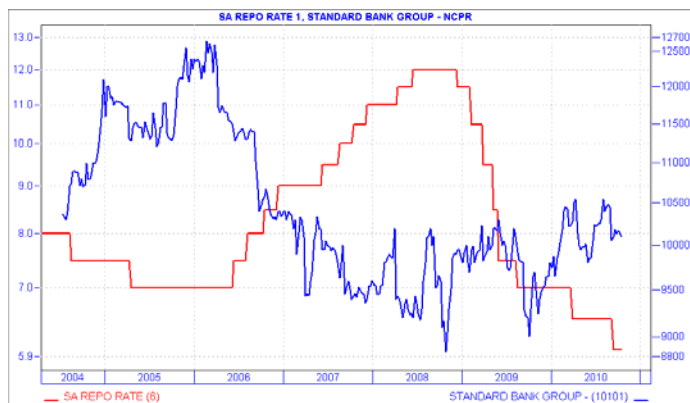


PORTFOLIO MANAGER COMMENTARY

The preference share market enjoyed a great run over the last 12 months. As such, the fund has returned 5.18% for the quarter and 19.28% for the 12 months to end September 2010. This was most welcome following a number of poor years for preference shares where rising interest rates and investor uncertainty on the tax treatment of dividends put a dampener on the price of preference shares.

The market foresaw that the Monetary Policy Committee (MPC) would most likely reduce the repo rate by a further 0.5% to a new low of 6.0% and started to rally in advance of this. July was a particularly good month with the Coronation Preference Share Fund returning 3.28% in that month alone. The current downward cycle in interest rates began in late 2008 and has been a great support to the preference share market (see chart below) after the sell-off between 2005 – 2008.



The preference share market capitalisation is in the region of R27 billion. This quarter we saw increased issuance from Capitec Bank and PSG Group Ltd, both coming to market to tap their existing preference share offering. These were issued at a discount to the prevailing yields on the share at the time. We participated in both issues.

Bank preference shares, which are currently on a clean yield of between 6.8% – 7%, having come down sharply as prices have risen. The corporate preference share sector yields between 7.4% – 8%, a steady premium over bank preference shares given the greater credit risk and lower liquidity present in this sector. However, yields have fallen steadily as prices have gone up – a similar picture to that seen in the bond market.

Preference shares provide investors with an attractive non-taxable dividend, which compared to a money market yield (taxable) is still attractive even if yields have fallen. This quarter the big banks all paid a dividend as well as Grindrod, PSG Group and Imperial Holdings, all of which is paid out via the quarterly fund distribution.

The portfolio is currently positioned in 66% bank preference shares with the balance in corporate preference shares, providing an overall fund yield of 7% which is an equivalent pre-tax yield of 11.6% (assuming a 40% marginal tax rate).

Portfolio managers

Tania Miglietta and Godwill Chahwahwa

CORONATION PREFERENCE SHARE

CLASS A as at 30 September 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

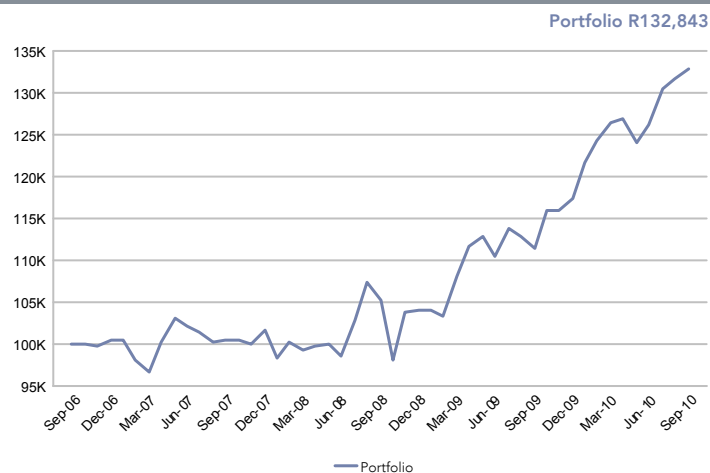
Fund size R432.67 million
NAV 95.18 cents
Benchmark/Performance Fee Hurdle Alexander Forbes 3-month (STeFI) Index, adjusted for maximum individual tax rate

Risk profile



PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	32.8%	25.4%	7.5%
Since Inception (annualised)	7.4%	5.5%	1.8%
Latest 3 years (annualised)	9.7%	5.6%	4.1%
Latest 1 year (annualised)	19.3%	4.1%	15.1%
Year to date	13.2%	3.0%	10.2%
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	8.2%	0.5%
Sharpe Ratio	(0.29)	(0.98)
Maximum Gain	9.3%	42.3%
Maximum Drawdown	(8.6)%	0.00
Positive Months	56.3%	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%	0.3%	(2.2)%	1.8%	3.3%	0.9%	0.9%				13.2%
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 30 Sep 2010	Weight	Annualised Yield	Contributions to overall Yield
Bank issued preference shares	76.30%	7.13%	5.44%
Corporate issued preference shares	20.03%	7.87%	1.58%
Convertible preference shares	0.00%	0.00%	0.00%
Ordinary equity	0.08%	0.00%	0.00%
Cash (pre-tax)	2.54%	7.61%	0.19%
Gross Yield			7.21%
Less: Total expense ratio ²			(0.70%)
Less: Trading costs ²			(0.28%)
Net expected effective yield			6.22%

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 30 Sep 2010	Yield	Rating
Absa Preference Shares	6.97%	AA+
Firststrand Limited Pref Shares	6.74%	AA
Investec Non Red Cum Pref	7.24%	A+
Nedbank Non Cum Prefs	9.10%	AA-
Investec Limited Preference Shs	7.40%	A+
Psg Preference Share	7.91%	A-
Stndrd Bank Group Pref Shares	6.63%	AA
Network Healthcare Pref	7.67%	A
Grinrod Limited Prefs	7.60%	BBB-
African Bank Pref	7.40%	A+

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2010	01 Oct 2010	2.16	2.11	0.05
30 Jun 2010	01 Jul 2010	1.21	1.17	0.04
31 Mar 2010	01 Apr 2010	1.99	1.93	0.06
31 Dec 2009	04 Jan 2010	0.76	0.72	0.04

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 30 September 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 June 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.