

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 0.96% over the quarter, a slightly disappointing performance against the backdrop of the positive 1.1% return delivered by the FTSE/JSE All Share Index over the same period, while the All Bond Index returned 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. The fund's return over the last 12 months has been a strong 10.2% (after all fees) compared with an estimated average inflation number of 3.8% over the same period. This highlights a reasonable outperformance of its inflation plus 4% target. The fund's longer term numbers show consistency with both the three- and five-year returns being around 10.5% - 10.8% per year.

The fund's equity positioning was below expectations over the quarter, with our increasing exposure to construction-related stocks hurting short-term performance. We used the market's disillusionment with the construction sector's poor profit outlook to increase exposure further. The current portfolio exposure to this sector is almost at 5%. 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 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 both Aspen and Adcock. A combination of a jittery international investor base as well as results that were below expectations and followed by poor newsflow, has, in our opinion, created an attractive entry level into both these stocks. We also re-introduced platinum counters like Impala Platinum and Northam, with rand strength and concerns over global auto production after the Japanese disaster weighing on the metal price and the share prices. We also utilised the rand strength to add to our position in British American Tobacco, as well as the Capital Shopping Centres holding. We reduced our exposure to 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.

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 over 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 seen since the middle of March has 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 has reduced the currency impact somewhat, but we utilised these levels to further increase our offshore exposure to close to the maximum level of 25%

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. Our sensitivity analysis indicate that in the event of a 30% correction in the equity market, your fund should not lose more than 8.5% of its value, all other things being equal.

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, Henk Groenewald and Greg van Til

Fund size R 9.08 billion

NAV 2750.05 cents

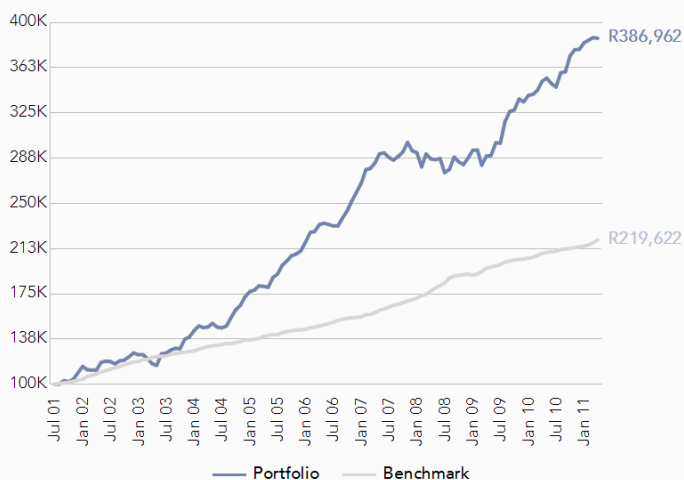
Benchmark CPI + 4% p.a.

Risk profile



PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2011	
Domestic Assets	75.7%	
■ Equities	36.8%	
Oil & Gas	1.4%	
Basic Materials	5.5%	
Industrials	8.5%	
Consumer Goods	3.8%	
Health Care	1.9%	
Consumer Services	3.6%	
Telecommunications	3.8%	
Financials	8.1%	
Technology	0.2%	
Derivatives	0.1%	
■ Preference Shares & Other Securities	4.0%	
■ Real Estate	2.9%	
■ Bonds	28.5%	
■ Cash	3.4%	
International Assets	24.3%	
■ Equities	13.7%	
■ Bonds	5.1%	
■ Cash	5.5%	

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	287.0%	120.0%	167.0%
Since Inception (annualised)	14.9%	10.3%	4.6%
Latest 5 years (annualised)	10.7%	10.9%	(0.2)%
Latest 3 years (annualised)	10.5%	10.3%	0.2%
Latest 1 year (annualised)	10.2%	8.0%	2.1%
Year to date	1.0%	3.3%	(2.3)%
2010	12.9%	7.5%	5.4%
2009	15.5%	10.3%	5.2%
2008	0.7%	14.3%	(13.6)%

TOP 10 HOLDINGS

As at 31 Mar 2011	% of Fund
Coronation Gbl Opp Eqty Fd Cl B	5.4%
Coronation Gbl Cap Plus Fd Cl B	3.3%
Standard Bank of SA Ltd	3.1%
Coronation Global Managed Fund	3.0%
Remgro Ltd	2.3%
MTN Group Ltd	2.1%
British American Tobacco Plc	1.8%
Spar Group Ltd	1.7%
Anglo American Plc	1.6%
Sasol Ltd	1.4%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	7.7%	1.7%
Downside Deviation	3.0%	N/A
Sharpe Ratio	0.70	N/A
Maximum Gain	29.5%	N/A
Maximum Drawdown	(8.3)%	N/A
Positive Months	69.2%	N/A

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2011	01 Apr 2011	20.47	8.00	12.47
31 Dec 2010	03 Jan 2011	16.42	5.91	10.51
30 Sep 2010	01 Oct 2010	19.84	6.70	13.14
30 Jun 2010	01 Jul 2010	17.51	4.72	12.79

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	0.6%	0.5%	(0.1)%										1.0%
Fund 2010	0.3%	1.0%	2.2%	0.8%	(1.3)%	(0.9)%	3.4%	0.3%	3.7%	1.4%	0.1%	1.5%	12.9%
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%

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee - performance related*	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.

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 12-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	2.21% per annum, which includes a performance fee of 0.77%
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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.