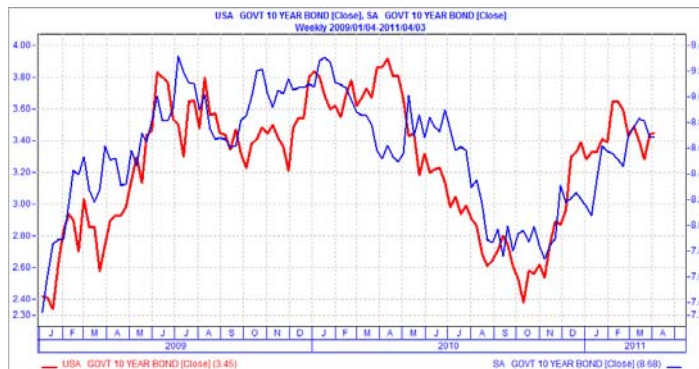


## PORTFOLIO MANAGER COMMENTARY

The fund had another pleasing quarter, returning 1.56% versus cash of 1.4% and the All Bond Index (ALBI) which posted a negative return of 1.6% as a result of weakness in the longer dated part of the yield curve. Inflation-linked bonds (ILB) returned 1.2%, driven by real return compression during the quarter.

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 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 North Africa throughout the quarter and the earthquake and tsunami that hit Japan in March all grabbed headlines and rattled markets. From a bond market perspective, there tended to be conflicting effects from these events: 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 to prevent the yen from strengthening as it repatriated its offshore investments. 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 weaker over 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. In South Africa, although the rand has remained remarkably strong (largely due 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 low local interest rates. We expect that inflation will reach or breach the upper end of the 3% - 6% inflation target range later this year.

On the fiscal front, a better-than-expected revenue number for 2010/11 has led 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. These domestic concerns are further deepened 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 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.

During the quarter the portfolio's preference share holding was pared back as we took profits at the better prices. Timing was good as the preference share market saw some weakness during March. Current yields on bank preference shares are between 6.7% - 7.3%, some 0.5% better than they were late last year.

We continue to hold onto the core corporate bond and inflation-linked bond holdings which were purchased at very attractive credit spreads and real yields respectively. Both these markets have seen significant yield compression, and contributed positively to the portfolio's return. The banks began the year with a good dose of new funding, collectively raising more than R7 billion in medium to longer dated senior bonds. We were participants in this issuance where pricing was attractive, choosing the 5 year fixed rate area of the yield curve. To further back our view that interest rates are attractive in this part of the curve, we entered into NCD purchases yielding approximately 9.10% for 5 years.

The FRA curve shifted markedly during the quarter. In January it was still pricing in one further potential interest rate cut, but during February the curve shifted upwards eliminating any potential for a cut. Instead, it began to factor in a higher probability that the first of the repo rate hikes would be in November. Money market rates at 5.2% - 6.3% out to a year are pricing only a 50bp interest rate hike which we believe to be insufficient given the risks of upward moving inflation.

The fund is in our view defensively positioned, with the emphasis being on yield generation and capital preservation should an unexpected sharp upward move in inflation transpire.

**Portfolio managers**

Mark le Roux and Tania Miglietta

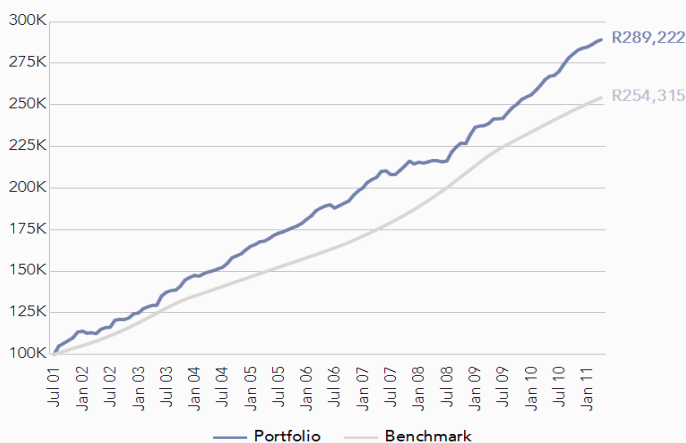
**Fund category** Domestic - Fixed Interest - Varied Specialist  
**Fund description** A widely diversified, actively managed fund that aims to provide a higher level of income than a pure income fund.  
**Launch date** 02 July 2001  
**Portfolio manager/s** Mark le Roux and Tania Miglietta

**Fund size** R 4.90 billion  
**NAV** 1347.94 cents  
**Benchmark** 110% of the STeFI 3-month Index  
**Risk profile**



## PERFORMANCE AND RISK STATISTICS<sup>1</sup>

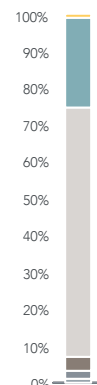
### GROWTH OF A R100,000 INVESTMENT



## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2011
<b>Domestic Assets</b>	<b>92.6%</b>
Cash	24.2%
Bonds	62.7%
Listed Property	3.6%
Preference Shares	2.1%
<b>International Assets</b>	<b>7.4%</b>



## PERFORMANCE AND MODIFIED DURATION

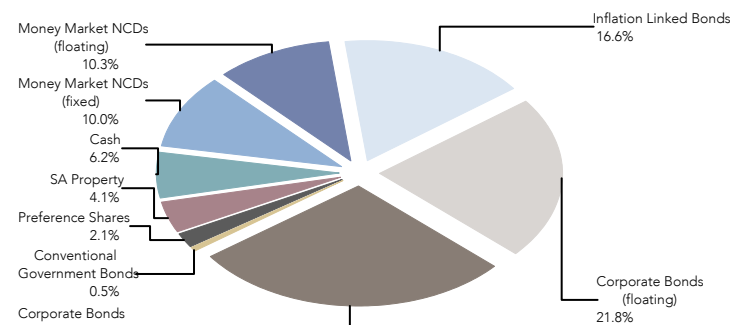
	Fund	Benchmark	Outperformance
Since Inception (unannualised)	189.2%	154.3%	34.9%
Since Inception (annualised)	11.5%	10.0%	1.5%
Latest 5 years (annualised)	9.0%	9.6%	(0.6)%
Latest 3 years (annualised)	10.1%	9.4%	0.7%
Latest 1 year (annualised)	9.1%	6.8%	2.3%
Year to date	1.6%	1.5%	0.1%
2010	11.2%	7.3%	4.0%
2009	8.2%	9.5%	(1.3)%
2008	9.7%	13.0%	(3.2)%

	Fund
Modified Duration	2.3
Modified Duration (ex Inflation Linkers)	1.6

## PORTFOLIO COMPOSITION

As at 31 Mar 2011



## RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	3.2%	0.7%
Sharpe Ratio	0.63	0.78
Maximum Gain	29.2%	154.3%
Maximum Drawdown	(1.3)	N/A
Positive Months	90.6%	100.0%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2011	01 Apr 2011	21.06	0.25	20.81
31 Dec 2010	03 Jan 2011	20.98	0.73	20.25
30 Sep 2010	01 Oct 2010	22.80	1.06	21.74
30 Jun 2010	01 Jul 2010	22.04	1.20	20.84

## MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	0.53%	0.59%	0.43%										1.60%
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)

<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.

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 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. <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 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.

<b>Total Expense Ratio (TER)<sup>2</sup></b>	0.93% per annum
----------------------------------------------	-----------------

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.