

PORTFOLIO MANAGER COMMENTARY

Preference shares had a strong start to 2010, with the fund returning a healthy 7.78% for the quarter versus 1.02% achieved by the benchmark¹. Over one year, the fund provided a total return of 17.11%.

The fund is currently positioned to earn a pre-tax equivalent yield of 12.47%, far higher than the current low money market rates at 7%. Comparing the grossed up yield offered by the Coronation Preference Share Fund versus a money market return, gives investors a good idea of comparative pre-tax returns achievable by both. On a clean, after-tax basis, the fund is currently yielding 7.47%.

The preference share market improved markedly in recent months largely due to its attractive yield as interest rates continued to decline. Renewed demand for listed, perpetual preference shares by investors (as opposed to the unlisted variety) for this asset in an illiquid market contributed to the strong performance seen lately. Despite the rally in preference share prices, value in this sector remains and dividends, which are calculated as a percentage of prime will provide a good buffer against rising interest rates when monetary policy is tightened once again.

For the short term, investors should be reminded that there is small risk that the prime rate falls further. Although this is not our central case, dividends distributed going forward may be lower than those achieved in the past. The prime rate has declined from 15.5% in December 2008 to the current 10% and is expected to remain unchanged for the rest of the year.

Bank preference shares currently earn between 7% and 8%, while corporate preference shares yield between 8.1% and 10%. We continue to be more exposed to the banking sector than to corporates given their larger market capitalisation per issue and higher liquidity, and within the corporate holdings favour the better quality names for their good yield and lower relative risk. We still see the best value in Investec preference shares, which suffered during the height of the credit crisis and continue to trade at a premium to the other banks, yielding 8%. We also continue to see good opportunities from high quality corporate preference shares such as Netcare, PSG and Grindrod.

The fund continues to distribute all dividends received, with this quarter being one in which most of the large banks and some corporates paid a dividend. The fund earned dividends from holdings in Absa Bank, Firstrand, Nedbank, PSG, Grindrod, Astrapak, Imperial Holdings and Mvelaphanda.

¹ Benchmark = 3 months STeFi after 40% tax.

Portfolio managers

Tania Miglietta and Godwill Chahwahwa

CORONATION PREFERENCE SHARE

CLASS A as at 31 March 2010

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

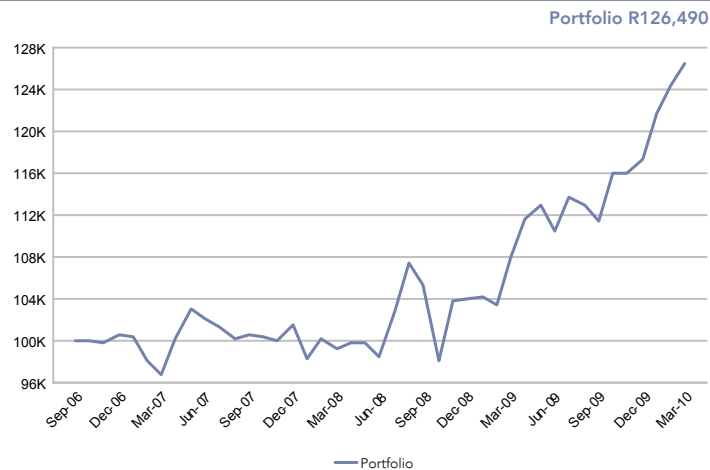
Fund size R420.63 million
NAV 93.82 cents
Benchmark/Performance Fee Hurdle Alexander Forbes 3-month (STeFI) Index, adjusted for maximum individual tax rate

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)	26.5%	22.7%	3.8%
Since Inception (annualised)	6.9%	5.8%	1.2%
Latest 3 years (annualised)	9.4%	5.9%	3.5%
Latest 1 year (annualised)	17.1%	4.6%	12.5%
Year to date	7.8%	1.0%	6.7%
2009	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	8.5%	0.5%
Sharpe Ratio	(0.38)	(1.14)
Maximum Gain	9.1%	37.8%
Maximum Drawdown	(8.6)%	0.00
Positive Months	52.4%	100.0%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2010	3.8%	2.1%	1.7%										7.8%
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%

PORTFOLIO DETAIL

ASSET ALLOCATION AND EXPECTED EFFECTIVE YIELD

As at 31 Mar 2010	Weight	Annualised Yield	Contributions to overall Yield
Bank issued preference shares	77.89%	7.29%	5.68%
Corporate issued preference shares	16.12%	8.71%	1.40%
Convertible preference shares	2.11%	5.80%	0.12%
Ordinary equity	0.00%	0.00%	0.00%
Cash (pre-tax)	3.88%	6.88%	0.27%
Gross Yield			7.47%
Less: Total expense ratio ²			(0.70%)
Less: Trading costs ²			(0.28%)
Net expected effective			6.49%

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 Mar 2010	Yield	Rating
Firststrand Limited Pref Shares	7.14%	AA
Absa Preference Shares	7.21%	AA+
Investec Non Red Cum Pref	8.02%	A+
Nedbank Non Cum Prefs	7.33%	AA-
Stndrd Bank Group Pref Shares	7.08%	AA
Investec Limited Preference Shs	7.92%	A+
Psg Preference Share	8.52%	A-
Network Healthcare Pref	8.88%	A
Grinrod Limited Prefs	8.28%	BBB-
African Bank Pref	8.19%	A+

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31 Mar 2010	01 Apr 2010	1.99	1.93	0.06
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

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 March 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. 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 December 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.