

PORTFOLIO MANAGER COMMENTARY

In our previous commentary we mentioned that either property yields or bond yields must give in opposite directions to warrant the trading levels experienced at the quarter ending June 2010. For the first time in recent quarters, the listed property sector showed its true hybrid colours, taking its cue from both the strong momentum in the equity market as well as following bond yields lower. In terms of risk and return, listed property was positioned between equities and bonds, as one would traditionally expect, with a total return of 13.7%. These strong returns were driven by capital markets despite only tentative recovery signs continuing to come from the underlying commercial property market as well as the macro-economic environment. When the speculated interest rate cut eventually took place in September, against our initial anticipation, both bond and property yields had already priced it in. While listed property did partially de-rate against bond yields as expected, the nearly 1% movement lower in the 10-year rolling bond yield to 7.9% provided the impetus to restart the momentum gained in the first quarter and resulted in the weighted average forward yield of the sector to move from 8.6% to 8.2%.

The fund underperformed the SA Listed Property Index (SAPY) for the quarter, but for the 12 months to September, it remains one of the top performing funds in its sector. The past quarter's positive performance contributions came from our overweight positions in Fortress A, Resilient and Pangbourne as well as our exposure to the non-benchmark constituents Capital Shopping Centers (CSC) and Capital & Counties (CapCo), the demerged entities from Liberty International. Underperformance came mostly from our underweight positions in Growthpoint and Redefine, the two sector heavyweights making up 44% of SAPY, as well as our exposure to the non-benchmark constituent Foord Compass. In a rising market, as was experienced this past quarter, any cash exposure also detracts. We however remain comfortable with our current cash exposure.

We have increased our exposure to Emira (through a beneficial capital raising), Hyprop and again Redefine during the quarter. This was funded from the fund's cash position as well as our decreased exposure to Growthpoint, Fountainhead and Vukile. Although the fund's investment philosophy is not thematic, but rather based on individual share valuation metrics, the increased exposure to these companies should give the fund more exposure to the current momentum in GDP growth. There is a strong correlation between commercial property returns and GDP growth, albeit at a 6 to 12 month lag, making it important to have some exposure to more cyclical sectors within the broader market.

We continue to remain comfortable about our exposure to CapCo and CSC. The investment merits have been explained in the past. We visited some of the companies' assets recently and can confirm that the investment merits are still intact. For CapCo momentum continues to gather for the value unlock from the Earls Court site, while the repositioning of Covent Garden is going well with further leases being bought out and buildings purchased to improve the retail mix. For CSC the four centers visited remain strong within their catchment areas and their target markets clearly identified with retailers and offerings specifically for those markets enhanced. UK consumers are traveling further for their retail experience, therefore bigger centers will continue to have the upper hand – in 1971 50% retail market share was achieved from 200 trading locations, in 2008 that number was 90 and estimates are that this will settle at 75. CSC should benefit from the trend in the long term.

Ten companies reported results or declared distributions during the quarter. Excluding the quarterly distribution announcement of Redefine and maiden full year results of Fortress, the year-on-year distribution growth average reported was 6.8%, which was generally perceived as rather positive. The average disguises the 10% distribution growth by Pangbourne, Resilient and Capital compared to negative year-on-year distribution growth by SA Corporate and Hospitality. Most of the guidance pointed to better growth from this base, but worrying trends remain. The biggest by far is the impact of substantial increases in electricity tariffs and rates and taxes valuations, impacting the gross versus net rental levels when leases expire. In addition, more and more tenants are rolling leases into shorter-term contracts making lease expiry profiles less defensive. The operating environment remains tough for landlords albeit bad debts write offs and provisions are improving.

Are we at a cyclical turning point for both listed property and direct property? It could be that we are close to both, but at opposite ends of the spectrum. In terms of the listed sector, the number of listings being mooted for the next 12 months could be an early indicator of the yield cycle being close to its bottom. Approximately R25 billion worth of listings could be coming to the sector, which accounts for 20% of the current market cap. This has the potential to take local listed property from 2.5% to 3.5% of the All Share Index, improving liquidity, specialization and diversification. In addition, the turn in the inflation cycle should put pressure on the interest rate cycle, thereby putting pressure on the sector's yield. From a revenue point of view the sector is gradually improving by filling vacancies and sourcing alternative funding arrangements to benefit from the interest rate cycle (despite margins being structurally higher). The underlying rental market should improve in the next 6 to 12 months, led by the retail sector. Vacancies in the retail sector are also stabilizing, which will further support revenue growth. We remain selective in office and industrial exposure as it continues to lag the retail sector. Expect the listed property sector to closely follow bond yields in the short term.

Portfolio manager
Anton de Goede

CORONATION PROPERTY EQUITY

CLASS A as at 30 September 2010

CORONATION
FUND MANAGERS

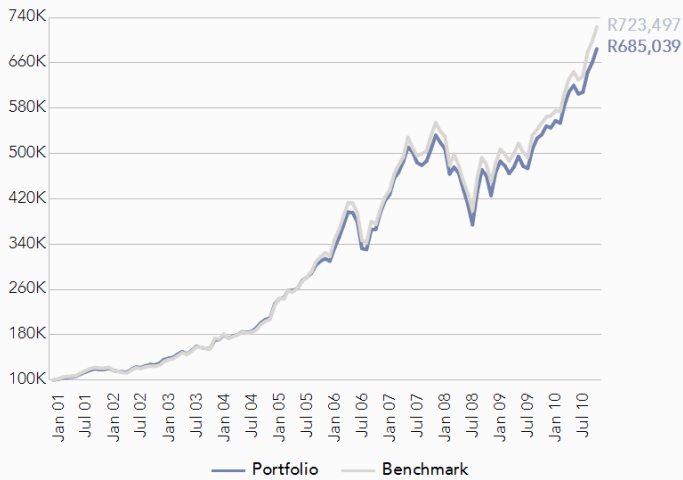
Fund category Domestic - Real Estate - General
Fund description Invests in quality listed property assets with the aim to produce high income yields and sustained long-term capital growth.
Launch date 20 November 2000
Portfolio manager/s Anton de Goede

Fund size R 1.25 billion
NAV 3363.68 cents
Benchmark/Performance Fee Hurdle FTSE/JSE SA Listed Property Index
Risk profile



PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Inception (unannualised)	585.0%	623.5%	(38.5)%
Since Inception (annualised)	21.6%	22.3%	(0.7)%
Latest 5 years (annualised)	17.2%	17.9%	(0.8)%
Latest 3 years (annualised)	10.5%	10.8%	(0.3)%
Latest 1 year (annualised)	28.5%	30.8%	(2.2)%
Year to date	22.8%	25.7%	(2.9)%
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	14.3%	14.5%
Sharpe Ratio	0.83	0.86
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(29.7)%	(28.0)%
Positive Months	67.8%	66.1%

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%	5.8%	2.7%	3.7%				22.8%
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)%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Sep 2010	%
Domestic Assets	98.0%	
Preference Shares & Other Securities	2.0%	
Real Estate	90.4%	
Cash	5.6%	
International Assets	2.0%	
Real Estate	2.0%	
Cash	0.0%	

TOP 10 HOLDINGS

As at 30 Sep 2010	% of Fund
Growthpoint Properties Ltd	19.7%
Redefine Income Fund	18.0%
Acucap Properties Ltd	9.1%
Resilient Property Income Fund	8.9%
Pangbourne Properties Ltd	8.6%
EMIRA	5.3%
Fountainhead Property Trust	4.3%
Capital Property Fund	3.4%
Fortress Income Fund Ltd A	3.3%
Hospitality Properties Ltd	3.1%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2010	01 Oct 2010	72.95	0.00	72.95
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

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

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).¹ Performance 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, as well as the actual performance fee incurred over the 12 months 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.

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.