

The Coronation Absolute Fund produced a return of 30.12% for the one-year period ended 31 December 2005. This is well ahead of its return objective of inflation plus 6% (which has been 9.9% for the period, with CPIX running at 3.9%), and was achieved with an average equity exposure of around 60%.

On the back of a very strong year from the equity market (with the FTSE/JSE All Share Index up 47%), the biggest contributors to the fund's performance this year have been several of the fund's core equity positions, particularly Impala Platinum (+95%), Sasol (+87%) and VenFin (+90%) following the take-out offer from Vodafone Plc.

The fund has held a significant position in VenFin for the past few years because we believed that the largest asset in VenFin, being Vodacom, is a great asset that grows its business value year in and year out through significant free cash flow generation. In addition, VenFin always traded at a large discount to its NAV which provided good downside protection. The market's view was that there was no 'catalyst' to unlock this discount and so VenFin would always trade at this discount to NAV. Our view is that valuation is the only catalyst that an investor needs and we were happy to buy an asset that was trading at such a large discount to the underlying value of its investments, and wait patiently for that value to be recognised. Vodafone Plc saw that value and on the day of the announcement of the transaction the discount that had been in place for five years disappeared in the space of a few minutes with the VenFin share price appreciating by over 30% in one day. The fund today holds positions in a few other stocks that trade with these nonsensical 'holding company' discounts, including Remgro, Johnnic Communications and Johnnic Holdings. We are not sure if these investments will be as rewarding as VenFin, but what we do know is that these stocks own some great assets and are trading at a large discount to the underlying value of these respective assets.

There has been very little activity in the portfolio over the past few months and our negative view on bonds in particular, and listed property to a lesser extent, are still reflected in relatively small positions of 1% and 2% respectively. With continued rand strength we have taken additional cash offshore and the fund has close to 15% international exposure, 6% of this invested in equities, with the balance in cash. Given this, and with equity exposure at around 60%, the balance of the fund is currently invested in cash which makes up 15% of the portfolio.

The fund only added one new equity position over the past quarter, that of Dorbyl, which at the time of purchase we believed offered a 30% margin of safety and importantly also offered good downside protection as a result of the fact that approximately 50% of the NAV is in cash. Whilst the remaining business in Dorbyl, the South African automotive division, is not a high quality business, we believe that this, and more, is already in the share price. We also added to several existing positions, including Standard Bank, Metropolitan, SABMiller and AVI, all for the same reason, being that the share prices of these companies had not increased for some time yet their business values had continued to grow which meant the gap between the share price and business value, being the margin of safety, opened up sufficiently.

Going into 2006, we are becoming more cautious on equities, given their very strong performance over the past few years, and we are currently in the process of critically evaluating a few of the fund's equity positions with the net result that equity exposure is likely to move down over the next few months. We do however continue to hold the view that the fund is well positioned to generate its target return of inflation plus 6%.

Edwin Schultz & Gavin Joubert
Portfolio Managers

Fund category	Domestic Asset Allocation Flexible
Launch date	2 December 2002
Portfolio manager	Edwin Schultz & Gavin Joubert
Fund size	R1.1 billion
NAV	2101.31 cents
Annual management fee	1.25% (ex VAT)
Performance fee	20% (above hurdle, capped at 2.5% p.a.)

Benchmark	CPIX
Performance fee hurdle	CPIX + 6%
Fund description	Aims to maintain a real growth rate of 6% per annum, and preserve capital over any rolling 36-month period.

ASSET AND SECTOR ALLOCATION

Sector	31 Dec 2005	30 Sep 2005
Domestic Assets	85.78%	85.45%
Equity	66.04%	63.07%
Resources	9.54%	10.53%
Basic Industries	3.15%	2.32%
General Industrials	0.46%	0.68%
Cyclical Consumer Goods	1.94%	1.66%
Non Cyclical Consumer Goods	4.87%	5.48%
Cyclical Services	22.43%	21.50%
Non Cyclical Services	4.61%	4.73%
Financials	18.71%	14.60%
Information Technology	0.00%	1.23%
Futures	(1.44%)	(1.60%)
Specialist Securities	1.77%	1.94%
Listed Property	1.70%	1.73%
Fixed Interest	1.84%	2.04%
Cash	16.20%	18.61%
International Assets	14.22%	14.55%
Equity	6.92%	5.86%
Cash	7.30%	8.69%

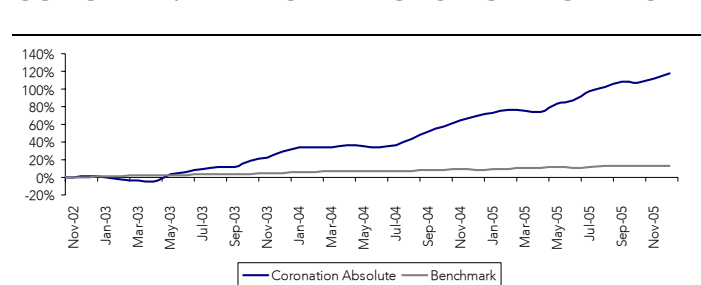
PERFORMANCE & RISK STATISTICS

	Fund	Benchmark
Latest 12 months	30.13%	3.85%
Latest 36 months (annualised)	29.89%	4.06%
Since inception (annualised)	29.32%	4.01%
Annual deviation since inception	9.17%	1.38%
Sharpe ratio	2.21	N/A
Maximum gain	31.34%	N/A
Maximum drawdown	-5.23%	N/A
Positive months	70.27%	N/A

TOP 10 SHARE HOLDINGS

As at 31 December 2005	% of Fund
VenFin Ltd	6.31%
Naspers Ltd – N ordinary shares	5.08%
Remgro Ltd	4.85%
Sasol Ltd	4.80%
Impala Platinum Holdings Ltd	4.73%
Woolworths Ltd	4.62%
Primedia Ltd – N ordinary shares	3.03%
SABMiller Plc	3.00%
Standard Bank Group Ltd	2.93%
Telkom SA Ltd	2.81%
Total	42.16%

CUMULATIVE PERFORMANCE SINCE INCEPTION



INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/09/2005	01/10/2005	30.13	19.88	10.25
31/03/2005	01/04/2005	0.00	0.00	0.00
30/09/2004	01/10/2004	0.00	0.00	0.00
31/03/2004	01/04/2004	0.00	0.00	0.00

ANNUAL RETURNS SINCE INCEPTION

	Fund	CPIX	Active Return
2005	30.13%	3.85%	26.27%
2004	30.91%	4.29%	26.62%
2003	28.65%	4.05%	24.60%
2002	0.83%	0.17%	0.66%

PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Fund 2005	2.01%	2.04%	-0.69%	-0.78%	5.58%	2.01%	5.60%	2.16%	2.70%	-0.40%	2.22%	4.43%	30.13%
B'mark 2005	0.46%	0.08%	1.06%	0.52%	0.22%	-0.22%	1.04%	0.37%	0.22%	0.22%	-0.07%	-0.10%	3.85%
Fund 2004	3.63%	-0.65%	0.33%	1.53%	-0.97%	-0.11%	1.51%	5.12%	5.44%	4.29%	4.18%	3.22%	30.91%
B'mark 2004	1.11%	0.55%	0.62%	0.31%	0.08%	0.23%	0.31%	-0.15%	0.31%	0.46%	0.61%	0.23%	4.29%