

PORTFOLIO MANAGER COMMENTARY

The fund had a phenomenal year, returning 10.5% and outperforming cash by over 5%. This return was achieved by locking into attractive real interest rates from inflation-linked bonds before these rallied, hedging interest rate risk at appropriate times and having an allocation to offshore bonds which provided superior yields versus their local equivalents.

The All Bond Index registered a return for the year of 8.80%, quite pedestrian and without much capital gain. The best performing domestic bond was the R203 (2017 maturity) which generated a return of 10.80%, while the worst performing bond in the index was the ultra long dated R209 (2036 maturity), returning only 2.70%. This outcome was a result of the yield curve steepening during the year.

Inflation-linked bonds had a stellar year with the index returning 13%. The 5-year government inflation-linked bond produced 16.5%, the top return amongst the bonds in the inflation-linked index.

Yields on very short dated inflation-linked bonds went negative (R189 2013 maturity), closing the year at a real yield of -0.15%. This was fuelled by demand for inflation protection, which increased sharply as headline inflation breached the upper end of the Reserve Bank's target range. Short-term money market rates of 5.5% are now returning a negative real return, something we have not seen in South Africa for many years.

2011 was characterised by a combination of rising inflation, a depreciating currency (the rand lost 22% against the US dollar), rocketing food prices and a materially increasing fiscal deficit; all of which would normally be negative for the bond market. Despite this, global growth concerns, plunging global bond yields (10-year US Treasury is now yielding less than 2%), worries over the fiscal situation of a number of European countries, continued foreign bond investor appetite for yield along with record low domestic short-term interest rates, resulted in a decent offset to the fundamental negative backdrop for bonds.

As we move ahead into the new year, we expect inflation to remain above the upper end of the 3% – 6% target range during the course of 2012. The main drivers appear to be rising food prices combined with the currency depreciation experienced last year. The maize price again reached new highs in December, with the year-on-year percentage change at 99% for the last 12 months. This has a direct and negative impact on inflation.



The next move in short-term interest rates, we believe, is likely to be up. However, given the relatively dovish stance of the Monetary Policy Committee, this will most likely only take place towards the second half of the year.

With US Treasuries yielding less than 2%, a sell-off in global bonds is a major risk to the domestic bond market, especially combined with the large South African government bond funding requirements we face this year. If the Reserve Bank waits to take action against the rising inflation trend there could be major ramifications for the local bond market – the longer they wait, the more entrenched higher inflation expectations become.

The fund's inflation-linked bond exposure at 17.25% has provided inflation protection as rising inflation is directly factored into the bond's total return. As inflation rises, so does the return on these bonds. The corporate bond holding has also delivered good returns as corporate spreads have compressed in this environment of limited issuance and the search for yield.

Money market exposure has taken the form of long dated NCDs yielding 8% or more per annum for up to five years and, where appropriate, we hedge this out to reduce interest rate volatility. We acknowledge that investors in this fund seek interest yield, thus we aim to deliver a good long-term interest rate over money market and at times capital gains are achieved as well.

The philosophy of this fund is to bring home a steady income, whilst trying to protect capital.

Portfolio managers

Mark le Roux and Tania Miglietta

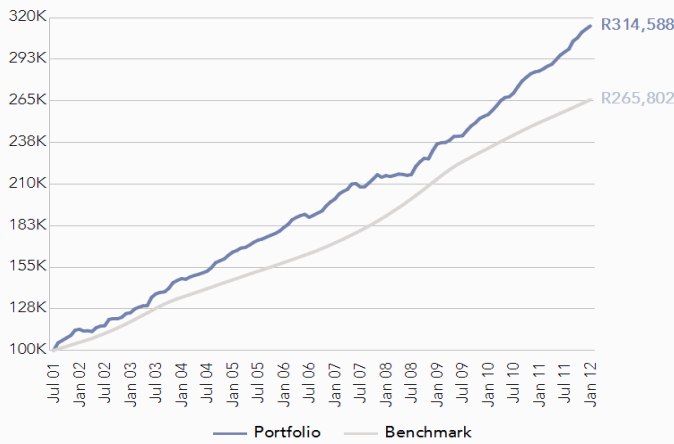
Fund category Domestic - Fixed Interest - Varied Specialist
Fund description A widely diversified, actively managed fund that aims to provide a higher level of income than a pure income fund.
Launch date 02 July 2001
Portfolio manager/s Mark le Roux and Tania Miglietta

Fund size R 7.93 billion
NAV 1400.29 cents
Benchmark 110% of the STeFI 3-month Index
Risk profile



PERFORMANCE AND RISK STATISTICS¹

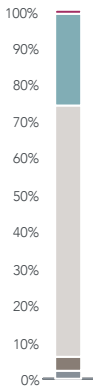
GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2011
Domestic Assets	91.9%
Cash	24.7%
Bonds	61.1%
Listed Property	4.2%
Preference Shares	2.0%
International Assets	8.1%
Cash	0.0%
Bonds	7.0%
Property	1.0%



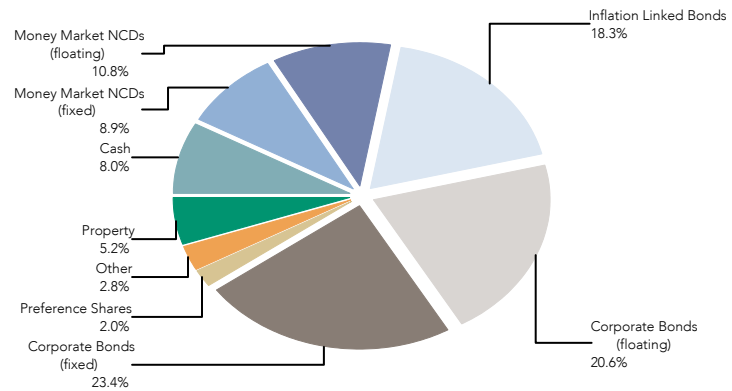
PERFORMANCE AND MODIFIED DURATION

	Fund	Benchmark	Outperformance
Since Launch (unannualised)	214.6%	165.8%	48.8%
Since Launch (annualised)	11.5%	9.8%	1.8%
Latest 10 years (annualised)	10.7%	9.7%	1.0%
Latest 5 years (annualised)	9.5%	9.2%	0.3%
Latest 3 years (annualised)	10.0%	7.6%	2.4%
Latest 1 year (annualised)	10.5%	6.0%	4.4%
Year to date	10.5%	6.0%	4.4%
2010	11.2%	7.3%	4.0%
2009	8.2%	9.5%	(1.3)%
2008	9.7%	13.0%	(3.2)%

	Fund
Modified Duration	2.2
Modified Duration (ex Inflation Linkers)	1.3
Hedged Modified Duration	0.8
Yield	7.6%

PORTFOLIO COMPOSITION

As at 31 Dec 2011



RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	3.1%	0.7%
Sharpe Ratio	0.75	0.73
Maximum Gain	38.8%	165.8%
Maximum Drawdown	(1.3)%	N/A
Positive Months	91.3%	100.0%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Dec 2011	03 Jan 2012	21.79	0.89	20.90
30 Sep 2011	03 Oct 2011	18.94	0.01	18.93
30 Jun 2011	01 Jul 2011	22.08	1.07	21.01
31 Mar 2011	01 Apr 2011	21.06	0.25	20.81

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	0.53%	0.59%	0.43%	1.04%	1.06%	0.68%	0.66%	1.78%	0.68%	1.19%	0.68%	0.68%	10.50%
Fund 2010	1.08%	1.09%	1.34%	0.80%	0.19%	0.90%	1.54%	1.40%	0.88%	0.83%	0.43%	0.22%	11.20%
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%

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee*	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.

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 as calculated by Coronation as at 31 December 2011 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 September 2011. 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.

Total Expense Ratio (TER) ²	0.97% per annum
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Modified Duration measures the interest rate risk of a security. It measures the change in a security's price for a given fixed change in interest rates.

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.