

CORONATION PREFERENCE SHARE

Class A

as at 31 December 2008

Following a very strong third quarter, preference shares showed modest returns for the three months to December, returning 0.26% for the index. Our fund returned -1.26% for the quarter, impacted negatively by corporate preference shares, which significantly lagged bank preference shares during this period. We believe investors have started appreciating the attractiveness of the valuations in preference shares in an environment where there is high uncertainty in equity markets and falling interest rates.

The fund distributes all dividends actually received and during this quarter we received dividends from our holdings in Investec, African Bank, Steinhoff and Netcare. These holdings combined only account for 20% of the fund and hence the size of the distribution for the quarter is much smaller than the previous quarter. Within the distribution, there is always a small component of interest on the cash balances in the fund but we endeavour to keep this to a minimum.

The launch in July of the JSE preference share index has allowed us to increase our holdings in bank preference shares. We believe that preference shares issued by the banks are lower risk as a consequence of the regulatory oversight on the banks. Preference shares are an important funding source for banks and we believe banks would only default under extreme stress conditions as such default would impact the market's confidence in the banks' financial strength. Corporate preference shares do have additional features that improve their attractiveness such as being cumulative. We, however, believe that one is currently not being adequately compensated for the risks inherent in many of the underlying companies in the yield that they offer. We are therefore comfortable with a higher weighting of banking preference shares at 82% of the fund versus corporate preference shares at 15% of the fund.

Preference shares have shown material price volatility in the short term and we believe this is an asset class appropriate for the long-term investor looking for an attractive after tax yield on their funds. Currently, bank preference shares offer yields between 11.2% and 14.2%, while one can get between 14.5% and 16.3% from corporate preference shares. Owning an actively managed portfolio of these instruments reduces company specific risks as well as affording the investor the opportunity to participate in the upside offered by relative mispricing between preference shares that occurs over time. Our fund currently offers an estimated forward yield of 12.2% (before fees).

Tania Miglietta and Godwill Chahwahwa
Portfolio Managers

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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

R389.2 million

NAV

86.91 cents

Benchmark/performance fee hurdle

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

PORTFOLIO DETAIL

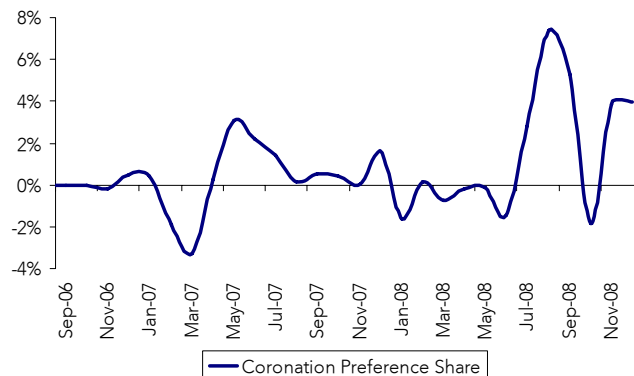
ASSET ALLOCATION AND EXPECTED EFFECTIVE YIELD

As at 31 December 2008	Weight	Annualised Yield	Contributions to overall yield
Bank issued preference shares	79.33%	11.81%	9.37%
Corporate issued preference shares	14.09%	14.90%	2.10%
Convertible preference shares	0.69%	6.79%	0.05%
Ordinary equity	0.00%	0.00%	0.00%
Cash (pre-tax)	5.89%	11.80%	0.70%
Gross yield			12.21%
Less: Total expense ratio ²			(0.72%)
Less: Trading costs ²			(0.25%)
Net expected effective yield			11.24%

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 STATISTICS¹

CUMULATIVE PERFORMANCE SINCE INCEPTION



TOP 10 HOLDINGS

As at 31 December 2008	Preference Share	Annual yield	Credit rating
	Nedbank Non Cum Preference Shares	11.88%	AA
	Standard Bank Cum Preference Shares	11.22%	AA+
	FirstRand Ltd Preference Shares	11.44%	AA-
	Absa Preference Shares	11.18%	AAA
	FirstRand Securities Preference Shares	11.44%	AA-
	Investec Ltd Preference Shares	14.25%	AA-
	Investec Non Red Cum Preference Shares	13.33%	AA-
	Network Healthcare Preference Shares	14.72%	A
	African Bank Preference Shares	13.06%	A+
	Grindrod Ltd Preference Shares	14.53%	N/A

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	2.34%	7.03%	-4.69%
Latest 12 months	2.34%	7.03%	-4.69%
Since inception (annualised)	1.75%	6.19%	-4.44%
2007	1.11%	5.64%	-4.53%
2006 (October – December)	0.49%	1.22%	-0.74%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/12/2008	01/01/2009	1.59	1.32	0.27
30/09/2008	01/10/2008	2.98	2.82	0.16
30/06/2008	01/07/2008	1.94	1.82	0.12
31/03/2008	01/04/2008	2.91	2.82	0.09

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	8.91%	0.38%
Sharpe ratio	-1.04	-1.76
Maximum gain	8.97%	24.71%
Maximum drawdown	-8.58%	0.00%
Positive months	44.44%	100.00%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	-3.18%	1.79%	-0.89%	0.56%	0.10%	-1.35%	4.32%	4.46%	-1.94%	-6.77%	5.77%	0.13%
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	0.72% per annum