

## PORTFOLIO MANAGER COMMENTARY

Listed property benefited from a fairly positive results season this past quarter as a majority of the sector's reported results were in line with expectations. In addition, it was supported by a much stronger equity market, lower bond yields and a partially unexpected interest rate cut in August. A rerating relative to bonds also worked in the sector's favour. This led the sector to deliver a 12.2% total return for the quarter. Over one and three years, it continues to compare favourably with equities and bonds, outperforming both asset classes as well as cash.

The merger between Redefine, ApexHi and Madison was concluded during the period. This resulted in Redefine being included in the MSCI Emerging Market Index as well as the GPR Global and GPR 250 property indices. In turn, it was confirmed that Redefine would not be included in the FTSE/JSE Top 40 Index at the September quarterly rebalancing. It was however included in the reserve list for future potential inclusion. Growthpoint, already a Top 40 Index constituent, and Redefine now constitute 45% of the SA Listed Property Index (SAPY).

One advantage of the weaker operating environment is the shaking out of weaker portfolios and management teams, thereby increasing the gap between the various stocks' distribution growth. The average year-on-year distribution growth was between 7% and 8%, but as an illustration of the quality gap opening up ranged from marginally negative to double-digit growth. The fund is well positioned to benefit from a move towards more defensive and quality growth properties. The sector's results, however, confirmed signs of an increase in vacancies across all sectors (SAPOA office vacancies increased from 6.1% to 6.8% in the second quarter), an increase in arrears as well as bad debts and higher bad debt provisions. Not only retail, but also industrial and office tenants are now experiencing the pain of weaker trading conditions.

The fund outperformed SAPY for the quarter, as well as the spliced benchmark over one year. However, it marginally underperformed the benchmark over three years. The outperformance for the quarter can be attributed to the relative positioning in stocks like Pangbourne, Hospitality A, Hyprop and Resilient versus SAPY as well as the exposure to Liberty International. Some relative return retraction occurred through the limited exposure to Redefine, Vukile and Sycom relative to that of SAPY.

Reducing exposure to Acucap, Liberty International and Redefine in favour of an increased holding in Pangbourne were the major changes to the fund positioning during the quarter. Pangbourne released its full year results in August which showed that distribution growth continued to be above 10% and management indicated a similar growth trend for the coming financial year. Positives include the improvement in general operating efficiencies and potential in under-rented industrial properties, while a recent visit to its largest asset, the Boardwalk Shopping Centre in Richards Bay, confirmed the growth prospects in this asset.

The strong movement of Liberty International during the quarter was in line with the rest of the UK Real Estate sector. The company released its interim results at the end of July, which were in line with market expectations. The results were characterized by more positive than negative take-away features. Positive features mostly relate to an improvement in letting of vacant space as well as the early signs of the opening of the lending market. The company did however surprise the market in September with a second capital raising of £280 million on the back of this sector rerating. Management indicated that the capital raised will be used to reposition the company for future growth by improving some current shopping centres and Central London assets. We did not participate in the capital raising this time due to its format and relative price level.

Growthpoint finalised the part acquisition of Growthpoint Properties Australia (previously named OIF). The acquisition was eventually not cash funded by means of the cash raised in the earlier rights issue, but by a second capital raising of R1.26 billion via a vendor placement in September. In addition, nearly two thirds of unitholders elected the dividend reinvestment plan as proposed in the final results announcement in August, making another R540 million of cash available. All of this bodes well for Growthpoint and the refinancing of its securitizations coming up later this year. The fund should benefit from this improved refinancing prospect as the exposure to Growthpoint was marginally increased during the quarter. However, the exposure remains a bit lower than Growthpoint's weighting in the benchmark as some concerns around the company's vacancies related to its development pipeline remain.

The IPD South Africa Property Bi-Annual Indicator – the 6-monthly return of SA direct property to June 2009 – was released at quarter-end. All Property delivered a negative capital return of 0.8%, but with an income return of 4.2%, still came through positive at 3.4% on a total return basis. This set of results is a reflection of the inherent risk profile associated with each sector. The cyclical nature of office property, closely linked to the underlying economic growth and business confidence, came through strongly, underperforming both retail and industrial property. Retail properties have proven its more resilient nature, being the only sector delivering a positive capital return. This just reinforces the current fund positioning towards more defensive retail properties, mostly regional and super regional shopping centres.

Moving into the final stretch of the year, most of the listed property sector's movement will probably come from the interplay between the rand, bond yields and interest rate decisions. The sector should receive some of its lead from the few results announcements and the guidance from the underlying direct property market. While retail tenants should enjoy the pick-up of improved trading conditions towards Christmas, which will benefit larger regional shopping centres, industrial and office tenants may look for more reasonably priced space, decrease space usage, or consolidate space usage. In terms of funding margins, banks continue to increase the cost of capital, making any refinancing probably more expensive, unless a favourably priced interest rate swap overlay can be entered into. Also, higher funding margins and a decrease in liquidity are making the likelihood of any big developments within the sector, and even outside the sector, smaller and smaller. This should act as a buffer for vacancies in the current property cycle, compared to the late 1990's into 2002/2003 cycle.

**Portfolio managers**

Edwin Schultz and Anton de Goede

# CORONATION PROPERTY EQUITY

CLASS A as at 30 September 2009

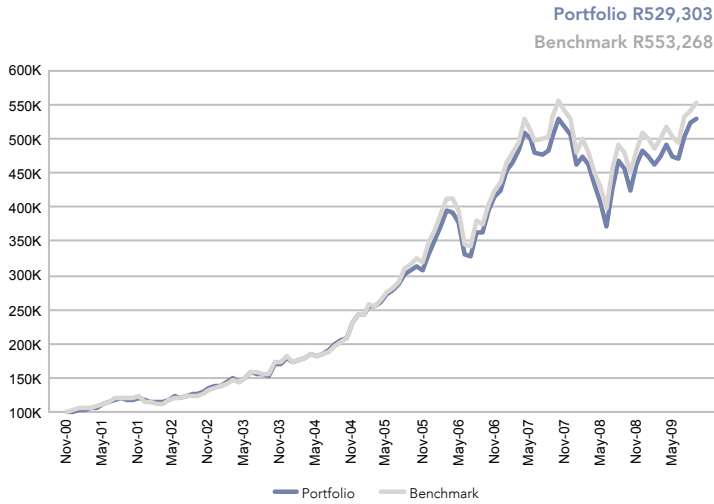
**CORONATION**  
FUND MANAGERS

**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** R906.16 million  
**NAV** 2791.56 cents  
**Benchmark** FTSE/JSE SA Listed Property Index  
**Risk profile** Cons Mod Aggr

## PERFORMANCE AND RISK STATISTICS<sup>1</sup>

### GROWTH OF A R100,000 INVESTMENT



### PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	429.3%	453.3%	(24.0)%
Since Inception (annualised)	20.8%	21.4%	(0.6)%
Latest 5 years (annualised)	20.8%	22.1%	(1.3)%
Latest 3 years (annualised)	13.3%	13.8%	(0.5)%
Latest 1 year (annualised)	15.7%	15.2%	0.5%
Year to date	9.6%	9.1%	0.5%
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	14.8%	15.0%
Sharpe Ratio	0.72	0.75
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(29.7)%	(28.0)%
Positive Months	67.0%	64.2%

### 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)%	7.2%	3.8%	1.2%				9.6%
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) <sup>2</sup>	1.44% per annum
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## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Sep 2009	100%
<b>Domestic Assets</b>	<b>100.0%</b>	
■ Preference Shares & Other Securities	2.6%	
■ Real Estate	92.2%	
■ Cash	5.2%	
<b>International Assets</b>	<b>0.0%</b>	
■ Cash	0.0%	

### TOP 10 HOLDINGS

As at 30 Sep 2009	% of Fund
Growthpoint Properties Ltd	17.9%
Hyprop Investments Ltd	16.8%
Resilient Property Income Fund	9.5%
Fountainhead Property Trust	9.4%
Pangbourne Properties Ltd	9.0%
Redefine Income Fund	9.0%
Acucap Properties Ltd	9.0%
Liberty International Plc	4.5%
Capital Property Fund	4.0%
Hospitality Properties Ltd	3.2%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2009	01 Oct 2009	71.53	0.00	71.53
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

### 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). <sup>1</sup>Performance is quoted from Morningstar as at 30 September 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. <sup>2</sup>The 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 June 2009, as well as the actual performance fee incurred over the 12 months to end June 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.