

PORTFOLIO MANAGER COMMENTARY

Listed property experienced a very strong quarter on the back of much lower bond yields as well as a results season which did not spring too many negative surprises. The sector delivered a total return of 9.9% as both the 50bps interest rate cut (and the accompanying downward movement in the rolling 10-year bond) as well as less bearish guidance from management teams in their results releases. From a forward yield perspective the sector rerated strongly from 9.2% to 8.6% on a weighted average basis, reflecting both strong share price movement and the impact of large index constituents like Growthpoint moving out of lower distribution growth reporting periods.

The fund marginally underperformed the SA Listed Property Index (SAPY) for the quarter, but continues to outperform the spliced benchmark over one year. However, it marginally underperformed the benchmark over three years. The underperformance for the quarter can mainly be attributed to the limited exposure to stocks like Sycor, SA Corporate, Redefine and Vukile, while the relative positioning in Liberty International, Acucap and Hospitality A further detracted from performance. Positive relative return contribution occurred through the exposure to Hyprop and Foord Compass.

The main activity within the fund during the quarter was the disposal of its entire holding in Hyprop. This disposal does not reflect a potential derating in retail assets within the property sector or a weakness in Hyprop's portfolio. At the time when the negotiations started regarding the sale of Coronation's entire stake in Hyprop, the 7.0% clean forward yield achieved with the sale compared very well with the sector clean forward yield at that stage of 9.0%, as well as the underlying valuation yield within Hyprop's portfolio of 7.3%.

This disposal resulted in the cash position of the fund increasing substantially to 20%. However, with only a few days between the effective date of the transaction being 19 March and the end of the quarter, the cash position was decreased to 8.3% into a rapidly rising market. This was achieved by increasing exposure to Capital, Pangbourne, Resilient, Growthpoint, Redefine, Acucap and Liberty International. In addition, the fund participated in a private placement of NEPI at a discount price to the market trading levels. NEPI was established to invest primarily in the high quality office, retail and industrial property market in Romania and has a secondary inward listing in South Africa since April 2009. NEPI has the strong support of the Resilient group of companies with direct and indirect shareholdings and access to management skills. The portfolio has a retail bias with 66% exposure to this sector. The prospects of these properties seem positive with strong international and national Romanian tenants as well as a gradually improving consumer base.

Liberty International released full year results in March. The focus of the results fell less on the actual underlying performance of the company and more on the announcement regarding the demerger into Capital Shopping Centres (CSC) and Capital & Counties (CapCo). CSC will remain dual listed (similar to Liberty International at present) and contain the shopping centre assets, while CapCo will be an inward listed company on the JSE housing all the Central London assets, which include Covent Garden, Earls Court & Olympia, the Great Capital Partnership and the Empress State building. Despite the anomalies with the new listing structure we remain positive on both the demerged entities. 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. In turn, the upside for CapCo lies within the repositioning of Covent Garden as a premier Central London retail destination as well as the potential in the redevelopment of the Earls Court site.

Many local companies also reported during the quarter. Excluding Redefine, which delivered a year-on-year increase of 28% in its quarterly distribution, the weighted average distribution growth delivered by the sector was 6.5%. This ranged from -36.1% in the case of the combined Hospitality unit through to the 14.4% delivered by Capital. Key themes which came through with the results released were the defensiveness of industrial and regional retail assets. The cyclical nature of the office sector has started to rear its head and could continue to put pressure on rental reversion, specifically in nodes where an oversupply is gradually being created. In addition, developers have hopefully learned the importance of quality line shops in smaller retail developments and that, despite having a food retailer as anchor tenant, consumers are sophisticated enough to differentiate between good and bad tenant mix. Tenants remain under pressure, with an increase in vacancies and subsequent vacancies taking longer to fill given increased incentives (either broker commission or subsidies to tenant installations). From an operating point of view, I expect the next 6 months (at least) to remain tough for tenants. The lower interest rate cycle should by then have had sufficient time to filter through the system. Tenants will however continue to experience headwinds with electricity costs and municipal rates increases. Going forward the key for operating success within the listed sector will be the successful managing of costs and vacancies and negotiating favourable funding margins when funding facilities need to be renewed. From a landlord perspective knowing your tenant is very important.

The sector seems to have run ahead of itself early in the quarter. However, with the subsequent movement in bond yields the strong quarter seems justified, although a bit unexpected taking the underlying property risks into account. Things seem to be improving on the ground, but commercial property is not entirely out of the woods yet (although the 2009 Investment Property Databank numbers point to the momentum turning positive in the second quarter of 2009 for direct commercial property). In the short-term inflation may surprise on the downside as the currency remains strong, government borrowing may be less than anticipated and GDP growth may surprise on the upside. This leads me to believe that the positive momentum in the sector should remain, although this call is marginal as there are so many variables that could impact the macro economic environment.

Portfolio manager
Anton de Goede

CORONATION PROPERTY EQUITY

CLASS A as at 31 March 2010

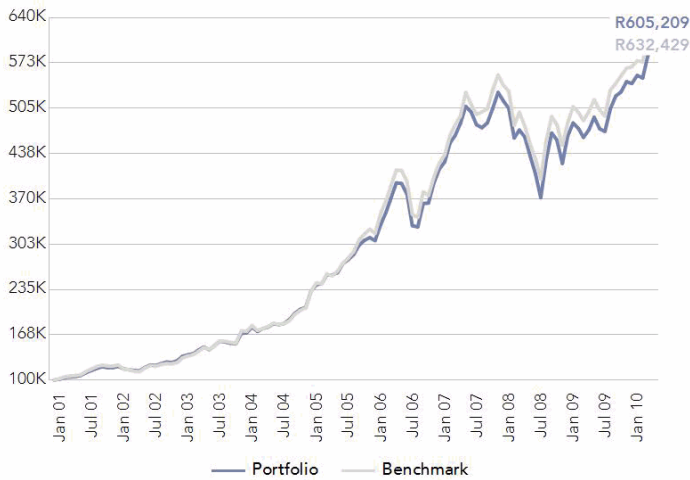
CORONATION
FUND MANAGERS

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 Anton de Goede

Fund size R 1.03 billion
NAV 3092.65 cents
Benchmark/Performance Fee Hurdle 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)	505.2%	532.4%	(27.2)%
Since Inception (annualised)	21.3%	21.8%	(0.6)%
Latest 5 years (annualised)	18.7%	19.9%	(1.2)%
Latest 3 years (annualised)	7.9%	8.6%	(0.7)%
Latest 1 year (annualised)	28.0%	26.4%	1.6%
Year to date	9.3%	9.9%	(0.6)%
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	14.5%	14.7%
Sharpe Ratio	0.78	0.81
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%										9.3%
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) ²	1.43% per annum
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PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2010	
Domestic Assets	100.0%	
Preference Shares & Other Securities	2.6%	
Real Estate	89.2%	
Cash	8.2%	
International Assets	0.0%	
Cash	0.0%	

TOP 10 HOLDINGS

As at 31 Mar 2010	% of Fund
Growthpoint Properties Ltd	22.5%
Redefine Income Fund	13.0%
Acucap Properties Ltd	9.5%
Pangbourne Properties Ltd	9.5%
Resilient Property Income Fund	9.3%
Fountainhead Property Trust	6.7%
EMIRA	4.6%
Capital Property Fund	3.8%
Liberty International Plc	3.7%
Hospitality Properties Ltd	2.9%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
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
30 Jun 2009	01 Jul 2009	20.41	0.00	20.41

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 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, as well as the actual performance fee incurred over the 12 months 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.