

## PORTFOLIO MANAGER COMMENTARY

Listed property took a breather after a very strong start to the year. Initially, it continued on its upward path into April but retraced mid-quarter as risk aversion returned to investment markets on concerns about the eurozone crisis, with Greece at the centre of the storm. Some positive momentum towards quarter-end resulted in the sector delivering a positive total return of 0.6% for the past three months. In addition to the negative return momentum following weaker than expected guidance from Redefine at its interim results, the sector received little support from longer dated bonds as the 10-year rolling bond yield moved 24bps higher to 8.86%. With little movement relative to bonds on a yield perspective the result was an increase from 8.6% to 8.9% from a weighted average forward yield perspective.

The fund underperformed the SA Listed Property Index (SAPY) for the quarter, but for the 12 months to June, it remains one of the top performing funds in its sector. While the past quarter's positive performance contributions came from our overweight positions in Foord, Hospitality A, Fortress A, Resilient and Acucap, underperformance came mostly from a combination of many of our underweight positions as well as our exposure to the non-benchmark constituents Capital Shopping Centers (CSC) and Capital & Counties (CapCo), the demerged entities from Liberty International. As was mentioned in our previous commentary, we remain positive on both demerged entities, henceforth the increase in exposure to the two companies during the quarter. The long-term investment case for both companies remains intact despite the austerity measures introduced by the UK Government in June. The upside for CSC lies within the conversion of short-term rentals signed during the last 18 months to fill vacancies left by retailers going into administration as well as further positive yield movements from December 2009 levels. In turn, the upside for CapCo lies within the repositioning of Covent Garden as a premier Central London retail destination as well as potential in the redevelopment of the Earls Court site.

Beside the dealings in CSC and CapCo, we have increased exposure to Capital, Fortress A and especially Redefine during the quarter. This was mostly funded from the decrease in exposure to Fountainhead and Emira. The exposure to Emira was decreased into strength. We still believe that the market does not truly appreciate the potential dilutionary impact of the Blue Route Mall development within Fountainhead's earnings profile for the next two to three years. In addition to these transactions, we have regained exposure to Hyprop. The sale of Hyprop to Redefine concluded during March was finalised at a clean forward yield of 7.0%, while we initiated exposure during the past few weeks at 7.5% - 7.6% levels. Due to the unforeseen resignation of Wolf Cesman as joint-CEO of Redefine, Hyprop exercised its right to cancel the consulting agreement with Redefine. Although it is uncertain in what form a future agreement will be signed, if at all, the potential increase in distribution levels makes the share attractive at current levels.

Despite the general sense that vacancies and lease renewal rates are under pressure within the broader property sector, signs of improvement are gradually coming through. This is despite the sense that the private sector has not yet started to really reap the benefits of the economic recovery over the last few quarters. This has been confirmed by various management interactions and results released during the quarter. In general, vacancies are stabilising, even in the more volatile office sector, as confirmed by SAPOA in its second quarter vacancy report for 2010 (office vacancies decreased from 9.1% to 8.8%). It seems that developers are still cautious to commit to new developments. However, we remain apprehensive about too much speculative development in the immediate surroundings of the Gautrain stations as speculators may become 'gung ho' once funding becomes easier.

In addition, retail sales growth has returned which should provide some reprieve for landlords in terms of the pressure on total occupation costs for tenants. Successful retail offerings should still be able to attract higher rentals as illustrated by anecdotal evidence from major shopping center landlords. Location, tenant mix and ease of shopping remain key in a center's success. This will ensure that vacancies remain low, retail sales growth is sufficient to ensure that rental increases can be absorbed by the tenants, and shoppers keep coming back for the shopping experience which the center is positioned for. Therefore landlords across all the retail subsectors can operate a successful center, and success is not necessarily size dependant. The risks however, do exist that the negative impact of the 2010 FIFA World Cup is not being fully considered. Leasing activity has come to a standstill since the beginning of June, while consumer spend may be stifled in the months immediately following the event due to a too large spend on event activities.

Current trading levels suggest that the market continues to price in either very strong distribution growth or additional credit for the growth to be achieved over the next 12 months. Our initial sense along with the movement during the quarter was that the market is looking two years out, beyond the initial economic recovery as the growth profile for year two looks more promising. But the strong recovery towards quarter-end led us to believe that the growth the sector is being compensated for does not warrant the current forward yield relative to the rolling 10-year bond yield, especially since the expected earnings outlook for the sector has reduced during the quarter with the lowered guidance from both Redefine and Fountainhead. Thus either bond yields or property yields must give in opposite directions. Therefore, expect volatile trading conditions in the short term as, although things may surprise in a positive manner on the macro economic front, the current levels may be pricing in a rate cut of which the likelihood remains uncertain.

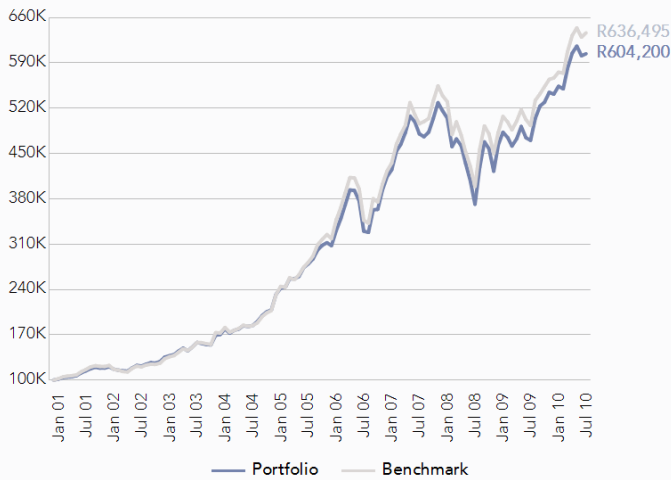
**Portfolio manager**  
Anton de Goede

**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** Anton de Goede

**Fund size** R 1.03 billion  
**NAV** 3010.84 cents  
**Benchmark/Performance Fee Hurdle** 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)	504.2%	536.5%	(32.3)%
Since Inception (annualised)	20.6%	21.3%	(0.7)%
Latest 5 years (annualised)	16.7%	17.7%	(1.0)%
Latest 3 years (annualised)	7.9%	8.7%	(0.7)%
Latest 1 year (annualised)	28.5%	29.0%	(0.6)%
Year to date	9.1%	10.6%	(1.5)%
2009	14.7%	13.5%	1.2%
2008	(4.3)%	(4.3)%	0.0%
2007	18.8%	21.8%	(3.0)%
2006	28.4%	25.2%	3.2%

### RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	14.4%	14.6%
Sharpe Ratio	0.75	0.79
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(29.7)%	(28.0)%
Positive Months	67.0%	65.2%

### MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2010	(0.7)%	5.7%	4.1%	1.8%	(2.4)%	0.5%							9.1%
Fund 2009	(1.7)%	(2.8)%	2.5%	4.0%	(3.5)%	(0.9)%	7.2%	3.8%	1.1%	2.9%	(0.5)%	2.3%	14.7%
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)%

### 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>	1.43% per annum
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## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2010	100%
<b>Domestic Assets</b>	<b>98.2%</b>	
Preference Shares & Other Securities	2.7%	
Real Estate	92.7%	
Cash	2.9%	
<b>International Assets</b>	<b>1.8%</b>	
Real Estate	1.8%	
Cash	0.0%	

### TOP 10 HOLDINGS

As at 30 Jun 2010	% of Fund
Growthpoint Properties Ltd	23.0%
Redefine Income Fund	15.6%
Resilient Property Income Fund	9.6%
Acucap Properties Ltd	9.3%
Pangbourne Properties Ltd	9.2%
Fountainhead Property Trust	5.2%
EMIRA	4.3%
Capital Property Fund	4.1%
FORTRESS INCOME FUND LTD A	3.5%
Capital Shopping Centre Group	3.0%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Jun 2010	01 Jul 2010	23.49	1.94	21.55
31 Mar 2010	01 Apr 2010	76.93	0.00	76.93
31 Dec 2009	04 Jan 2010	15.99	0.00	15.99
30 Sep 2009	01 Oct 2009	71.53	0.00	71.53

### 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 June 2010 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 March 2010, as well as the actual performance fee incurred over the 12 months to end March 2010. 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.