

## PORTFOLIO MANAGER COMMENTARY

The listed property sector's total return of 5.0% for the past quarter disguises very volatile intra-period trading conditions. The push-pull momentum factor has remained, with many generalists still entering the sector as a yield play compared to the specialists who are not yet finding solace in the underlying direct market. While some inflationary risk could still impact local bond yields, it seems as though the traders are just focusing on the trends being set by US bonds. Not only is our bond market being supported by a similar trading pattern to US bonds, but also a seemingly consistent short-term view on inflation.

Results releases since the previous quarter did not provide any comfort with regards to the domestic commercial property operating environment. While both Redefine and Fountainhead are dealing with the dilutionary impact of either operations integration or development activity, Vukile delivered the stand out performance with distribution growth of 9% for the 2011 financial year. In turn, Sycom delivered negative distribution growth for its reporting period. This was mainly due to an increase in vacancy numbers as a result of leases not being renewed, although the prevalence of new office leases being signed at lower rental levels continued. Sycom's performance was the biggest drag on Acucap's distribution growth of 6.3% as 15% of its distributable earnings are attributable to its holding in Sycom. Operating cost ratios are under pressure due to higher-than-inflation increases in municipal charges and electricity, with municipal valuation back-charges another recent sting in the tail.

The fund outperformed the SA Listed Property Index for the quarter and remains top quartile for the 12-month period. The uncertainty in the sector is leading to much volatility among those stocks with limited liquidity. The positive performance contributions came from our overweight positions in Hospitality A, Redefine and Acucap as well as our exposure to the non-benchmark constituents Nepi, Capital Shopping Centers (CSC) and Capital & Counties (CapCo). In addition our limited exposure to Emira, SA Corporate, Premium and Octodec assisted in achieving outperformance. Relative value detractor came mostly from our underweight positions in Growthpoint, Sycom and Fountainhead and exposure to Fortress A. In terms of relative positioning we increased our exposure to Capital and Hyprop from cash as well as reduced positions in Growthpoint, Emira and SA Corporate. This was done to selectively benefit from the recovery in industrial and retail property. Industrial properties linked to distribution and warehousing seems to be the strongest subsector at present as many retailers are positioning their logistics for a potential Walmart entry. Furthermore, two retail subsectors on opposing sides of the spectrum – regional and commuter – remain the most defensive, while also rebounding the quickest.

We participated in various capital raisings during the period, all at beneficial discounts relative to that of the sector. One of two new listings was the Investec Property Fund. We participated in the pre-listing capital raising at a yield of 9.5%. The fund has an industrial and office bias with the potential to grow its existing 29 properties through utilising the relationship with its 50% shareholder, Investec. We did not participate in the listing of Rebois Property Fund as our view was that the risk/reward ratio from the listing yield of 8.6% did not reflect the East London retail concentration risk in the portfolio.

Further to the two new listings, Fountainhead, Nepi and CapCo also raised capital and we participated in all three. We were fortunate to secure participation in the placement of CapCo from which we already benefitted as its share price has since rebounded strongly from discounted pricing levels of 162p. In addition, the cash drag should be limited as the acquisition of five properties for £68 million from Derwent London shortly followed the capital raising. As part of the raising an interim management statement (IMS) was published, which pointed to continued positive momentum within the Covent Garden repositioning. Important for the redevelopment of Earls Court is that the mayor's Planning Inspectorate has officially reported that the redevelopment offers a sound basis for planning, subsequent to which the planning application for the redevelopment has been submitted.

CSC also published an IMS. It is currently difficult to read a very tough UK retail environment. It seems as though CSC has lost a bit of momentum since year-end, although the overall trajectory is still positive for the long term positioning of the portfolio/tenanting once the UK retail market starts sending stronger signals. Trading remains very volatile with Zone A rentals being flat and no pattern with regards to which retailers are going into administration. Many retailers are also announcing planned store closures, but luckily CSC seems strongly positioned to keep trading stores or replace tenants. Fortunately CSC has not seen any decrease in the demand for space in the UK market from US retailers, or from stronger performing UK retailers who are expanding space to create flagship stores.

Hospitality Property Fund issued a trading statement which guided to the fund's combined A and B distribution for the 6 months to June 2011 to be at least 25% lower than the previous year. The A unit's growth, through which we hold most of our exposure, will not be impacted by this, while the B unit's growth will be at least 60% lower. For the distribution growth in the A unit to be negatively impacted in the immediate future, the entire company's distributable earnings would need to go back 30% in the 2012 financial year. In total, distributable earnings should be 12% lower in the current financial year based on the trading statement, and taking the World Cup base (being contracted to Tourvest rather than Match and thus having a solid strong base in June 2010) of the 2010 financial year into account, the state in the industry needs to deteriorate substantially from its current depressed base before such a earnings level would be reached.

The South African operating environment remains very sticky. After an improved start to the year management teams have picked up a deteriorating trend in the second quarter. Retaining clients, especially in the office sector, remain difficult. Potential tenants are becoming more astute in negotiations with a greater demand for tenant allowances. This is placing downward pressure on office rentals in particular, with negative reversions seemingly becoming the norm rather than the exception. Industrial letting remains the strongest and most defensive, followed by retail. However, in contrast to national retailers, line shop tenants continue to find trading conditions difficult despite the continued improvement in retail sales growth. Led by electricity, an average increase in administered prices of between 15% and 20% for the first six months of the year is putting further pressure on both landlord and tenant, making rental negotiations more difficult. In addition, service delivery standards are ostensibly decreasing, in many instances resulting in additional cost layers for landlords. For the listed sector we expect the environment to remain volatile and for yields to closely follow bonds for at least the next few months into August when the next big wave of results releases will be announced.

**Portfolio manager**  
Anton de Goede

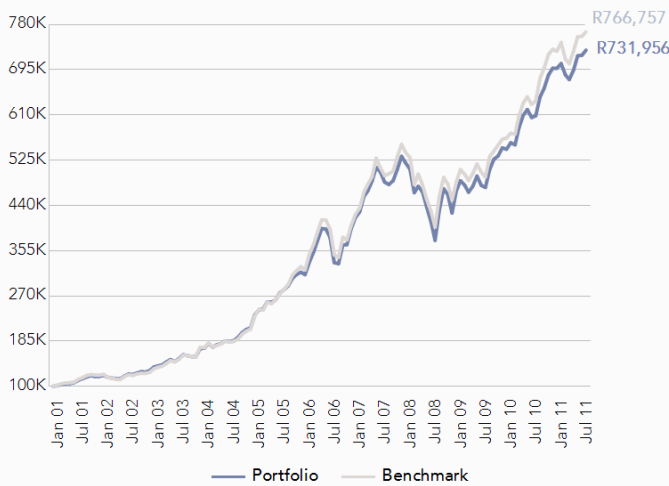
**Fund category** Domestic - Real Estate - General  
**Fund description** Invests in quality listed property assets with the aim to produce high income yields and sustained long-term capital growth.  
**Launch date** 20 November 2000  
**Portfolio manager/s** Anton de Goede

**Fund size** R 1.41 billion  
**NAV** 3410.75 cents  
**Benchmark** FTSE/JSE SA Listed Property Index  
**Risk profile**



## PERFORMANCE AND RISK STATISTICS<sup>1</sup>

### GROWTH OF A R100,000 INVESTMENT



## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2011	
<b>Domestic Assets</b>	<b>96.2%</b>	100%
Preference Shares & Other Securities	1.9%	
Real Estate	91.3%	
Cash	3.0%	
<b>International Assets</b>	<b>3.8%</b>	
Real Estate	3.7%	
Cash	0.0%	

## PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Launch (unannualised)	632.0%	666.8%	(34.8)%
Since Launch (annualised)	20.7%	21.2%	(0.5)%
Latest 10 years (annualised)	20.4%	20.8%	(0.3)%
Latest 5 years (annualised)	17.1%	17.2%	(0.1)%
Latest 3 years (annualised)	25.1%	24.3%	0.7%
Latest 1 year (annualised)	20.3%	20.5%	(0.2)%
Year to date	3.6%	2.8%	0.8%
2010	26.7%	29.6%	(3.0)%
2009	14.7%	13.5%	1.2%
2008	(4.3)%	(4.3)%	0.0%

## TOP 10 HOLDINGS

As at 30 Jun 2011	% of Fund
Redefine Income Fund	19.3%
Growthpoint Properties Ltd	18.5%
Capital Property Fund	13.3%
Resilient Property Income Fund	7.4%
Acucap Properties Ltd	7.1%
Hyprop Investments Ltd	4.4%
Fountainhead Property Trust	4.4%
Capital Shopping Centre Group	3.9%
Capital & Counties Properties	3.7%
Hospitality Properties Ltd	3.5%

## RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised Deviation	13.9%	14.2%
Sharpe Ratio	0.83	0.86
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(29.7)%	(28.0)%
Positive Months	67.7%	66.1%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Jun 2011	01 Jul 2011	22.20	2.34	19.86
31 Mar 2011	01 Apr 2011	79.53	0.00	79.53
31 Dec 2010	03 Jan 2011	20.85	0.00	20.85
30 Sep 2010	01 Oct 2010	72.95	0.00	72.95

## MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	(3.0)%	(1.3)%	2.6%	3.9%	0.1%	1.3%							3.6%
Fund 2010	(0.7)%	5.7%	4.1%	1.8%	(2.4)%	0.5%	5.8%	2.7%	3.7%	1.9%	0.0%	1.3%	26.7%
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%

## 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.

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 as calculated by Coronation as at 30 June 2011 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 2011. 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.

Total Expense Ratio (TER) <sup>2</sup>	1.42% per annum
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## 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.