

CORONATION PREFERENCE SHARE

Class A
as at 30 September 2007

Fund category
Fund description

Domestic Fixed Interest Varied Specialist
Invests in a range of quality listed preference shares with the aim of maximising yield in the form of dividend income.

Launch date

2 October 2006

Portfolio manager/s

Tania Miglietta and Godwill Chahwahwa

Fund size

R200.1 million

NAV

95.75 cents

Benchmark/performance fee hurdle

Alexander Forbes 3-month (STeFI) Index, adjusted for maximum individual tax rate

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

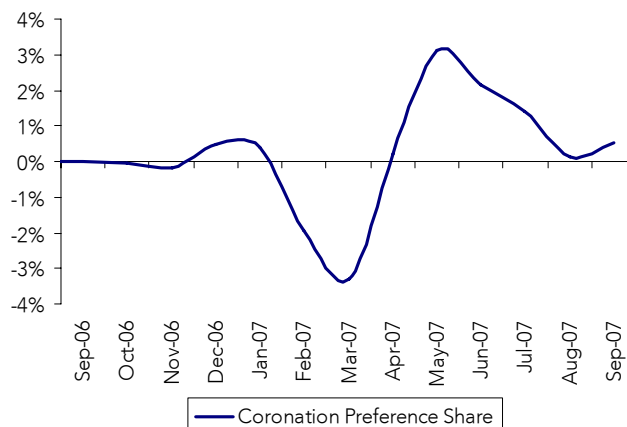
| Sector | 30 Sep 2007 |
|------------------------------------|---------------|
| Domestic Assets | 100.0% |
| Bank issued preference shares | 61.1% |
| Convertible preference shares | 2.1% |
| Corporate issued preference shares | 33.3% |
| Ordinary equity | 0.0% |
| Cash | 3.5% |

TOP 10 HOLDINGS

| Preference Share | Annual yield | Credit rating |
|--------------------------|--------------|---------------|
| Absa Bank Ltd | 10.1% | AAA |
| Standard Bank Group | 10.0% | AA+ |
| FirstRand Bank Ltd | 10.2% | AA |
| Nedbank Ltd | 10.2% | AA- |
| African Bank | 10.5% | A+ |
| Investec Ltd | 10.3% | A+ |
| Investec Non Red Cum Ltd | 10.2% | A+ |
| Network Healthcare Ltd | 11.0% | A |
| PSG Ltd | 11.0% | A- |
| Grindrod Ltd | 11.4% | BBB+ |

PERFORMANCE AND RISK STATISTICS¹

CUMULATIVE PERFORMANCE SINCE INCEPTION



PERFORMANCE FOR VARIOUS PERIODS

| | Fund | Benchmark | Out-performance |
|------------------------------|-------|-----------|-----------------|
| Year to date | 0.04% | 4.01% | -3.97% |
| Since inception (annualised) | 0.52% | 5.31% | -4.79% |
| 2006 (October – December) | 0.49% | 1.22% | -0.74% |

INCOME DISTRIBUTIONS

| Declaration | Payment | Amount | Dividend | Interest |
|-------------|------------|--------|----------|----------|
| 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 |
| 31/12/2006 | 01/01/2007 | 1.23 | 0.89 | 0.34 |

RISK STATISTICS SINCE INCEPTION

| | Fund | CPIX |
|----------------------|--------|---------|
| Annualised deviation | 5.95% | 0.15% |
| Sharpe ratio | -1.52 | -5.06 |
| Maximum gain | 6.62% | 8.85% |
| 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% | | | |
| 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 |

PORTFOLIO MANAGER COMMENTS

The fund showed a return of -1.6% for the quarter, versus the -2.6% of the preference share index. Active management of the portfolio continues to enhance returns when compared to simply purchasing and holding a basket of preference shares as represented by the index. The benchmark 3 month STeFI (after 40% tax) returned a positive 1.4% for the quarter.

Preference shares appear to have shaken off some of the negative sentiment around the impact of regulatory changes relating to Secondary Tax on Companies (STC). Most issuers of preference shares have assured the market that there will not be any negative consequences of this regulation to investors. We believe this should continue to increase confidence in preference shares as an attractive long-term investment for individuals seeking enhanced post-tax returns.

The price weakness during the period was driven in part by the expectation for a continuation in rising interest rates after poor inflation figures were published in July followed by another repo rate hike of 50 basis points on 16 August. When the expectation is for interest rates to rise, the preference share prices fall to accommodate this expectation until such time that the SA Reserve Bank raises the lending rate. We believe that once the current interest rate hiking cycle tops out, and lower interest rates are expected, we can look forward to improved capital returns on preference shares. The price volatility of the last year does serve to highlight the importance of investing and holding preference shares for the long term.

The yield of the fund has increased significantly since launch, as the prime rate to which preference share dividends are linked has risen by 3%. Currently bank preference shares yield between 10.0% and 10.5% while corporate preference shares yield around 11% to 11.6%. These are very attractive after tax yields.

In this period we utilised other high yielding investment opportunities to enhance the total return of the fund without introducing additional risk. The Primedia transaction provided a good arbitrage opportunity, enabling us to buffer the fund's capital against declines in the preference share market. Going forward we will continue to look for similar opportunities and move towards being fully invested in preference shares accumulating these at low prevailing prices.

Absa Bank has been actively involved with its ongoing issuance programme of up to R300 million per month, but take up has been poor. No other issuers came to the market during the quarter.

The fund currently yields an attractive 10.20% after tax.

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