

PORTFOLIO MANAGER COMMENTARY

The All Bond Index (ALBI) posted a positive return of 0.49% in March, marginally ahead of cash (0.47%) and a little behind Inflation Linked Bonds (ILB) which delivered a return of 0.58%. For the quarter, the ALBI was down by 1.6%, with the losses all coming in at the longer-dated area of the curve. By contrast, ILBs returned 1.2% and cash 1.4% for the period.

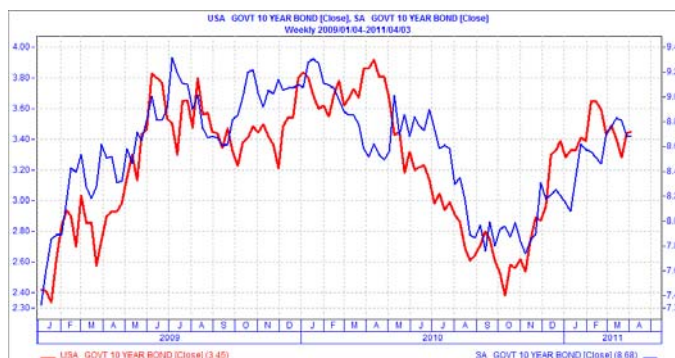
Bond and money market returns

Name	March 2011	3 months	6 months	12 months	Year-to-date
All Bond	0.49%	-1.6%	-0.8%	8.3%	-1.6%
GOVI	0.49%	-1.4%	-0.6%	8.2%	-1.4%
OTHI	0.50%	-2.4%	-2.0%	8.9%	-2.4%
Bonds 1-3 Years	0.55%	1.3%	3.1%	7.4%	1.3%
Bonds 3-7 Years	0.42%	0.1%	1.9%	8.5%	0.1%
Bonds 7-12 Years	0.60%	-1.4%	-0.6%	8.3%	-1.4%
Bonds 12+ Years	0.41%	-3.9%	-4.5%	7.4%	-3.9%
Cash	0.47%	1.4%	3.0%	6.5%	1.4%
Barclays/ABSA Govt Inflation-Linked Bonds	0.58%	1.2%	2.1%	12.3%	1.2%

Source: Deutsche Bank

The first three months of the year was marked by a series of market-shaking events, encompassing natural disasters, political crises and continued economic concerns in some areas. While fears about the sovereign debt crisis in the European periphery was never far from the headlines, floods in Australia in January, political upheaval in the Middle East and the earthquake/tsunami that hit Japan in March all took headlines and rattled markets. From a bond market perspective, there tended to be conflicting effects from these events, as on the one hand bonds benefitted from a safe haven bid, but on the other hand the impact on already-tight food and oil markets saw inflation fears intensify.

SA bonds continued to follow the lead of US Treasuries. These benefitted from a safe haven bid as well as large purchases by the Bank of Japan as it intervened in foreign exchange markets to try and prevent the yen from strengthening following the earthquake. Treasuries (and SA bonds) had weakened significantly late last year, but the flight-to-safety bid appears to have put a lid on weakness for now and Treasuries essentially moved largely sideways over the first quarter. SA bonds were a bit late to 'catch up' to the weakness of US bonds in the fourth quarter of 2010. So despite the largely sideways move over the past month, they were weaker for the quarter as a whole.



As mentioned previously, we have continued to see inflation pressure arising globally from higher food and fuel prices. These pressures are beginning to feed into SA inflation in a more concrete way. There are also concerns about more generalised inflation pressure. Globally, these include the fact that price rises are occurring against a background of generally accommodative policy; Chinese wages appear to be rising and Chinese export prices with them; and there are concerns that supply chain disruptions from the Japanese earthquake/tsunami could see electronics and related prices come under pressure as well. In South Africa, although the rand has remained remarkably strong (largely thanks to a weak dollar), there are still signs of import price pressure starting to come through and we continue to be concerned about the second-round effects of food and fuel prices given relatively high wage increases and still very accommodative local monetary policy. We continue to think that inflation will reach or breach the upper end of the 3% - 6% inflation target range later this year.

On the fiscal front, there was good news at the margin of a somewhat better-than-expected revenue number for 2010/11, leading to a provisional downward adjustment in the Budget deficit to 5.0% of GDP (from an estimate of 5.3% at the time of the February Budget). However, this is still a large number and bond supply into the market will remain relatively high as well.

We thus remain concerned about bond yields from both inflation and supply factors. History has shown that supply tends to impact more as it happens than to be discounted in advance. These domestic concerns are further reinforced by an expectation that US bond yields will continue to rise over the course of the year as growth and inflation expectations continue to rise, concerns over the US fiscus grow and as the eventual end of quantitative easing and the zero interest rate policy draw nearer. Pressure on US bond yields will likely see global yields rising, including SA.

With all of that in mind, we retain an underweight relative to benchmark modified duration in the portfolio and continue to hold inflation-linked bonds.

Portfolio manager

Mark le Roux

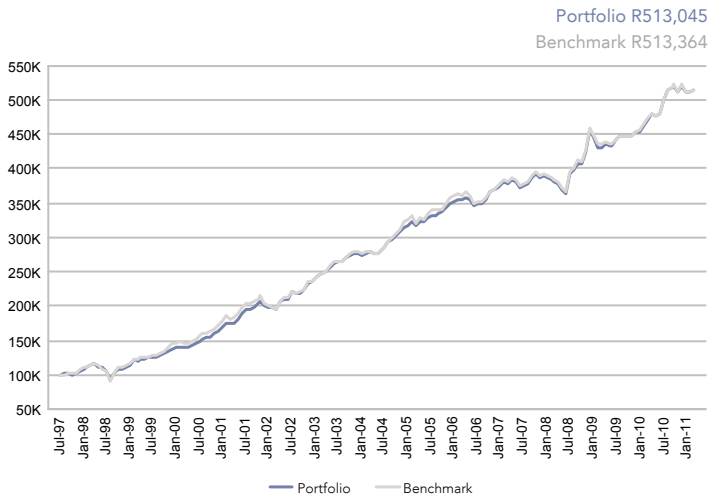
Fund category Domestic - Fixed Interest - Bond
Fund description Seeks to provide investors with a well diversified exposure to the SA bond market.
Launch date 01 August 1997
Portfolio manager/s Mark le Roux

Fund size R232.58 million
NAV 1347.72 cents
Benchmark BEASSA ALBI Index
Risk profile



PERFORMANCE AND RISK STATISTICS¹

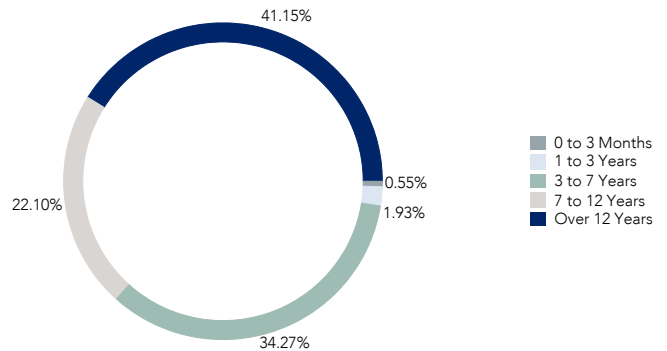
GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

MATURITY PROFILE

As at 31 Mar 2011



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	413.0%	413.4%	(0.3)%
Since Inception (annualised)	12.7%	12.7%	0.0%
Latest 10 years (annualised)	11.4%	10.9%	0.5%
Latest 5 years (annualised)	7.7%	7.2%	0.4%
Latest 3 years (annualised)	10.4%	10.1%	0.3%
Latest 1 year (annualised)	8.8%	8.3%	0.4%
Year to date	(1.5)%	(1.6)%	0.1%
2010	15.0%	15.0%	0.0%
2009	(0.6)%	(1.0)%	0.4%
2008	17.1%	17.0%	0.2%

MATURITY PROFILE DETAIL

Sector	31 Mar 2011
0 to 3 Months	0.6%
1 to 3 Years	1.9%
3 to 7 Years	34.3%
7 to 12 Years	22.1%
Over 12 Years	41.2%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	7.8%	9.1%
Sharpe Ratio	0.23	0.20
Maximum Gain	26.3%	26.4%
Maximum Drawdown	(19.0)%	(22.3)%
Positive Months	73.2%	72.6%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Interest
31 Mar 2011	01 Apr 2011	51.34	51.34
30 Sep 2010	01 Oct 2010	51.49	51.49
31 Mar 2010	01 Apr 2010	50.62	50.62
30 Sep 2009	01 Oct 2009	51.16	51.16

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	(1.95)%	0.01%	0.48%										(1.50)%
Fund 2010	0.01%	1.92%	2.17%	1.33%	(0.12)%	0.42%	4.00%	2.95%	0.79%	0.75%	(1.63)%	1.55%	15.00%
Fund 2009	(2.55)%	(2.85)%	(0.28)%	1.15%	(0.19)%	(0.13)%	1.48%	1.55%	0.19%	(0.25)%	0.13%	1.24%	(0.60)%

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee*	0.75%

* 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.

Total Expense Ratio (TER) ²	0.88% per annum
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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. 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.