009	04 Jan 2010	12.50	1.76	10.74
30 Sep 2009	01 Oct 2009	22.33	8.85	13.48
30 Jun 2009	01 Jul 2009	10.50	2.74	7.76

## MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2010	0.3%	1.0%	2.2%										3.4%
Fund 2009	0.1%	(4.3)%	2.7%	0.2%	3.6%	(0.1)%	5.9%	2.7%	0.4%	2.8%	(0.7)%	1.6%	15.5%
Fund 2008	(4.0)%	3.8%	(1.4)%	(0.2)%	0.3%	(4.1)%	1.0%	3.7%	(1.4)%	(0.8)%	1.9%	2.3%	0.7%

## FEES (excl. VAT)

<b>Initial Fee</b>	Coronation: 0.00%
<b>Annual Management Fee - performance related*</b>	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.

## 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.

<b>Total Expense Ratio (TER)<sup>2</sup></b>	1.60% per annum, which includes a performance fee of 0.35%
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When applicable, Coronation shares in the fund performance above the benchmark. 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 positive 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.

<sup>1</sup>Benchmark 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). <sup>1</sup>Performance is quoted from Morningstar as at 31 March 2010 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 December 2009, as well as the actual performance fee incurred over the 12 months to end December 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.