PORTFOLIO MANAGER COMMENTARY

The fund returned a solid 3.14% for the quarter.

September was a tough month for the domestic interest rate market. Aggressive foreign selling placed upward pressure on local bond yields, whilst the rand sold off sharply thus increasing volatility in the short term.

For the quarter the All Bond Index (ALBI) gained 2.8%, just short of the 3% which was achieved by inflation-linked bonds (ILBs). These asset classes both outperformed cash – returning 1.4% - over the period. Over the past 12 months bonds and cash have performed in line with each other at 5.9%, while ILBs have been the star performer producing a 9.2% return.

During the past quarter, foreign interest in buying South African bonds reached fever pitch levels particularly during August. This was driven mainly by declining yields on long dated bonds in the developed world. By the end of August, for the year to date, foreigners had bought close to R50 billion worth of SA bonds as the 'carry' pickup of between 5% to 6% was very attractive. However, this pickup did not come without risks. Foreigners were banking on a stable rand going forward, however the currency sold off by as much as 15% during September, effectively wiping out the carry pickup and more. This resulted in net losses for foreigners holding rand denominated government debt, with the response being a selling wave of bonds towards the end of the quarter totalling R14 billion.

The implications for inflation are concerning should the rand's weaker tone be sustained. We already expect that CPI will breach the SARB's target range of 3% - 6% by the fourth quarter of this year. The recent rand weakness will have a short-term impact, immediately resulting in higher fuel prices and with a lag in higher food prices. Most of the move will however feed through to next year's inflation data. Should the rand's current levels be sustained, and in the absence of any significant downward move in global commodity prices, the risk of a later and higher peak in CPI is very real. Should the rand/dollar exchange rate remain above R8.25, CPI is likely to rise to as high as 7%, with little prospect of returning to within target next year.

Such an outlook is exacerbated by stubborn cost-push pressures from, for example, maize and wheat prices. Maize prices are up by almost 80% year on year, which will have an important impact on local CPI both directly and indirectly via the cost of animal feed. This implies that we will see high food inflation at least into early next year with the recent rand moves potentially prolonging this.

On the fiscal front, the headwinds are also starting to gather momentum. Revenue collection appears to be lagging and the deficit is likely to be wider than budgeted. All eyes will be on the Medium Term Budget Policy Statement towards the end of October for an update on the country's latest fiscal situation. Implications for the bond market are that supply/issuance of government bonds could increase to cover this shortfall.

Heightened interest rate volatility this quarter provided us with an opportunity to capture some of the best of the yield curve's fixed and floating rate offerings. Further to this we participated in the Standard Bank 7-year bond, thus locking in a spread above JIBAR of 1.50% for this term. Credit spreads have in recent months tightened significantly as investors desperately seek yield in a very low interest rate market. Conversely, offshore credit spreads have widened significantly during this time given European sovereign and bank worries, some of which are starting to filter through to SA however in a small way.

After a few months of disappointing performance, preference shares delivered a better return of around 1.87% in September. Preference shares offer investors a much better yield than cash – currently the clean dividend yield on preference shares ranges between 6.7% – 7.4%.

Inflation-linked bonds have performed well during the year, benefitting from real yield compression and rising inflation. However, we do still expect that there is more to come in the form of higher inflation which will add to the total return of these instruments over time. The fund has remained fully invested during the quarter as real returns from cash and bonds are likely to be relatively poor over the next couple of years and this asset class provides a real return upfront – a rare prospect, we believe, going forward.

The SA listed property index achieved a decent return for the quarter of 2.19% despite finding itself in the midst of interest rate and equity volatility. We took advantage of price movements to add to the property holdings at favourable prices.

The offshore component of the fund has become an important focus given the need to diversify away from the overvalued rand. We have identified growing opportunities offshore in familiar names (Old Mutual plc, Investec Bank plc, Anglo American plc) at foreign currency referenced yields which are substantially better than what we are being paid domestically.

The portfolio continues to be managed with the view of providing investors with a return which exceeds cash over time, without taking undue risk to achieve this. Opportunities in this low interest rate environment are less forthcoming; however, we continue to seek out the best relative value across the fixed interest space for our investors.

Portfolio managers
Mark le Roux and Tania Miglietta

CORONATION STRATEGIC INCOME

CLASS A as at 30 September 2011

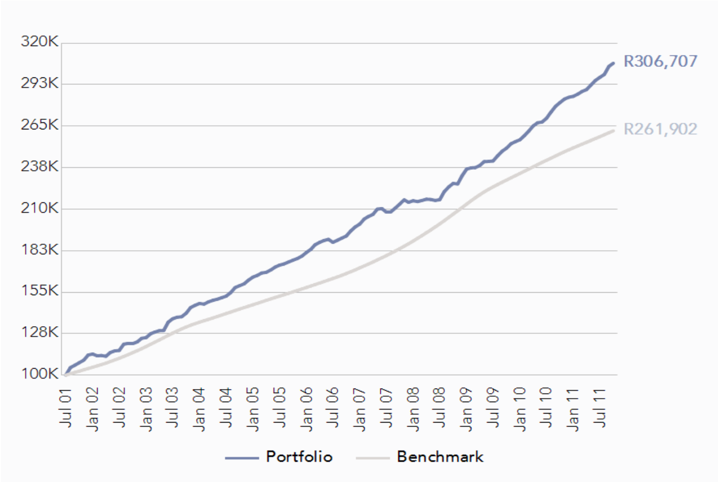
CORONATION FUND MANAGERS

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 6.60 billion
NAV	1384.19 cents
Benchmark	110% of the STeFI 3-month Index
Risk profile	Conservative 2/10

PERFORMANCE AND RISK STATISTICS[1]

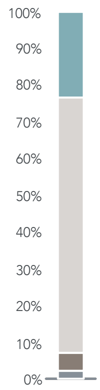
GROWTH OF A R100,000 INVESTMENT



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Sep 2011
Domestic Assets	91.6%
Cash	22.8%
Bonds	62.4%
Listed Property	4.0%
Preference Shares	2.3%
International Assets	8.4%
Cash	0.0%
Bonds	7.0%
Property	1.4%



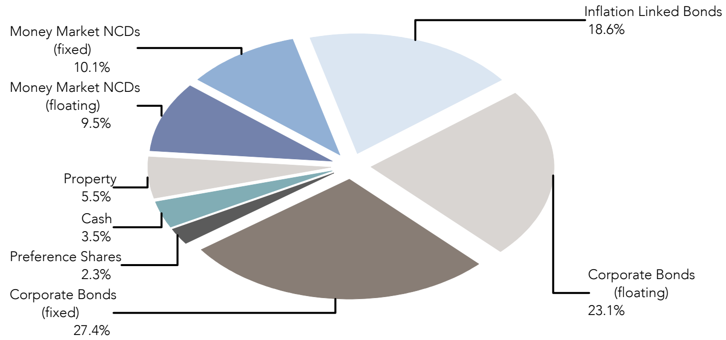
PERFORMANCE AND MODIFIED DURATION

	Fund	Benchmark	Outperformance
Since Launch (unannualised)	206.7%	161.9%	44.8%
Since Launch (annualised)	11.6%	9.8%	1.7%
Latest 10 years (annualised)	11.0%	9.8%	1.2%
Latest 5 years (annualised)	9.8%	9.4%	0.4%
Latest 3 years (annualised)	10.5%	8.2%	2.3%
Latest 1 year (annualised)	9.3%	6.2%	3.1%
Year to date	7.7%	4.5%	3.2%
2010	11.2%	7.3%	4.0%
2009	8.2%	9.5%	(1.3)%
2008	9.7%	13.0%	(3.2)%

	Fund
Modified Duration	2.4
Modified Duration (ex Inflation Linkers)	1.5

PORTFOLIO COMPOSITION

As at 30 Sep 2011



RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	3.1%	0.7%
Sharpe Ratio	0.72	0.74
Maximum Gain	35.3%	161.9%
Maximum Drawdown	(1.3)%	N/A
Positive Months	91.1%	100.0%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
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
31 Dec 2010	03 Jan 2011	20.98	0.73	20.25

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%				7.70%
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.

Total Expense Ratio (TER)[2]	0.97% 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.