

Domestic listed property performed very strongly over the quarter, with the index returning 11.7%. Property trust shares returned 11.4%, and property loan stocks 12.5%. This performance was driven by a stronger bond market and continued good distribution growth from the listed companies. The spread between property yields and bond yields ended the quarter at very much the same level where it began. The All Bond Index returned 4.7% over the quarter, and cash 1.9%.

The Coronation Property Equity Fund returned 9% over the quarter, bringing the return for the year to date to 15.4%, and past year to 51.7%.

The holdings added during the first quarter performed well and contributed positively to the fund.

During the past quarter we did not change overall exposure to property significantly, but continued recycling the portfolio as opportunities arose. Holdings in Growthpoint, Martprop and Capital were reduced, while we added to positions in Grayprop, Pangbourne and ApexHi A.

We introduced Makalani, a mezzanine finance provider as an alternative to cash, where returns below 7% remain unattractive. This investment is expected to yield in excess of 11% going forward. This holding replaces a holding in Investec preference shares, which we have sold as we believe they have reached our full value.

The fund's exposure of around 4% to inflation-linked bonds continued to perform well as an alternative to cash, with this asset class returning 7.4% over the past quarter.

Liberty International produced a good return over the quarter, and we have tactically reduced this holding from 10% to 7% on the back of a strong run in price. While this counter has underperformed domestic listed property in the year to date, we continue to believe that the diversification benefits added to the fund are huge, and the return in absolute terms has been very strong.

The current exposure in the fund to domestic listed property is around 78%. Given the strong run in share prices over the past quarter, we believe that some of the counters have reached and even exceeded our fair values. We expect that strong distribution growth will continue, but is now factored into many of the share prices. While we are forecasting that current excellent growth in property distribution will continue for the next three years, we do think that it would be incorrect to extrapolate this growth rate into perpetuity. We are currently in a very positive earnings cycle buoyed by strong consumer spending and economic fundamentals. Long-term growth expectations for valuation purposes need to reflect a normal, through the cycle growth rate after the current positive cycle, as opposed to an extrapolation of the current high growth rates. Coupled with local bond rates that we believe have again reached very expensive levels (largely on the back of declining US bond rates), we believe that the risks in some property shares have increased.

Given this fact we are likely to further utilise the flexibility in the fund mandate to reduce exposure to these counters and hence overall fund exposure. While returns on cash are currently low, we would rather sit on cash on a temporary basis than own overvalued assets that put fund capital at risk. We will also keep looking at ways to maximise returns on cash holdings in the fund.

Given the flexibility offered by the fund's mandate, we believe we are in a good position to protect fund capital, while participating in the upside in the selected property shares which still offer reasonable value.

**Edwin Schultz**  
Portfolio Manager

# CORONATION PROPERTY EQUITY FUND

as at 30 June 2005



Fund category	Domestic Asset Allocation Flexible Property
Launch date	20 November 2000
Portfolio manager	Edwin Schultz
Fund size	R1.09 billion
NAV	1864.17 cents
Annual management fee	1.25% (ex VAT)

Benchmark	Flexible Property Funds Mean
Fund description	Invests in quality listed property assets to produce high income yields and long-term capital growth.

## ASSET AND SECTOR ALLOCATION

Sector	30 Jun 2005	31 Mar 2005
<b>Domestic Assets</b>	<b>100.00%</b>	<b>100.00%</b>
Equity	2.55%	2.14%
Financials	2.27%	0.00%
Specialist Securities	0.28%	2.14%
Listed Property	81.76%	87.64%
Fixed Interest	4.00%	4.28%
Cash	11.69%	5.94%
International Assets	0.00%	0.00%

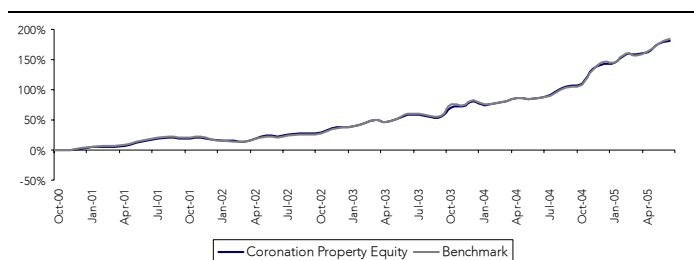
## PERFORMANCE & RISK STATISTICS

	Fund	Benchmark
Year to date	15.44%	15.10%
Latest 12 months	51.70%	53.04%
Latest 36 months (annualised)	31.95%	32.76%
Since inception (annualised)	24.83%	24.99%
Annual deviation since inception	9.50%	10.58%
Sharpe ratio	1.57	1.44
Maximum gain	40.44%	33.80%
Maximum drawdown	-5.57%	-8.21%
Positive months	75.00%	69.64%

## TOP 10 SHARE HOLDINGS

	% of Fund
Growthpoint Properties Ltd	17.02%
Allan Gray Property Trust	11.88%
Hyprop Investments Ltd	6.96%
Liberty International plc	6.87%
ApexHi "A"	6.55%
Syfrets and CU Property Fund	5.41%
Acucap Properties Ltd	5.04%
Pangbourne Properties Ltd	5.03%
Martprop Property Fund	4.92%
Resilient Property Income Fund Ltd	4.87%
<b>Total</b>	<b>74.55%</b>

## CUMULATIVE PERFORMANCE SINCE INCEPTION



## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/06/2005	01/07/2005	28.42	2.04	26.38
31/03/2005	01/04/2005	31.84	0.01	31.83
31/12/2004	01/01/2005	23.51	0.06	23.45
30/09/2004	01/10/2004	36.89	1.20	35.69

## ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2004	35.27%	35.00%	0.27%
2003	30.11%	33.39%	-3.29%
2002	17.91%	16.71%	1.20%
2001	14.99%	14.02%	0.97%
2000	2.20%	2.66%	-0.46%

## MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Fund 2005	0.68%	5.25%	-0.06%	1.45%	5.22%	2.12%						
B'mark 2005	-0.57%	6.08%	-1.17%	2.84%	4.48%	2.77%						
Fund 2004	-3.64%	2.47%	1.24%	2.88%	-0.76%	0.86%	3.34%	4.81%	2.91%	1.45%	11.49%	4.23%
B'mark 2004	-4.14%	1.66%	1.69%	2.82%	-0.97%	0.63%	2.39%	5.04%	2.91%	1.82%	11.65%	5.67%