

PORTFOLIO MANAGER COMMENTARY

Local listed property took a backseat during the past quarter as sentiment towards equities improved globally on the back of gradually increasing risk appetite. Despite an upward movement in bond yields, listed property underperformed bonds as positive sentiment on potential further interest rate cuts at the beginning of the quarter provided some price buffer. Property stocks were not impacted as positively by the 4.5% cut in interest rates since the start of the easing cycle as one would have expected. This is mainly due to funding rates within the sector that should remain fairly stable due to the prevalence of long-term fixed interest rate contracts. All of these factors resulted in local listed property returning -0.9% for the quarter. Over one and three years it continues to compare favourably with equities and bonds, outperforming both of these asset classes as well as cash.

As of 1 May the fund's benchmark has been changed to the FTSE/JSE SA Listed Property Index (SAPY). This index, representing 20 domestic property stocks, is viewed as the benchmark domestic listed property index. The fund outperformed the spliced benchmark for the quarter, as well as one and three years, with outperformance for the quarter attributed to the relative positioning in stocks like Fountainhead, Acucap, Growthpoint and Resilient versus those in the broader peer group and the SAPY Index. Some relative return retraction occurred through the positions in Hyprop and Hospitality-A as well as the zero exposure to SA Corporate.

The inclusion of Pangbourne as well as increased exposure to Liberty International were the major changes to the fund positioning during the quarter. This was funded with sales across most of the portfolio. Pangbourne moved onto the radar screen as the progress of its portfolio as well as operational alignment with the goals set by the new management team (that came on board via Resilient as major shareholder) seems to be on track. This should result in a much more transparent income stream and improved operational efficiency. With regards to Liberty International, the uncertainty regarding a potential capital raising was eliminated. The company raised £620m during this past quarter to minimise the risk of loan covenant breaches. We participated in the capital raising as the price level was very favourable compared to the then trading levels. In addition, the trend of a slower decline in UK property capital values continues as yields seem to start bottoming out. May and June marked a relative stabilisation in investment yields. This does not necessarily mark a turning point in the market yet, but suggests investor sentiment towards the direct property market is becoming more favourable. In addition, UK property derivative pricing continues to improve, implying a current peak-to-trough capital value return of -51% versus -59% in January. This implies another 16% drop to the trough levels. This improved derivative pricing reflects a more optimistic look at the market as transactional evidence and the listing of new property funds to capitalise on the current market are coming through.

The fund's most pronounced differentiating conviction remains Hyprop, with the investment case still intact. The appointment of a replacement CEO in Mike Rodel was recently finalised. Prior to his most recent position, Rodel was responsible for the management of the Gateway Theatre of Shopping in Durban, one of the largest shopping centres in the country. In addition, the day-to-day management of Hyprop should be internalised as from 1 January 2010, with The Glen Shopping Centre already being internalised from 1 June 2009. As for the asset management, Hyprop's board is very cognisant of the Redefine merger and it seems likely that the asset management contract will be terminated in its current form and Redefine will be paid a consultation fee. Despite the retail pods at Canal Walk Shopping Centre being behind schedule, the income upside in 2010 should come from the additional 19 000m² retail space at The Glen, the completion of the Hyde Park Southern Sun as well as the cost savings on asset management fees.

Other sector news includes Growthpoint's potential acquisition of the Australian listed Orchard Industrial Fund. Management has already indicated its desire to enter the Australian market with the rights issue at the end of 2008. The potential acquisition requires Australian shareholder approval and, if successful, would result in an R1.2bn investment for Growthpoint. Although management highlighted that the acquisition should be yield neutral, the potential of a limited dividend payment for the first year as well as difficulty in letting of new developed space in South Africa will in all likelihood lead to lower-than-sector-average distribution growth for Growthpoint over the next 12 to 18 months.

Besides Hyprop, SA Corporate also experienced a management reshuffle. Mariette Warner, who replaced the executive team that has managed the fund since the merger between Marriot and SA Retail, resigned as CEO after one month due to personal reasons, and was replaced by Len van Niekerk. These management changes, however, increase the risks pertaining to SA Corporate and, although offering potential price upside, the portfolio risks within the current economic environment may impact earnings more than anticipated. We are cognisant of portfolio risks across the sector, preferring a long-term stability in income streams, as sector revenues may come under pressure.

Surprisingly, recently released company results point to a fairly positive outlook for retail rentals, while the outlook for A-grade office rentals seem to be on the downside. It seems that these office rentals may remain fairly constant in a range of between R100 – R130/m² in the medium term (node dependant) despite feasibility rentals still much higher than current market rentals. This illustrates the cyclical nature of the office market, which is much more cyclical than the retail market. What also emerged is the continued risk in the current market for speculative developments (either for sale or for rent) versus the upside of an internal focus on working with existing space.

The market still seems not to differentiate between tenant and property type risk profiles of the various companies. This is probably due to limited evidence in results announcements thus far. However, the likelihood of such stress, and the resultant negative impact on general sector distribution growth, should start to gain prominence in the next round of results announcements.

Portfolio managers

Edwin Schultz and Anton de Goede

CORONATION PROPERTY EQUITY

CLASS A as at 30 June 2009

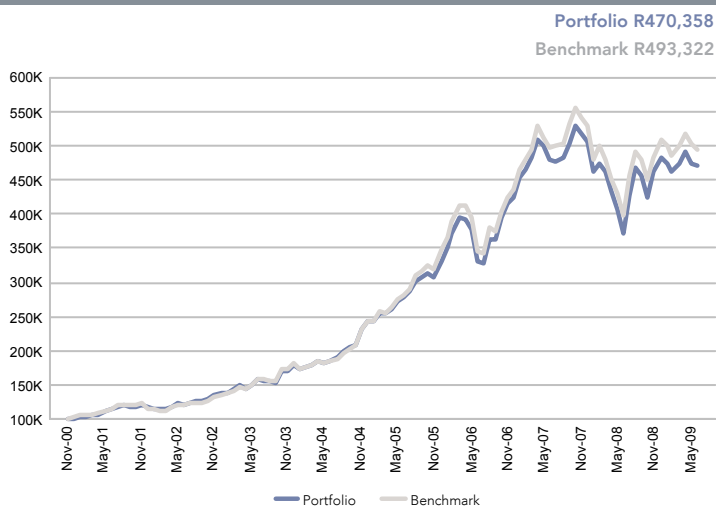
CORONATION
FUND MANAGERS

Fund category Domestic - Real Estate - General
Fund description Invests in quality listed property assets with the aim to produce high income yields and sustained long-term capital growth.
Launch date 20 November 2000
Portfolio manager/s Edwin Schultz and Anton de Goede

Fund size R793.58 million
NAV 2501.11 cents
Benchmark FTSE/JSE SA Listed Property Index
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)	370.4%	393.3%	(23.0)%
Since Inception (annualised)	19.8%	20.4%	(0.7)%
Latest 5 years (annualised)	20.6%	21.8%	(1.2)%
Latest 3 years (annualised)	12.5%	12.5%	0.1%
Latest 1 year (annualised)	26.5%	23.6%	3.0%
Year to date	(2.6)%	(2.8)%	0.1%
2008	(4.3)%	(4.3)%	0.0%
2007	18.8%	21.8%	(3.0)%
2006	28.4%	25.2%	3.2%
2005	36.7%	42.1%	(5.4)%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	14.9%	15.1%
Sharpe Ratio	0.65	0.68
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(29.7)%	(28.0)%
Positive Months	66.0%	63.1%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2009	(1.7)%	(2.8)%	2.5%	4.0%	(3.5)%	(0.9)%							(2.6)%
Fund 2008	(8.7)%	2.6%	(2.2)%	(6.0)%	(6.3)%	(8.7)%	15.3%	9.2%	(2.3)%	(7.6)%	9.6%	4.2%	(4.3)%
Fund 2007	6.8%	2.3%	4.0%	5.3%	(1.7)%	(3.8)%	(0.9)%	1.5%	4.4%	4.8%	(2.4)%	(2.2)%	18.8%

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
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PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2009	100%
Domestic Assets	100.0%	
■ Preference Shares & Other Securities	3.2%	
■ Real Estate	95.0%	
■ Cash	1.8%	

TOP 10 HOLDINGS

As at 30 Jun 2009	% of Fund
Growthpoint Properties Ltd	18.3%
Hyprop Investments Ltd	17.5%
Acucap Properties Ltd	10.5%
Fountainhead Property Trust	9.5%
Resilient Property Income Fund	9.4%
Pangbourne Properties Ltd	7.4%
Redefine Income Fund	6.1%
Liberty International Plc	4.9%
Capital Property Fund	4.0%
Apex Hi A Properties	3.5%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Jun 2009	01 Jul 2009	20.41	0.00	20.41
31 Mar 2009	01 Apr 2009	62.76	0.00	62.76
31 Dec 2008	02 Jan 2009	29.75	0.00	29.75
30 Sep 2008	01 Oct 2008	55.55	2.78	52.77

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.

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 30 June 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 March 2009, as well as the actual performance fee incurred over the 12 months to end March 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.