

CORONATION PREFERENCE SHARE

Class A

as at 30 September 2008

The past three month period was probably the strongest quarter for preference shares since the launch of the Coronation Preference Share Fund. After a long period of declining prices preference share prices increased significantly over the period. The fund benefited from this move, returning 6.85% for the quarter compared to the 3 month STeFI return of 1.76% (after 40% tax charge). For the month of September, the fund returned -1.94% versus -1.71% for the new JSE preference share index.

The JSE launched a preference share index in July 2008, which includes all the variable rate preference shares in issue. The launch of this index enables us to officially benchmark the fund against a comparable index and allows us to significantly increase our exposure to the big four banks at the expense of riskier corporate preference shares. Previously, we would have been limited to a maximum of 10% holding in any of the preference shares held in the fund. During the period we added to FirstRand, Absa and Nedbank preference shares and reduced exposure to Investec preference shares.

It was also a significant quarter regarding the size of the fund's distribution. The fund distributes all dividends and interest received each quarter and during this period the majority of the portfolio's holdings paid out their dividends. These include Investec, FirstRand, Absa, Nedbank, PSG, Grindrod, Astrapak and Mvelaphanda Group preference shares. The distributions for each quarter will differ in quantum as they include a small portion of interest arising from the small cash balance held in the fund as well as are linked to the prevailing prime rate that quarter.

We believe that the past quarter's rally in the preference share market was an acknowledgement of the value of these instruments as prices continued to fall. Sentiment also shifted in favour of preference shares as the domestic interest rate outlook appears to have peaked and investors looked to lock in attractive after tax yields. Despite this move, we believe preference shares still remain attractive and offer investors the opportunity to earn an after tax yield comparable to the highest taxable short-term rates available in the money market. The fund currently offers a gross yield of 12.6%.

Tania Miglietta and Godwill Chahwahwa
Portfolio Managers

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CORONATION
FUND MANAGERS

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

R259.8 million

NAV

91.00 cents

Benchmark/performance fee hurdle

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

PORTFOLIO DETAIL

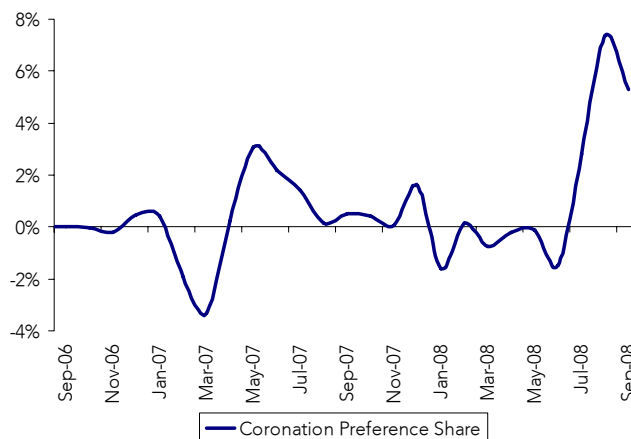
ASSET ALLOCATION AND EXPECTED EFFECTIVE YIELD

As at 30 September 2008	Weight	Annualised Yield	Contributions to overall yield
Bank issued preference shares	67.47%	12.40%	8.36%
Corporate issued preference shares	23.62%	13.17%	3.11%
Convertible preference shares	1.42%	14.40%	0.20%
Ordinary equity	0.00%	0.00%	0.00%
Cash (pre-tax)	7.49%	12.20%	0.91%
Gross yield			12.59%
Less: Total expense ratio ²			(0.72%)
Less: Trading costs ²			(0.25%)
Net expected effective yield			11.62%

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 30 September 2008	Preference Share	Annual yield	Credit rating
	Absa Preference Shares	11.60%	AAA
	Nedbank Non Cum Preference Shares	12.20%	AA
	Standard Bank Cum Preference Shares	11.40%	AA+
	Network Healthcare Preference Shares	13.40%	A
	FirstRand Ltd Preference Shares	12.30%	AA-
	African Bank Preference Shares	13.00%	A+
	Investec Ltd Preference Shares	14.00%	AA-
	Investec Non Red Cum Preference Shares	13.80%	AA-
	Grindrod Ltd Preference Shares	12.90%	N/A
	FirstRand Securities Preference Shares	12.10%	AA-

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	3.65%	5.13%	-1.48%
Latest 12 months	4.76%	6.76%	-2.00%
Since inception (annualised)	2.62%	6.05%	-3.43%
2007	1.11%	5.64%	-4.53%
2006 (October – December)	0.49%	1.22%	-0.74%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
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
31/12/2007	01/01/2008	1.49	1.42	0.07

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	6.94%	0.36%
Sharpe ratio	-1.18	-1.90
Maximum gain	8.97%	21.19%
Maximum drawdown	-4.59%	0.00%
Positive months	41.67%	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%			
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