

PORTFOLIO MANAGER COMMENTARY

The first quarter of 2011 has brought a new set of challenges to financial markets. The standout event affecting markets was the tragic unfolding catastrophe in Japan during the month of March. It is important to separate the human impact and the economic impact of this event. From an economic perspective, Japan's short-term growth assumptions were reduced, but the result of the reconstruction programme may add to longer-term growth prospects in both Japan and the rest of the region.

As an indication of the volatility financial markets faced, the Japanese market fell by just over 20% over the three days subsequent to the earthquake, and rebounded by almost 19% over the following 2 weeks! Such volatility in one of the largest financial markets in the world is almost unprecedented, reflecting the fear and uncertainty facing such a large economic region. A reminder of the power of compounding reflects that a market that was down 20%, recovered by almost the same amount, but would still leave investors down 5% over the period – communicating the importance of preserving capital over periods of market volatility.

Your fund returned 1.1% over the quarter, a somewhat disappointing performance given the positive 1.1% delivered by the FTSE/JSE All Share Index, while the All Bond Index delivered a negative 1.6%, the MSCI World Index a positive 4.9% (in US dollar terms), and the rand weakening by 2.0% against the US dollar and by 7.7% against the euro over the period. The fund's return over the last 12 months has been a strong 13.65% (after all fees) against an estimated average inflation number of 3.8% over the same period, highlighting a reasonable outperformance of its inflation plus 6% target. The fund's longer-term numbers show consistency with both the three- and five-year returns being around 10.4% - 11.2% per year. These numbers meant that the fund slightly underperformed its benchmark over these periods, a situation we are very aware of and are determined to reverse in future.

The fund's equity positioning was below expectations, with our increasing exposure to construction-related stocks hurting short-term performance. We continue to believe that over the medium to longer term the sector will benefit from the government's commitment to continued infrastructural investment, and at current share prices we believe the downside risks in most of these shares are limited. We added to Netcare as concerns regarding its UK operations depressed the share price. We also increased the fund's exposure to the banking sector, with purchases in Standard Bank, Nedcor, and Absa. Other new positions include exposure to the pharmaceutical sector through Aspen. A combination of a jittery international investor base, results that were below expectations and followed by poor newsflow has in our opinion created an attractive entry level into a world class company. We re-introduced Impala Platinum into the fund, with the market focusing on the increasingly worrying news around partial nationalisation in Zimbabwe, ignoring in our opinion the quality of the assets in South Africa. We reduced our exposure to other resource-based companies midway through the quarter, with notable sales in Exxaro, BHP Billiton and Anglo American. We also reduced the position in Naspers on risk considerations, given how large the exposure to Tencent, the Chinese instant messaging company, has become. Given the strong price performance, we have also reduced the exposure to Spar, despite our belief that the company will continue to perform well operationally. We sold out of the Nampak position as we found more attractively priced opportunities into the market sell-off in March.

The fund benefited from the very low exposure to South African bonds, given the sell-off in this sector. Initially this was due to currency weakness in January, and later in response to the Budget Speech delivered in February, which the market (and ourselves) considered to be too expansionary given the issues facing the national economy. We have not yet committed new capital to this asset class as we remain nervous of the level of the rand and believe that the Reserve Bank is underestimating inflationary pressures building in the underlying economy. Whilst inflation-linked bonds have served the fund well in the past, we believe that their current valuation levels are discounting most of the good news we initially anticipated, and as such we have also not added to this asset class.

We have been very vocal in the past about our concerns regarding the listed property sector, and as such, the fund had little exposure to this asset class. Over the quarter this sector started selling off, eventually losing more than 10% in capital value in response to higher local bond rates, a weaker outlook for distribution growth, and some large capital raisings (both announced and mooted). We used this opportunity to increase the fund's exposure to the sector, although the sharp price recovery we have seen since the middle of March have dampened our appetite to continue buying.

For the first time in a long period, the fund's offshore exposure contributed positively to overall performance, thanks to both a weakening local currency and a decent performance from the offshore assets held in the fund. Towards the end of the quarter the strength in the rand reduced the currency impact somewhat, but we utilised these levels to increase the offshore exposure further.

We continue to manage the fund with a significant amount of downside protection in the form of put options on the South African equity market. Whilst these instruments will cost the fund money in the event of them not being exercised, we believe that the principle of paying insurance premiums to protect investors against significant downside losses is the correct approach given the risk-averse nature of the investment mandate. We have added to these positions during the quarter under review and currently have put options covering about a quarter of the fund's domestic equity holdings, although many of these holdings are quite far out of the money. This means that in the event of a severe correction they should protect capital for unit holders.

Clients should by now have received notification that we have proposed a reduction of 50 basis points in the maximum performance fee payable in the fund, effective 1 May 2011. This was done in response to our expectations of more muted future returns generated by the market, and does not come with any other proposed offset. The fee rebate in the event of severe underperformance stays in place. We continue to work hard to try and achieve maximum performance within acceptable risk limits in the fund.

Portfolio managers

Louis Stassen and Henk Groenewald

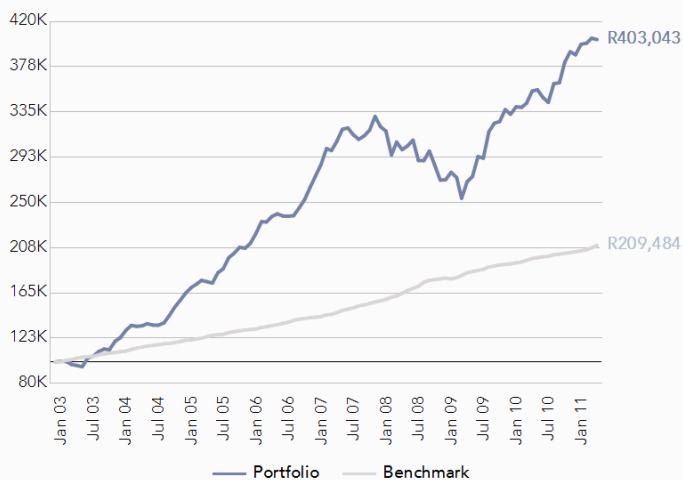
Fund category Domestic - Asset Allocation - Flexible
Fund description Aims to maintain a real growth rate of 6% per annum, and preserve capital over any rolling 36-month period.
Launch date 02 December 2002
Portfolio manager/s Louis Stassen and Henk Groenewald

Fund size R 1.78 billion
NAV 3384.84 cents
Benchmark CPI + 6%
Risk profile



PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2011	%
Domestic Assets	78.1%	
■ Equities	53.2%	
Oil & Gas	2.4%	
Basic Materials	8.6%	
Unit Trust	2.8%	
Industrials	11.6%	
Consumer Goods	5.9%	
Health Care	3.9%	
Consumer Services	4.2%	
Telecommunications	5.9%	
Financials	11.3%	
Technology	0.3%	
Derivatives	(3.7)%	
■ Preference Shares & Other Securities	0.1%	
■ Real Estate	2.1%	
■ Bonds	13.0%	
■ Cash	9.7%	
International Assets	21.9%	
■ Equities	19.3%	
■ Bonds	1.2%	
■ Cash	1.4%	

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	303.0%	110.0%	193.1%
Since Inception (annualised)	18.2%	11.8%	6.4%
Latest 5 years (annualised)	11.2%	12.9%	(1.7)%
Latest 3 years (annualised)	10.4%	12.3%	(1.9)%
Latest 1 year (annualised)	13.7%	10.0%	3.6%
Year to date	1.1%	3.8%	(2.7)%
2010	17.3%	9.5%	7.8%
2009	22.1%	12.3%	9.8%
2008	(12.2)%	16.3%	(28.5)%

TOP 10 HOLDINGS

As at 31 Mar 2011	% of Fund
Coronation Global Managed Fund	6.6%
Coronation Gbl Opp Eqty Fd Cl B	5.3%
British American Tobacco Plc	5.0%
Standard Bank of SA Ltd	4.8%
Remgro Ltd	4.6%
MTN Group Ltd	3.7%
Aspen Pharmicare Holdings Ltd	2.6%
Sasol Ltd	2.4%
Arcelormittal SA Ltd	2.2%
Vodacom Group	2.2%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	10.5%	1.7%
Downside Deviation	4.9%	N/A
Sharpe Ratio	0.85	N/A
Maximum Gain	31.3%	N/A
Maximum Drawdown	(23.3)%	N/A
Positive Months	66.0%	N/A

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2011	01 Apr 2011	30.00	14.72	15.28
30 Sep 2010	01 Oct 2010	28.71	16.50	12.21
31 Mar 2010	01 Apr 2010	16.66	5.37	11.29
30 Sep 2009	01 Oct 2009	15.07	1.67	13.40

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	0.3%	1.2%	(0.3)%										1.1%
Fund 2010	(0.1)%	1.1%	3.3%	0.4%	(2.1)%	(1.3)%	5.1%	0.2%	5.3%	2.6%	(0.7)%	2.5%	17.3%
Fund 2009	(1.8)%	(7.1)%	6.1%	1.9%	6.8%	(0.5)%	8.5%	2.6%	0.5%	3.5%	(1.3)%	2.1%	22.1%

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee - performance related*	Minimum - standard: 1.25% Minimum - discounted: 0.75% Maximum: 3.75% Sharing Rate: 20.00%

* 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.

When applicable, Coronation shares in the fund performance above the performance fee hurdle. 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 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 36-month period, the discounted minimum fee applies. For further information regarding our fee structure please contact us or visit our website.

Total Expense Ratio (TER)²	3.23% per annum, which includes a performance fee of 1.89%
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¹Benchmark 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). ¹Performance as calculated by Coronation as at 31 March 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 December 2010, as well as the actual performance fee incurred over the 12 months to end December 2010. 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.

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.