

Domestic listed property continued to perform very strongly over the quarter, with the index returning 14.5%. With bond rates largely flat over the quarter, this performance was driven by a further tightening of the yield spread between listed property and bonds, as well as continued strong distribution growth from the listed companies. The All Bond Index returned 1.1% over the quarter, and cash 1.8%.

The Coronation Property Equity Fund returned 10.3% over the quarter, bringing the return for the year to date to 27.3%, and for the past year to 50.1%.

During the quarter we significantly reduced our holding in Growthpoint, which has done very well for the fund, but is no longer as attractively priced at current levels. We also sold the fund position in Capital, and reduced holdings in Pangbourne and Martprop. Significant purchases included increasing our holdings in Hyprop, Sycom, ApexHi A and Liberty International. Our decision to decrease the holding in Liberty International during the June quarter proved correct, but after the decline in price we are happy to run at maximum exposure again. Liberty International has further increased its portfolio of large UK regional centres with the acquisition of stakes in the Manchester Arndale and Cribbs Causeway in Bristol from Prudential. The company remains well positioned for distribution growth with a large percentage of retail leases coming up for rent reviews in the next two years. In addition, an attractive development pipeline (including extensions to existing centres and some new developments) adds a new dimension of growth to the company.

The current exposure in the fund to domestic listed property is around 73%. We have sold the inflation-linked bonds in the fund, which have done very well relative to cash, but are now trading at very low real yields.

The fund has underperformed the peer group over the past quarter, and I think it is important to put this underperformance into context with regards to the reasons for underperformance, and the current views and fund positioning.

We mentioned in the June quarterly report that we are getting concerned about the valuation levels of some of the listed counters, and that we will reduce exposure to counters that we believe are overvalued. This situation is still very much the case (even more so at current valuation levels), and we currently have 27% of the fund invested outside the domestic listed property universe.

These investments would include Liberty International, cash and other fixed income investments. The fund has a flexible mandate, allowing for up to 50% being invested outside the domestic listed property universe, and we are currently utilising this flexibility in line with our investment view. The performance of the domestic counters has remained very strong, particularly in July and August and, as a result, the fund performance has lagged due to the 27% not invested in the domestic listed counters. While the selection of individual counters within the fund has remained good, it has not been sufficient to offset the impact of the cash dilution on returns. We remain convinced that the fund positioning will be proved correct in time, and are thus sticking to our guns. Our main reasons for having 27% invested outside the domestic property universe are:

- Overvalued bond rates
- Premiums to NAV being too high
- Current high growth rates in distributions being extrapolated indefinitely
- The yield differential between different quality properties being too low
- The yield differential between companies with different long-term growth prospects being too low

Ultimately we believe that protecting capital is protecting income, and in the long run a capital protection philosophy protects income and maximises total return. Maximising yield in the short term may lead to better results in the short term, but once again we do not believe this is a prudent approach. While the return on cash is currently unattractive, it is playing an important role as a buffer in the portfolio and, as mentioned, is preferable to an overvalued security trading at a higher yield but prone to capital depreciation. The current fund positioning is not just for the sake of being conservative, but a deliberate use of the flexibility of mandate in the pursuit of capital protection and hence better returns in the longer run.

Edwin Schultz
Portfolio Manager

Fund category	Domestic Asset Allocation Flexible Property
Launch date	20 November 2000
Portfolio manager	Edwin Schultz
Fund size	R1.1 billion
NAV	2024.22 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 Sep 2005	30 Jun 2005
Domestic Assets	100.00%	100.00%
Equity	2.61%	2.55%
Financials	2.26%	2.27%
Specialist Securities	0.35%	0.28%
Listed Property	81.97%	81.76%
Fixed Interest	0.00%	4.00%
Cash	15.42%	11.69%
International Assets	0.00%	0.00%

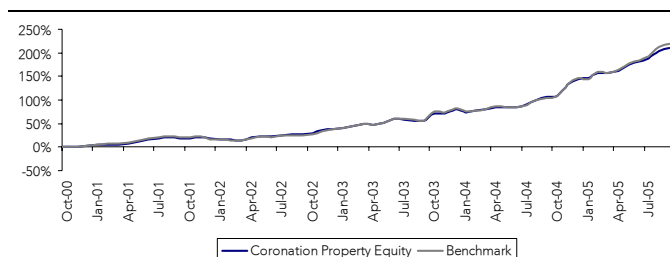
PERFORMANCE & RISK STATISTICS

	Fund	Benchmark
Latest 12 months	50.07%	55.72%
Latest 36 months (annualised)	34.67%	36.69%
Since inception (annualised)	26.25%	25.51%
Annual deviation since inception	9.36%	10.50%
Sharpe ratio	1.72	1.62
Maximum gain	40.44%	33.80%
Maximum drawdown	-5.57%	-8.21%
Positive months	76.27%	71.19%

TOP 10 SHARE HOLDINGS

As at 30 September 2005	% of Fund
Hyprop Investments Ltd	12.90%
Allan Gray Property Trust Ltd	12.50%
Liberty International Plc	9.38%
Syfrets and CU Property Fund	9.13%
Growthpoint Properties Ltd	9.06%
Apexhi "A"	8.70%
Accucap Properties Ltd	5.10%
Resilient Property Income Fund	4.95%
Martprop Property Fund	3.45%
Makalani Holdings Ltd	2.26%
Total	77.43%

CUMULATIVE PERFORMANCE SINCE INCEPTION



INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/09/2005	01/10/2005	11.93	1.36	10.57
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

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%

PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Fund 2005	0.68%	5.25%	-0.06%	1.45%	5.22%	2.12%	2.66%	4.88%	2.41%				27.29%
B'mark 2005	-0.57%	6.08%	-1.17%	2.84%	4.48%	2.77%	3.39%	6.14%	2.61%				29.62%
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%	35.27%
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%	35.00%