CORONATION PREFERENCE SHARE

Class A

as at 31 December 2007

Fund category	Domestic Fixed Interest Varied Specialist	Portfolio manager/s	Tania Miglietta and Godwill Chahwahwa
Fund description	Invests in a range of quality listed preference shares with the aim of maximising yield in the form of dividend income.	Fund size	R203 million
		NAV	94.29 cents
		Benchmark/performance fee hurdle	Alexander Forbes 3-month (STeFI) Index, adjusted for maximum individual tax rate
Launch date	2 October 2006		

PORTFOLIO DETAIL

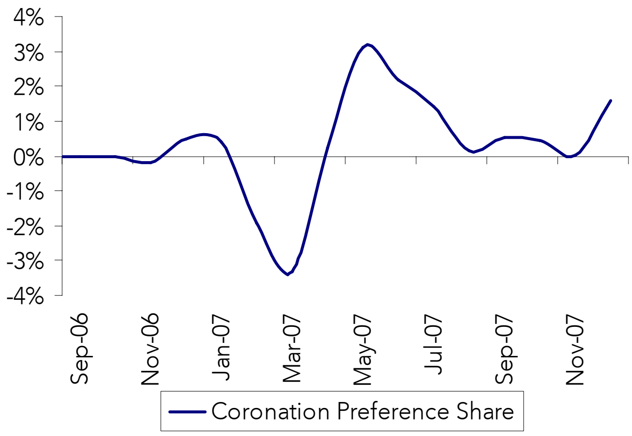
ASSET ALLOCATION AND EXPECTED EFFECTIVE YIELD

As at 31 December 2007	Weight	Annualised Yield	Contributions to overall yield
Bank issued preference shares	61.86%	11.32%	7.00%
Corporate issued preference shares	32.01%	12.52%	4.01%
Convertible preference shares	1.76%	5.75%	0.10%
Ordinary equity	0.00%	0.00%	0.00%
Cash (pre-tax)	4.37%	10.60%	0.46%
Gross yield			11.58%
Less: Total expense ratio[2]			(0.73%)
Less: Trading costs[2]			(0.58%)
Net expected effective yield			**10.27%**

This yield estimate is provided to give an indication of the achievable yield for an investment made at the reporting date. Actual experience may differ, based on changes in market values, official interest rates and changes in costs actually experienced during the investment period.

PERFORMANCE AND RISK STATISTICS[1]

CUMULATIVE PERFORMANCE SINCE INCEPTION



TOP 10 HOLDINGS

As at 31 December 2007

Preference Share	Annual yield	Credit rating
Absa Bank Ltd	11.0%	AAA
Standard Bank Group	11.1%	AA+
FirstRand Bank Ltd	11.1%	AA
Nedbank Ltd	11.3%	AA-
Investec Ltd	11.6%	A+
African Bank	11.6%	A+
Investec Non Red Cum Ltd	11.5%	A+
Network Healthcare Ltd	12.7%	A
PSG Group Ltd	13.1%	A-
Grindrod Ltd	11.5%	BBB+

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	1.11%	5.64%	-4.53%
Since inception (annualised)	1.28%	5.52%	-4.24%
2006 (October – December)	0.49%	1.22%	-0.74%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/12/2007	01/01/2008	1.49	1.42	0.07
30/09/2007	01/10/2007	2.46	2.40	0.06
30/06/2007	01/07/2007	1.44	1.34	0.10
31/03/2007	01/04/2007	2.04	1.96	0.08

RISK STATISTICS SINCE INCEPTION

	Fund	CPIX
Annualised deviation	5.47%	0.22%
Sharpe ratio	-1.57	-3.07
Maximum gain	6.62%	11.64%
Maximum drawdown	-3.77%	0.00%
Positive months	33.33%	100.00%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2007	-0.07%	-2.32%	-1.41%	3.66%	2.86%	-0.91%	-0.75%	-1.23%	0.37%	-0.08%	-0.40%	1.56%
Fund 2006										-0.02%	-0.17%	0.68%

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee	0.60%
Total Expense Ratio (TER)[1]	0.73% per annum

CLIENT SERVICE: 0800 22 11 77 FAX: (021) 680 2500 EMAIL: unittrusts@coronation.co.za WEBSITE: www.coronation.com

[1]Performance is quoted from Morningstar as at 31 December 2007 for a lump sum investment using Class A NAV prices with income distributions reinvested. [2]The TER is calculated as an annualized percentage of the average NAV of the portfolio incurred as charges, levies and fees in the management of the portfolio for the period 1 January 2007 to 30 September 2007. 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.

CORONATION PREFERENCE SHARE

Class A

as at 31 December 2007

CORONATION FUND MANAGERS

PORTFOLIO MANAGER COMMENTS

After a weaker quarterly performance to September for preference shares, where the fund returned -1.60% versus -2.64% for the preference share index, the market rebounded in the fourth quarter. The fund returned 1.08% for the last quarter compared to 1.50% from the benchmark 3 month Stefi (after 40% tax) and 1.66% from the preference share index. Active management has enhanced longer term returns in the fund when compared to simply purchasing and holding a basket of preference shares as represented by the index. This is shown by the fact that over the year to December 2007, the fund outperformed returning 1.13% versus 0.15% from the preference share index.

While the yield on the fund remains an attractive 11.35%, the capital erosion experienced in the preference share market is of concern. There have been numerous reasons put forward for the price weakness around preference shares, some of which include the loss of buyer appetite on account of uncertainties around the impact of STC changes. We remain confident that the fundamentals for preference shares are sound and the current overwhelming negative sentiment around these instruments offers the contrarian investor a great opportunity to buy at very attractive prices.

Is there more downside to capital values in preference shares? It is very difficult to call the turning point in this market save to say that given where prices for preference shares are currently, the yields have become very attractive. The uncertainty around the STC impact on preference shares has been made reasonably clear when all the issuers announced that they are committed to gross up the yield to mitigate any yield erosion arising from these changes. We therefore do not see any fundamental reason for continued price weakness.

Preference share yields have increased as the prime rate increased during the year, up 2% in total. Currently bank preference shares yield between 11.02% and 11.68% while corporate preference shares yield between 11.52% and 13.38%. This represents very attractive after tax yields when compared to a return expectation from cash of 11.9% before tax.

The fund pays quarterly distributions which comprise all the dividends and interest actually received during that quarter. This differs from fixed income funds where the interest earned is accrued and paid out even if still due to the fund, thereby smoothing out the distribution profile. This means quarters ending March and September will tend to have higher distributions because the big four banks, our larger holdings, all pay their dividends during these quarters, while the June and December quarters receive dividends from the smaller holdings in the fund.

In the fund we continued to look for opportunities to take advantage of yield enhancing investments without increasing risk in the fund. In the past quarter, these opportunities were limited and did not provide the low levels of risk that we require, hence we did not participate. Going forward we will continue to look for more opportunities, but we are currently fully invested in preference shares to allow the fund to benefit from any improvement in prices.

There was very limited supply of new preference share issues in the period. Absa Bank stopped their monthly issuance of the existing Absa Bank preference share due to poor demand. With fundamentals intact and as buyer confidence returns to the preference share market, the demand and supply fundamentals and hence prices for preference shares should improve in the long term. Currently one can earn what we believe to be a very attractive after tax yield in the fund.

**Deutsche Bank preference share index calculated for Coronation Fund Managers*