

The domestic listed property sector consolidated during the fourth quarter of 2008 despite an initial increase in bond yields and much weaker equity markets in October. During this period, the sector delivered a total return of 8.5%. This strong performance was partially on the back of stronger bond yields being led by aggressive cuts in global interest rates. Local market participants took the gradual change in the Reserve Bank rhetoric to heart by starting to price in the potential of interest rate cuts being moved forward, with the 50bps rate cut in December 2008 being the proof in the pudding.

Leading to further strong sector movement was the inclusion of Growthpoint in both the MSCI Global Emerging Markets Index and FTSE/JSE Top 40 Index, with the resultant price movement coming from buying support pushing property index levels higher. The significance of the inclusion in these indices is that many investors use index tracker funds against these indices to gain exposure to either Emerging Markets or South African equities as a whole. In addition to the benefits of inclusion in the indices comes the risk of heavily increased share price volatility as investors easily move in and out of these types of funds.

The fund marginally underperformed the benchmark domestic property funds mean return for the quarter. In addition, it also underperformed the domestic listed property index. The strong price movement in Growthpoint prior to the respective index inclusions in November and December was used to decrease exposure into favourable pricing levels. Concerns regarding weak UK consumer spending leading to potential retailer bankruptcies resulted in the reduction of exposure to Liberty International. Despite this decrease, the remaining exposure to the share was one of the major value detractors during the quarter. Not only do UK retail landlords face the risk of shops standing empty, but also that of its own bank debt terms being breached. This may lead to forced property sales in an already weak UK commercial property market. These risks, assisted by rand strength during the last few weeks of the year, have led the share to loose nearly 50% of its value during the quarter. The cash made available by the decrease in exposure to Liberty International as well as the trimming of exposure to ApexHi A was mostly used to initiate exposure to Capital Property Fund.

A number of companies, including Acucap, Sycom and Fountainhead, released results during the quarter. These results confirmed that the strong growth in market rentals experienced over the last two years in the underlying commercial property market is slowing down, resulting in a gradual movement to more normalised distribution growth in the next two to three years as lease expiries work through the system.

Based on the results of the first ever SAPOA/IPD South Africa Biannual Property Indicator for the local commercial property market released during the quarter, physical commercial property returns remain healthy. The indicator, based on capital growth and income receivable recorded for the six months (January to June), showed a total return of 7.3%. Reduced capital growth was the primary driver behind the tail-off in the recent record overall returns. Despite the weaker economic environment vacancies did not come under pressure while rental growth, albeit at lower levels, continues. This should support revenue levels of listed property companies while distribution growth normalises.

In the next few months the sector will be impacted by interest rate decisions; even more so by the urgency or lack thereof by which it is implemented. Despite the strong moves during November and December, the relative value movement vs. long bonds has been muted. Potential upside relative to bonds should support the sector if bond yields retrace. The benefit of an early interest rate cut may not immediately flow through into higher distribution growth, and in anticipation of a cut a large portion of the repricing has probably already taken place. The biggest immediate benefit is likely to be some relief in the occupier market, rather than the investment market.

Edwin Schultz & Anton de Goede
Portfolio Managers

CORONATION PROPERTY EQUITY

Class A
as at 31 December 2008

CORONATION
FUND MANAGERS

Fund category
Fund description

Domestic Real Estate General
Invests in quality listed property assets with the aim to produce high income yields and long-term capital growth.
20 November 2000

Portfolio manager
Fund size
NAV
Benchmark

Edwin Schultz & Anton de Goede
R868.8 million
2662.08 cents
Domestic Real Estate General Mean

Launch date

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 December 2008
Domestic Assets	100.00%
Preference Shares & Other Securities	2.59%
Real Estate	91.39%
Cash	6.02%
International Assets	0.00%

TOP 10 HOLDINGS

As at 31 December 2008	% of Fund
Growthpoint Properties Ltd	18.36%
Hyprop Investments Ltd	17.42%
Fountainhead Property Trust	11.58%
Acucap Properties Ltd	10.21%
Apexhi Properties Ltd	8.66%
Resilient Property Income Fund	8.16%
Redefine Income Fund Ltd	5.13%
Syfrets and CU Property Fund	3.42%
Hospitality Property Fund A	3.24%
Foord Compass Ltd	2.59%
Total	88.77%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/12/2008	01/01/2009	29.75	-	29.75
30/09/2008	01/10/2009	55.55	2.78	52.77
30/06/2008	01/07/2008	42.61	3.84	38.77
31/03/2008	01/04/2008	38.81	-	38.81

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	-8.73%	2.59%	-2.19%	-6.03%	-6.26%	-8.71%	15.28%	9.24%	-2.25%	-7.61%	9.61%	4.24%
Fund 2007	6.76%	2.30%	3.97%	5.27%	-1.68%	-3.78%	-0.93%	1.51%	4.36%	4.84%	-2.38%	-2.20%
Fund 2006	5.73%	5.98%	6.20%	-0.22%	-4.15%	-12.36%	-0.57%	10.64%	0.18%	8.27%	5.16%	2.59%

FEES (excl. VAT)

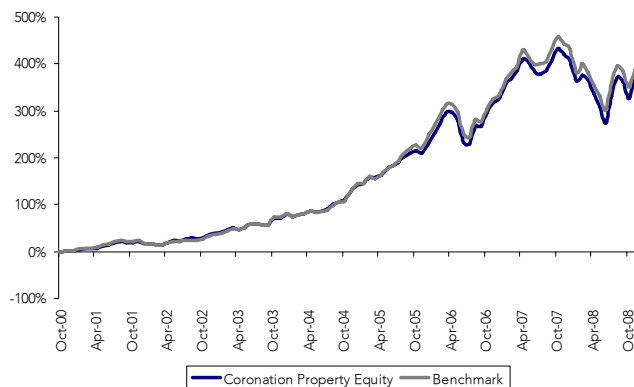
Initial Fee	Coronation: 0.00%
Annual Management Fee**	1.25%
* A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.	
Total Expense Ratio (TER)²	1.44% per annum

Advice Costs (excluding VAT)

- Initial and ongoing advice fees may be facilitated on agreement between the Client and Financial Advisor.
- An initial advice fee may be negotiated to a maximum of 3% and is applied to each contribution and deducted before investment is made.
- Ongoing advice fees may be negotiated to a maximum of 1% per annum (if initial advice fee greater than 1.5% is selected, then the maximum annual advice fee is 0.5%), charged by way of unit reduction and paid to the Financial Advisor monthly in arrears. This annual advice fee is not part of the normal annual management fee as disclosed above.
- Where commission and incentives are paid, these are included in the overall costs.

PERFORMANCE AND RISK STATISTICS¹

CUMULATIVE PERFORMANCE SINCE INCEPTION



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	-4.30%	-4.29%	-0.01%
Latest 12 months	-4.30%	-4.29%	-0.01%
Latest 36 months (annualised)	13.44%	13.42%	0.02%
Latest 60 months (annualised)	21.97%	22.85%	-0.88%
Since inception (annualised)	21.51%	22.25%	-0.74%
2007	18.79%	21.76%	-2.97%
2006	28.40%	25.19%	3.21%
2005	36.69%	42.07%	-5.38%
2004	35.27%	35.00%	0.27%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	15.06%	15.28%
Sharpe ratio	0.76	0.79
Maximum gain	54.76%	40.98%
Maximum drawdown	-29.69%	-28.03%
Positive months	68.04%	64.95%