

PORTFOLIO MANAGER COMMENTARY

Preference shares performed well during the quarter, having displayed strong price stability throughout the global credit crisis, whilst the equity market suffered a whiplash. During the last 18 months, preference share prices were assisted by the steady lowering of the repo rate during 2009 having last been reduced in August 2009 when the prime rate was brought down to 10.5%.

We expect that domestic interest rates are likely to remain low for at least a year, with a small chance of a further interest rate cut during 2010 given how consumer inflation, now at 5.8%, has moved to within the 3% – 6% target range and is further supported by a strong currency. This environment should encourage ongoing good performance from preference shares.

The fund has remained fully invested during the quarter, with as much as 78% of the portfolio invested in bank preference shares and the balance in corporate preference shares. During a time of widespread concern around the effects of deteriorating economic conditions we reduced our holding to select corporate preference shares where growing risks became a concern.

Listed bank preference shares are now yielding around 8% with corporate preference shares at between 9% - 10%. This yield differential prices in the credit quality difference between the two sectors. We note that the differential between the two has widened over the past year, highlighting greater confidence in SA banks relative to corporates and we expect that this differential should reduce over time as conditions improve.

The fund returned 12.9% for 2009. It currently yields 8.2% before fees, which if grossed up equates to 13.7% (assuming a tax rate of 40%).

Portfolio managers

Tania Miglietta and Godwill Chahwahwa

CORONATION PREFERENCE SHARE

CLASS A as at 31 December 2009

CORONATION
FUND MANAGERS

Fund category Domestic - Fixed Interest - Varied Specialist
Fund description Aims to maximise yield in the form of dividend income by investing in a range of quality listed preference shares
Launch date 02 October 2006
Portfolio manager/s Tania Miglietta and Godwill Chahwahwa

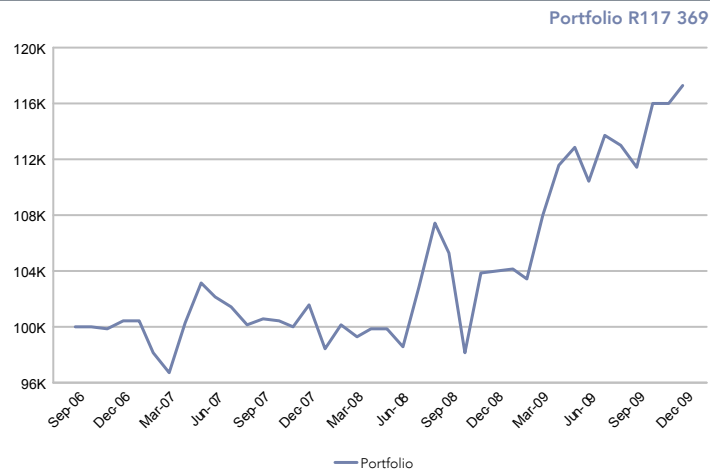
Fund size R372.89 million
NAV 87.81 cents
Benchmark/Performance Fee Hurdle Alexander Forbes 3-month (STeFI) Index, adjusted for maximum individual tax rate

Risk profile

Cons Mod Aggr

PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	17.4%	21.3%	(3.9)%
Since Inception (annualised)	5.1%	5.9%	(0.8)%
Latest 3 years (annualised)	5.3%	5.9%	(0.6)%
Latest 1 year (annualised)	12.9%	5.2%	7.7%
Year to date	12.9%	5.2%	7.7%
2008	2.3%	7.0%	(4.7)%
2007	1.1%	5.6%	(4.5)%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	8.6%	0.4%
Sharpe Ratio	(0.62)	(1.22)
Maximum Gain	9.1%	35.5%
Maximum Drawdown	(8.6)%	0.00
Positive Months	48.7%	100.0%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2009	0.1%	(0.6)%	4.4%	3.3%	1.2%	(2.2)%	3.0%	(0.7)%	(1.4)%	4.2%	0.0%	1.1%	12.9%
Fund 2008	(3.2)%	1.8%	(0.9)%	0.6%	0.1%	(1.4)%	4.3%	4.5%	(1.9)%	(6.8)%	5.8%	0.1%	2.3%
Fund 2007	(0.1)%	(2.3)%	(1.4)%	3.7%	2.9%	(0.9)%	(0.8)%	(1.2)%	0.4%	(0.1)%	(0.4)%	1.6%	1.1%

PORTFOLIO DETAIL

ASSET ALLOCATION AND EXPECTED EFFECTIVE YIELD

As at 31 Dec 2009	Weight	Annualised Yield	Contributions to overall Yield
Bank issued preference shares	81.10%	7.45%	6.05%
Corporate issued preference shares	13.07%	9.85%	1.29%
Convertible preference shares	2.17%	7.00%	0.15%
Ordinary equity	0.00%	0.00%	0.00%
Cash (pre-tax)	3.66%	7.20%	0.26%
Gross Yield			7.75%
Less: Total expense ratio ²			(0.70)%
Less: Trading costs ²			(0.28)%
Net expected effective			6.77%

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.

TOP 10 HOLDINGS

As At 31 Dec 2009	Yield	Rating
Absa Preference Shares	8.40%	AA+
Firststrand Limited Pref Shares	8.40%	AA-
Stndrd Bank Group Pref Shares	8.30%	AA
Nedbank Non Cum Prefs	8.40%	AA
Firststrand Securities Pref Share	0.00%	AA-
Investec Non Red Cum Pref	9.00%	A+
Investec Limited Preference Shs	8.80%	AA-
Network Healthcare Pref	9.80%	A+
Psg Preference Share	9.90%	A-
Grinrod Limited Prefs	9.50%	BBB-

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Dec 2009	04 Jan 2010	0.76	0.72	0.04
30 Sep 2009	01 Oct 2009	3.12	3.08	0.04
30 Jun 2009	01 Jul 2009	0.89	0.84	0.05
31 Mar 2009	01 Apr 2009	3.91	3.80	0.11

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee	0.60%
Total Expense Ratio (TER)²	0.70% per annum

Unit trusts should be considered a medium- to long-term investment. The value of units may go down as well as up. Past performance is not necessarily an indication of future performance. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Instructions must reach the Management Company before 2pm (12pm for the Money Market Fund) to ensure same day value. Fund valuations take place at approximately 15h00 each business day and forward pricing is used. Coronation is a Full member of the Association for Savings & Investment SA (ASISA). ¹Performance is quoted from Morningstar as at 31 December 2009 for a lump sum investment using Class A NAV prices with income distributions reinvested. Performance figures are quoted after the deduction of all costs incurred within the fund. ²The TER is calculated as a percentage of the average NAV of the portfolio incurred as charges, levies and fees in the management of the portfolio for a rolling 12-month period to end September 2009. A higher TER ratio does not necessarily imply a poor return nor does a low TER imply a good return. The current disclosed TER cannot be regarded as an indication of future TER's.