

PORTFOLIO MANAGER COMMENTARY

The fund returned a positive 0.77% for the quarter compared to an after tax return of 0.81% for the fund benchmark. July proved to be a negative month for preference shares followed by a recovery in August and September against the backdrop of very volatile equity markets both locally and globally. Fears of a return to global recession and a lack of concrete action to resolve the EU sovereign debt crisis sent investors scurrying for the apparent safe haven of US treasuries and driving equity markets lower. In this environment, preference shares as an asset class proved to be defensive and currently offer more attractive yields on an after tax basis than cash and bonds.

During the quarter, South African and global growth prospects were toned down as the uncertainties arising from the Greek crisis weighed on investment and business confidence. As a consequence, central banks globally have kept rates low with the SARB following suit. Economic growth has become a priority for monetary policy makers and therefore any interest rate increases that would have been factored into early 2012 in South Africa have now been pushed out towards the end of 2012. The current low rates available in the money market will therefore prevail for longer than previously expected.

Preference shares yield between 6.7% and 8.3% after tax which is attractive when compared to the 5.2% on offer in the money market. Preference shares do come with capital volatility and therefore we believe this asset class remains appropriate for the long-term investor who is less concerned by near-term temporary capital volatility but looking to lock in an attractive after tax yield. Based on our current holdings, we estimate that our fund should generate a weighted gross yield of 7.3% at current rates.

During the quarter, the fund benefited from our participation and investment in the newly issued Discovery preference share. Discovery is a well run, innovative company with very little debt and good cashflows and therefore we were comfortable participants in their preference shares which came to market at what we believed to be an attractive 85% of prime. This investment was one of the star performers for the fund during this period. The new issuance market has been quiet, but this year we have seen further issuance of existing preference shares. This is positive for the long-term development of the preference share market where liquidity on many instruments is very low.

We continue to actively manage the fund to achieve superior returns for our investors and are therefore always on the lookout for attractive undervalued opportunities like the one discussed above. In our view the gross after tax yield of 7.3% from the fund remains very attractive in the low interest rate environment in which we find ourselves.

Portfolio managers

Tania Miglietta and Godwill Chahwahwa

CORONATION PREFERENCE SHARE

CLASS A as at 30 September 2011

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

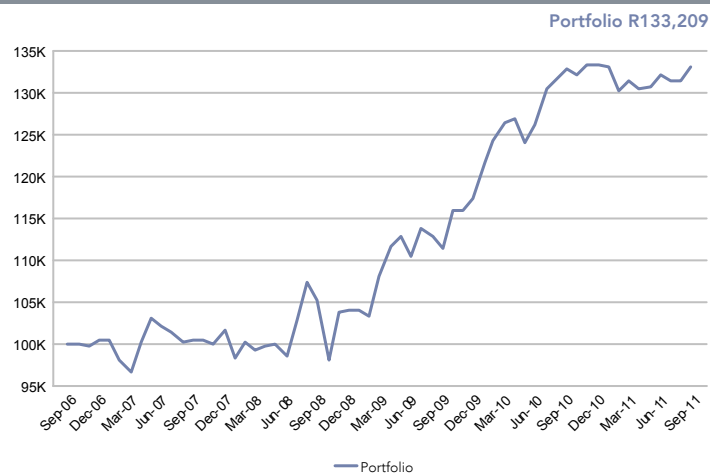
Fund size R322.76 million
NAV 89.57 cents
Benchmark Alexander Forbes 3-month (STeFI) Index, adjusted for maximum individual tax rate

Risk profile



PERFORMANCE AND RISK STATISTICS¹

GROWTH OF A R100,000 INVESTMENT



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Outperformance
Since Launch (unannualised)	33.2%	30.2%	3.0%
Since Launch (annualised)	5.9%	5.1%	0.8%
Latest 5 years (annualised)	5.9%	5.1%	0.8%
Latest 3 years (annualised)	8.2%	4.5%	3.7%
Latest 1 year (annualised)	0.3%	3.4%	(3.1)%
Year to date	(0.1)%	2.4%	(2.6)%
2010	13.6%	3.9%	9.7%
2009	12.9%	5.2%	7.7%
2008	2.3%	7.0%	(4.7)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	7.5%	0.6%
Sharpe Ratio	(0.41)	(0.76)
Maximum Gain	9.3%	50.3%
Maximum Drawdown	(8.6)%	0.00
Positive Months	55.0%	100.0%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2011	(0.2)%	(2.0)%	0.8%	(0.6)%	0.2%	1.0%	(0.5)%	0.0%	1.3%				(0.1)%
Fund 2010	3.8%	2.1%	1.7%	0.3%	(2.2)%	1.8%	3.3%	0.9%	0.9%	(0.4)%	0.8%	(0.1)%	13.6%
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%

PORTFOLIO DETAIL

ASSET ALLOCATION AND EXPECTED EFFECTIVE YIELD

As at 30 Sep 2011	Weight	Annualised Yield	Contributions to overall Yield
Bank issued preference shares	62.61%	6.88%	4.31%
Corporate issued preference shares	32.56%	7.81%	2.54%
Convertible preference shares	0.00%	0.00%	0.00%
Ordinary equity	0.00%	0.00%	0.00%
Cash (pre-tax)	4.25%	6.21%	0.26%
Gross Yield			7.11%
Less: Total expense ratio ²			(0.71)%
Less: Trading costs ²			(0.08)%
Net expected effective yield			6.32%

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 2011	Yield	Rating
Absa Preference Shares	6.86%	AA+
Firststrand Limited Pref Shares	6.72%	AA
Stdndr Bank Group Pref Shares	6.77%	AA
Investec Non Red Cum Pref	7.52%	A+
Network Healthcare Pref	7.74%	A
Grindrod Limited Prefs	7.89%	BBB-
Discovery Hldgs Ltd Pref	7.43%	
Investec Limited Preference Shs	7.25%	A+
Psg Preference Share	8.13%	A-
African Bank Pref	7.71%	A+

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2011	03 Oct 2011	1.62	1.57	0.05
30 Jun 2011	01 Jul 2011	0.82	0.81	0.01
31 Mar 2011	01 Apr 2011	1.98	1.95	0.03
31 Dec 2010	03 Jan 2011	0.89	0.86	0.03

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee	0.60%
Total Expense Ratio (TER)²	0.71% 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 as calculated by Coronation as at 30 September 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. 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 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.