

After a negative second quarter, the domestic listed property index rallied strongly to deliver a total return of 23.1% in the third quarter. Factors in favour of the sector included market sentiment that turned positive on the interest rate front with bond yields following suit. In addition, more than two thirds of the sector (in market capitalisation) reported during the August 2008 earnings season and strong distribution growth of, on average, between 11% and 12% came through, with guidance of double digit growth to continue in the short to medium term. Many listed property companies have been relatively sheltered against interest rate increases and thus higher debt servicing costs in their own income statements due to favourable fixed debt profiles.

The fund performed in line with the domestic listed property index for the quarter, while outperforming the benchmark domestic property funds mean return. The relative movement in share prices during July and August was used to reposition the portfolio. We actively reduced exposure to Sycom into share price strength and trimmed exposure to Fountainhead, ApexHi A and Liberty International. The cash made available by these sales was used to acquire Growthpoint and Redefine. Despite this repositioning, the fund continued its high retail exposure, currently 61% within domestic listed property. Most of this retail exposure remains defensively positioned to include super regional shopping centres. As pointed out in the previous quarterly commentary, this may intuitively seem aggressive in the current consumer environment, but in the past this asset type has shown to be the most resilient in an uncertain macro economic environment. While companies with this kind of exposure were used to decrease listed property exposure by asset allocation funds during the first 6 months of the year, the aggressive moves in bond yields and subsequent institutional asset allocation repositioning during July and August stood these counters in good stead. This benefited the fund as counters like Growthpoint, ApexHi A and Fountainhead related strongly, as did retail focused Hyprop and Resilient.

Liberty International's 2008 interim results were disappointing. The usual defensive nature of Liberty International's retail portfolio did not safeguard it against the current torrid UK consumer environment. The risk in increased vacancies seems to be on the upside. There is evidence that middle income market retailers, not those with either a premium brand loyalty or discount value proposition, are under pressure. Although the results led to share price weakness, the fact that during the quarter the two largest specialised retail property owners in the world (listed within property vehicles, Simon Property Group and Westfield Group), made the acquisition of significant stakes of Liberty International public, supported speculation of a potential bidding war for a takeover. We reduced exposure into the subsequent strong speculative share price movement to decrease our risk exposure to the UK retail environment. However, the weakness in the GBP impacted the local share price, resulting in a lower quarterly return of 4.9%. This detracted value from the fund's performance relative to domestic listed property stocks.

Although the relative value proposition against other asset classes reduced during the quarter, long-term value in the listed property sector prevails. The sector average forward yield is above that of long bond yields (9.8% vs. 8.8%). The risk lies in that bond yields could come under pressure due to rand weakness, impacting listed property in a negative manner. For the distribution growth underpin to stay intact, which is key for current valuation levels, the current low vacancy levels need to be maintained. One must bear in mind that listed property companies have contractual lease agreements in place which provides a solid revenue base. In addition, lease agreements have annual escalation rates, resulting in a natural inflation hedge over the long term. The revenue base can only go backwards if leases which are up for renewal are signed at lower than current rental levels, or if not renewed, the subsequent vacant space is not filled.

**Edwin Schultz & Anton de Goede**  
Portfolio Managers

# CORONATION PROPERTY EQUITY

**Class A**  
as at 30 September 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.

Portfolio manager  
Fund size  
NAV  
Benchmark

Edwin Schultz & Anton de Goede  
R839.9 million  
2577.34 cents  
Domestic Real Estate General Mean

Launch date

20 November 2000

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 September 2008
Domestic Assets	100.00%
Preference Shares & Other Securities	2.74%
Real Estate	95.54%
Cash	1.72%
International Assets	0.00%

### TOP 10 HOLDINGS

As at 30 September 2008	% of Fund
Growthpoint Properties Ltd	22.47%
Hyprop Investments Ltd	16.90%
Fountainhead Property Trust	11.75%
Acucap Properties Ltd	9.98%
Apexhi Properties Ltd	9.17%
Resilient Property Income Fund	7.56%
Liberty International Plc	6.64%
Redefine Income Fund Ltd	4.24%
Syfrets and CU Property Fund	3.44%
Hospitality Property Fund A	3.35%
<b>Total</b>	<b>95.50%</b>

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
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
31/12/2007	01/01/2008	24.76	-	24.76

### 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%			
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)

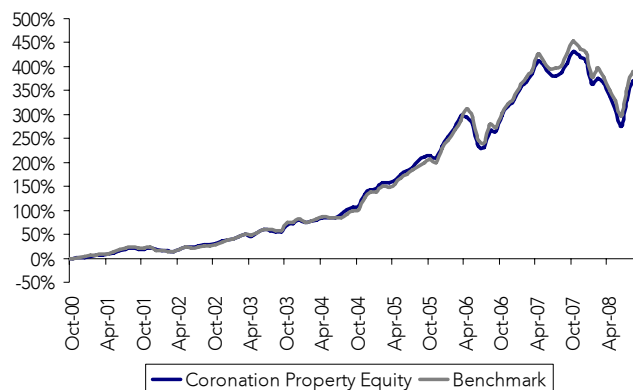
Initial Fee	Coronation: 0.00%
Annual Management Fee**	1.25%
* A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.	
Total Expense Ratio (TER) <sup>2</sup>	1.44% per annum

#### 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 STATISTICS<sup>1</sup>

### CUMULATIVE PERFORMANCE SINCE INCEPTION



### PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	-9.34%	-9.36%	0.02%
Latest 12 months	-9.26%	-9.61%	0.35%
Latest 36 months (annualised)	14.08%	14.83%	-0.75%
Latest 60 months (annualised)	24.26%	25.38%	-1.12%
Since inception (annualised)	21.43%	22.18%	-0.75%
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	14.63%	15.07%
Sharpe ratio	0.78	0.81
Maximum gain	54.76%	40.98%
Maximum drawdown	-29.69%	-28.03%
Positive months	68.09%	64.89%