

PORTFOLIO MANAGER COMMENTARY

Whereas listed property yields followed bond yields with a lagged effect and some trepidation during the first part of the quarter, the strong relationship between the two asset classes returned during September. For the first part of the quarter, local bond yields were heavily influenced by yields in the US which gained substantially despite the downgrade of US sovereign debt by Standard and Poor's. In addition, ongoing concerns over both US and global growth, coupled with continuing concerns regarding European debt, kept bond yields low as a flight to safety followed despite the upward trend in inflation. With risk aversion returning to financial markets, the weakness in the rand during September has led to local bond yields moving out substantially. The strength of the relationship between local and US bond yields, which we have experienced since the start of the year, has weakened substantially with US yields retaining its safe haven status on growth concerns.

The total return of 2.2% delivered by the sector for the quarter masks the underlying volatility in yields and lack of direction from the direct property market. Our sense is that the sector continues to trade on yield momentum rather than the underlying property market fundamentals. With a relatively disappointing results season and cautious to negative forward guidance from management teams, it lets us to believe that investors in search of yield along with foreigners continue to drive the sector forward.

The fund performed in line with the SA Listed Property Index (SAPY) for the quarter, and remains top quartile over the 12 and 36-month period. Volatility and large discrepancies persist in the quarterly performance of the illiquid counters, while those investors seeking yield are chasing the larger more liquid ones. Results released during the quarter led the performance of individual companies on both ends of the return spectrum. Resilient, Fortress A&B, Growthpoint, Acucap, Capital and Fountainhead delivered strong performances, while tightly held counters like Octodec and Premium struggled, with weaker results-driven performance from Emira and Hospitality. Positive performance contributions came from our relative exposure to Fortress, Resilient, Nepi, Emira, Acucap and Capital. Our relative exposure to SA Corporate, Hyprop and Hospitality A detracted from return. In addition, the exposure to Capital Shopping Centres and Capital & Counties also detracted from relative performance as UK property came under pressure in light of an uncertain UK economic environment. We remain comfortable with our exposure to these two companies and continue to closely interact with management to ascertain the operating risks. The integrity of the A&B listing structure is being tested at present with the trading statements of Fortress and Hospitality at the opposite end of the spectrum illustrating the merit of choosing one's own risk profile. We remain comfortable with our exposure to the three A unit structures listed within the sector and have the conviction that there is sufficient future earnings growth to ensure the lower of CPI or 5% distribution growth as per the A unit structure. We continue to reduce the fund's exposure to Foord when volumes allow it. In addition, we decreased the exposure to Acucap and Redefine on a yield relative basis and sold out of SA Corporate due to a lack of visibility in distribution growth recovery. With portfolio and management quality again starting to become much more important in relative yield movements we increased our exposure to Growthpoint and Capital. We also initiated exposure to Rebasis and reinstated to Vukile as both seem attractive on relative yield and growth prospects. This decision followed meetings with both management teams in which we gained assurance on the certainty of the respective earnings streams.

Both Vunani Property Income Fund and Dipula Income Fund listed during the month. Albeit small listings, we participated in both pre-listing capital raisings during the period, both at beneficial yield discounts relative to that of the sector. Vunani listed at 9.8% with a mostly office exposed underlying portfolio. We participated as the higher yield came with a relative clean portfolio, and the average portfolio rent comparing favourably with current market rentals. In addition, value adding development opportunities are very likely in the short term at the Vodacom site in Sandton, as it will make sense for both tenant and landlord. Dipula in turn listed with an A & B unit structure and initial listing yields of 9.25% and 10.73%. The security in the A income stream at listing was relatively intact despite a portfolio with a small average property size, again creating a favourable annuity type investment with yield rerating potential.

With nearly two thirds of the sector reporting during the quarter, it served as barometer for the current state of listed property. The sector delivered a weighted average distribution growth of 6.4% for the six-month period to end June 2011. The results were rather polarized with Capital, Resilient, Fortress and Growthpoint all delivering distribution growth north of 8% for the period (year-on-year). On the other side of the spectrum Emira and Hyprop came in between 3% - 4%, SA Corporate at 0.8% and Hospitality at a combined -25.6%. The results pointed to the following:

- Weaker portfolios remain under pressure across all three sub-sectors
- From a sector point of view select industrial is the strongest, then retail and followed by office
- Sector weighted average vacancy has been coming down and at 6.5% is still below the historical average of 7.7%
- This has come at the expense of operating cost ratios with higher broker commissions and tenant installations being offered to attract tenants
- Operating cost ratios are also increasing due to higher repair and maintenance spend to ensure that tenants will actually renew leases – many leases have moved to rolling monthly or 12-monthly
- Landlords still recoup most electricity costs and between 60% and 80% of rates and taxes, but it is putting pressure on reversions
- Companies are all diversifying away from bank funding and are investigating short or medium-term paper funding alternatives
- Funding margins remain under pressure although many are attempting to utilize the current low rates to either refinance or fix interest rates

What has been clear this past quarter is the way different management teams react to the ongoing stressful operating environment – the rated management teams are coming through strongly and one can see this in the distribution growth delivered and prospects. Pro-active management teams are the clear stand-outs. Going forward these companies will be the ones being supported by investors with continued cautiousness towards unproven management teams. We will thus continue to see the polarization within the sector with the overall sector performance not necessarily driven by fundamentals. Yield momentum support should remain in the sector with dovish comments from the most recent MPC meeting pointing to a potential likelihood of an interest rate cut should growth concerns outweigh inflation concerns. Property market fundamentals remain weak, but this seems not to be a factor in the current sector trading trends. Stock selection continues to be of highest importance in an uncertain market where relative value disparity stubbornly persists between the individual companies.

Portfolio manager
Anton de Goede

CORONATION PROPERTY EQUITY

CLASS A as at 30 September 2011

CORONATION
FUND MANAGERS

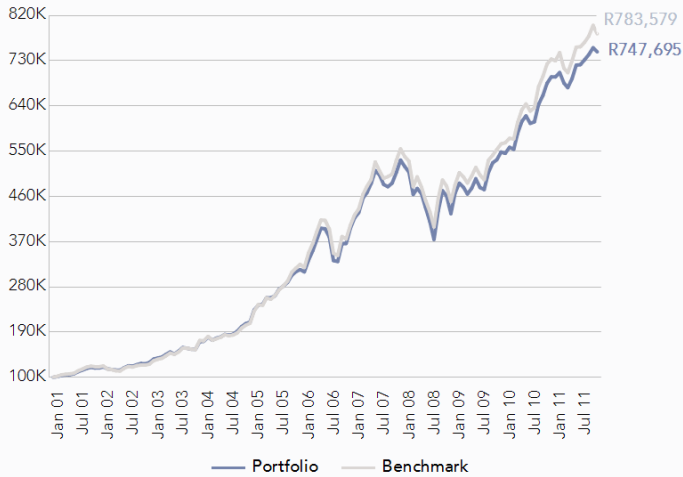
Fund category Domestic - Real Estate - General
Fund description Invests in quality listed property assets with the aim to produce high income yields and sustained long-term capital growth.
Launch date 20 November 2000
Portfolio manager/s Anton de Goede

Fund size R 1.47 billion
NAV 3461.47 cents
Benchmark 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 Launch (unannualised) | 647.7% | 683.6% | (35.9)% |
| Since Launch (annualised) | 20.4% | 20.9% | (0.5)% |
| Latest 10 years (annualised) | 20.2% | 20.5% | (0.3)% |
| Latest 5 years (annualised) | 15.3% | 15.9% | (0.5)% |
| Latest 3 years (annualised) | 17.5% | 17.7% | (0.2)% |
| Latest 1 year (annualised) | 9.1% | 8.3% | 0.8% |
| Year to date | 5.8% | 5.0% | 0.8% |
| 2010 | 26.7% | 29.6% | (3.0)% |
| 2009 | 14.7% | 13.5% | 1.2% |
| 2008 | (4.3)% | (4.3)% | 0.0% |

RISK STATISTICS SINCE LAUNCH

| | Fund | Benchmark |
|----------------------|---------|-----------|
| Annualised Deviation | 13.8% | 14.0% |
| Sharpe Ratio | 0.80 | 0.82 |
| Maximum Gain | 54.8% | 41.0% |
| Maximum Drawdown | (29.7)% | (28.0)% |
| Positive Months | 67.7% | 66.2% |

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% | 1.4% | 1.8% | (1.1)% | | | | 5.8% |
| 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.

| | |
|--|-----------------|
| Total Expense Ratio (TER) ² | 1.42% per annum |
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PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

| Sector | 30 Sep 2011 |
|--------------------------------------|--------------|
| Domestic Assets | 96.4% |
| Preference Shares & Other Securities | 1.6% |
| Real Estate | 92.1% |
| Cash | 2.7% |
| International Assets | 3.6% |
| Real Estate | 3.6% |
| Cash | 0.0% |

TOP 10 HOLDINGS

| As at 30 Sep 2011 | % of Fund |
|--------------------------------|-----------|
| Growthpoint Properties Ltd | 19.3% |
| Redefine Income Fund | 17.2% |
| Capital Property Fund | 13.5% |
| Resilient Property Income Fund | 7.4% |
| Acucap Properties Ltd | 5.8% |
| Fountainhead Property Trust | 4.4% |
| Hyprop Investments Ltd | 4.2% |
| Capital & Counties Properties | 3.6% |
| Fortress Income Fund Ltd A | 3.4% |
| Capital Shopping Centre Group | 3.3% |

INCOME DISTRIBUTIONS

| Declaration | Payment | Amount | Dividend | Interest |
|-------------|-------------|--------|----------|----------|
| 30 Sep 2011 | 03 Oct 2011 | 63.08 | 1.52 | 61.56 |
| 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 |

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.

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.