

## PORTFOLIO MANAGER COMMENTARY

The Coronation Strategic Income Fund returned 1.3% for month of March and 3.55% for the quarter.

Bond yields have been in a general downward trend since mid-January, a trend that was maintained in March and which gained in momentum following the SARB's decision to cut the repo rate by 50 basis points (to 6.5%) at the MPC meeting on 25 March. The SARB's move, which had not been fully discounted in the markets, was enabled by a combination of lower-than-expected inflation, and generally still soft economic data as well as continued rand strength which bode well for further disinflation. At this stage, we believe that most of the expected good news is factored in and our base case would be for rates to remain on hold for the remainder of this year.

Inflation re-entered the 3% - 6% target range in February at 5.7% (data released in March), which was sooner than many had expected. We think that underlying trends in consumer inflation look positive at the moment; there seems to be an absence of any significant demand-side pressure, while a broad number of categories continue to show beneficial influences from the currency. We think CPI could fall to around the mid-point of the target range during the course of this year. Movements in the rand will continue to be crucial and a reversal of rand strength remains a key risk.

Although growth has undoubtedly bottomed and is moving noticeably higher, this so far seems to be led principally by manufacturing (linked to exports and the global recovery) and domestic car sales (coming off an exceptionally battered base).

The generally positive domestic news was underpinned by a move lower in emerging market spreads over March as well. However, another latent risk for both SA and emerging market bond yields in general arises from the US bond market, where yields have recently moved higher on a combination of stronger growth data and large supply, even despite expectations of interest rate rises being pushed out as core inflation surprises on the downside. As quantitative easing programmes start being wound down, we expect that supply issues will continue to dominate US and other developed bond markets – and at some stage, though now it is looking more likely to be in 2011, major central banks will have to start reversing emergency low levels of interest rates as well. It is thus difficult to see an outcome where global bond yields do not continue rising into 2011, and this will almost certainly have an impact on SA yields as well.

We thus remain in a position of largely balanced risks, where shorter-term domestic outcomes have been positive for bonds (and may be so for some months yet), but where there are concerns about the longer term.

The property stock weighting has been maintained in line with our view that property would continue to perform well, and indeed it has during the quarter.

Preference shares also had a good run this quarter returning 7.75%. The fund holds a wide spread of bank and corporate preference shares which contributed positively to the fund's return.

Inflation-linked bonds (ILBs) were a little disappointing this quarter. Given that inflation is falling the full benefit of these is not being felt at the moment but ILBs provide long-term inflation protection which we seek as inflation is cyclical and will rise again over the longer term.

The fund returned 3.55% for the quarter and 10.96% for the year whilst money market fund yields averaged 7 – 8%.

**Portfolio managers**

Mark le Roux and Tania Miglietta

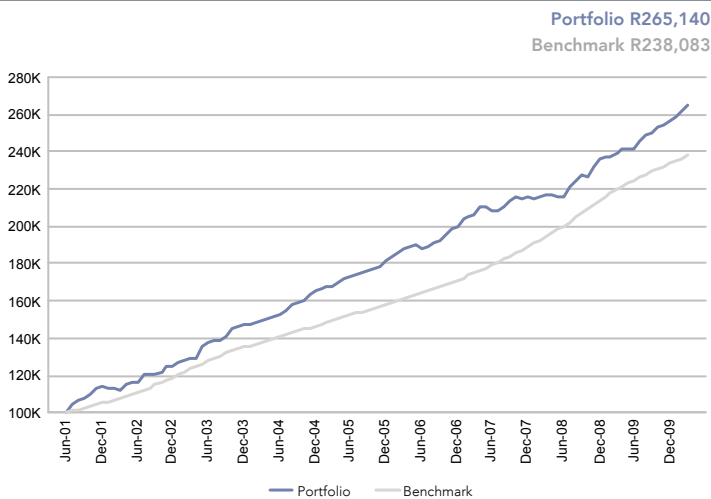
**Fund category** Domestic - Fixed Interest - Varied Specialist  
**Fund description** A widely diversified, actively managed fund that aims to provide a higher level of income than a pure income fund.  
**Launch date** 02 July 2001  
**Portfolio manager/s** Mark le Roux and Tania Miglietta

**Fund size** R 3.32 billion  
**NAV** 1324.77 cents  
**Benchmark** 110% of the STeFI 3-month 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)	165.1%	138.1%	27.1%
Since Inception (annualised)	11.8%	10.4%	1.4%
Latest 5 years (annualised)	9.5%	9.7%	(0.2)%
Latest 3 years (annualised)	8.7%	10.8%	(2.1)%
Latest 1 year (annualised)	11.0%	8.4%	2.5%
Year to date	3.6%	1.9%	1.7%
2009	8.2%	9.5%	(1.3)%
2008	9.7%	13.0%	(3.2)%
2007	7.7%	10.4%	(2.7)%
2006	10.4%	8.2%	2.2%

### RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	3.3%	0.7%
Sharpe Ratio	0.58	0.86
Maximum Gain	29.2%	138.1%
Maximum Drawdown	(1.3)	N/A
Positive Months	89.5%	100.0%

### MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2010	1.08%	1.09%	1.34%										3.60%
Fund 2009	0.35%	0.06%	0.60%	1.08%	0.06%	0.12%	1.41%	1.24%	0.82%	1.17%	0.55%	0.50%	8.20%
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%

### FEES (excl. VAT)

<b>Initial Fee</b>	Coronation: 0.00%
<b>Annual Management Fee*</b>	0.85%

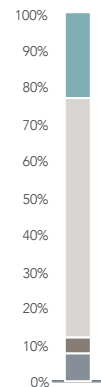
\* A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.  
 The annual management fee applicable to the A-class was reduced from 1.00% p.a. (excl. VAT) to 0.85% p.a. (excl. VAT) effective 1 October 2009.

<b>Total Expense Ratio (TER)<sup>2</sup></b>	1.13% per annum
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## PORTFOLIO DETAIL

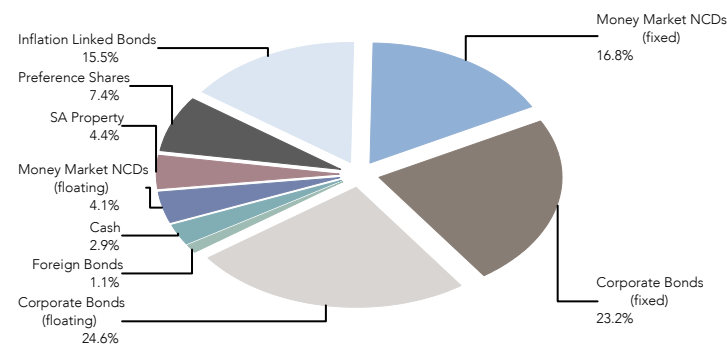
### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2010
<b>Domestic Assets</b>	<b>94.8%</b>
Cash	22.5%
Bonds	60.5%
Listed Property	4.4%
Preference Shares	7.4%
<b>International Assets</b>	<b>5.2%</b>



### PORTFOLIO COMPOSITION

As at 31 Mar 2010



### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2010	01 Apr 2010	26.39	2.37	24.02
31 Dec 2009	04 Jan 2010	20.77	0.57	20.20
30 Sep 2009	01 Oct 2009	23.30	2.72	20.58
30 Jun 2009	01 Jul 2009	23.11	1.32	21.79

### 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 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. 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.