CORONATION MARKET PLUS

CLASS A as at 31 March 2010

CORONATION FUND MANAGERS

PORTFOLIO MANAGER COMMENTARY

The past quarter was another strong period for markets, with equities in particular performing well. Credit also did well as spreads came in and domestic bond returns started to improve. The fund performed well, generating a return of 4.9% compared to its benchmark return of 4%. It is also pleasing to see that it beat the All Share Index return of 4.5% as well despite being less than 70% invested in equities. A number of strategies paid off in the quarter but I would highlight the return generated from our preference shares which I have highlighted many times as a glaring opportunity in our investment universe.

We have long held a significant portion of the fund's assets in preference shares. These became an overlooked asset class as investors became skittish about changes to STC (despite these changes being accommodated in the articles to the preference share issues) and short-term capital losses as the market sold off into a rising interest rate environment. Investors into the listed preference share market should never look at what the market price is but rather at the after tax yield these shares generate. For a number of years preference shares have offered a return which on a pre tax basis has been better than that of cash. Grossed up for the tax effect the yield has been almost double that of cash. If one had patience and the ability to correctly assess the underlying credit risk there was an opportunity for huge gains to be made, for relatively low risk. A lot of this return was generated in the last quarter as our preference share investments returned 7.6%. With a post tax yield greater than 7% they remain a compelling investment.

The equity portion of the fund performed well, with a number of our long-term investments delivering good performances. This was a mixture of cyclicals (especially the banking stocks) as well as some of the more defensive names like AVI, TigerBrands and Shoprite. We have been consistently reducing our overall SA equity exposure as the markets have continued to appreciate. This has been done either outright by selling or using the derivative market to buy put protection at certain levels. While not expensive we do believe that the local market is fairly valued.

Through this period of rand strength we have continued to maintain a full allocation to offshore assets. The majority of this exposure is held in equities, although we have a few smaller positions in good name credits offering relatively high yields. We believe that longer term this position will deliver superior returns to the domestic market.

In the fixed interest space we have built up a substantial portfolio of domestic credits, but focused mainly on inflation-linked bonds and floating rate instruments. Post the most recent rate cut we believe the greater risk now lies in higher inflation and ultimately a return to a rising rate environment. While this is not likely in the short term, one needs to be positioned for this eventuality well in advance.

Overall the fund remains well positioned for its objective of outperforming its benchmark and inflation over the longer term.

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