

For the first half of 2005, the Coronation Absolute Fund appreciated by 10.5%, and for the one-year ended 30 June 2005, the fund has returned 39.3%, which is some 29% ahead of its return objective of inflation plus 6% (which has been 9.9% for the period, with CPIX running at 3.9%).

The biggest contributors to the fund's performance this year have been the core equity positions, particularly Sasol (+54%), Impala Platinum (+25%) and Telkom (+21%). Despite these share price increases, we have retained the fund's position in all three of these stocks. Whilst we hold the view that Sasol is no longer cheap, we also believe that, at the current share price, the market is ascribing very little value to Sasol's GTL (Gas-to-Liquid) business. In addition, in line with our investment philosophy which is both conservative and of a very long-term duration, we have valued Sasol using a conservative, long-term oil price of around US\$30 which is well below the current oil price of almost US\$50. Every day, week and year that passes with an oil price above US\$30 adds incrementally to this conservative valuation of Sasol and further strengthens our investment case.

With Impala Platinum, over and above the view that we like the long-term fundamentals of platinum and the current valuation of Impala (10 PE multiple with a normalised platinum price of US\$650 and ZAR/US\$ of 7.50), we believe that at the current share price we are paying nothing for Impala's substantial platinum reserves in Zimbabwe. We still like Telkom for the reasons we have always liked it: free cash flow generation and valuation. Telkom generates around R16 to R17 of free cash flow a year and we believe that a significant amount of this will be returned to shareholders over the years to come. At the current share price of R108, Telkom is trading on a price/free cash flow multiple of 6.5 which, in our view, is very attractive for a group that generates over one-third of its free cash flow from Vodacom which, in turn, is one of the best businesses in South Africa.

The last few months also provided an opportunity to establish positions in both Richemont and SABMiller at reasonably attractive prices. The share price declines came at a time when we were looking to increase the fund's rand hedge exposure. In addition to a general negative move in global markets, Richemont declined as a result of quarterly luxury goods' sales figures that were below market expectations. We believe that the value of a business is determined by prospects over the next 10 to 20 years, not one quarter's sales numbers. Richemont declined to the extent where we were able to buy the share (at a price of around R18 a share) on a PE multiple of 13 on normalised earnings for the luxury business, which we consider to be attractive for a global business that owns some of the best brands in the luxury market, including Cartier, Montblanc and Panerai.

In a similar vein, SABMiller was impacted by the decline in global stock markets as well as a negative trading statement by Coors (a competitor to SAB's Miller brand in the US). Once again, it was our view that this short-term news flow had no impact on our long-term assessment of SABMiller's business value and the resultant widening gap between SABMiller's share price (at R90 when we bought the share) and our estimation of its business value (of over R130 a share), presented a buying opportunity.

Over the period, the fund invested in two instruments that we believe provide attractive risk-adjusted returns relative to cash, which is currently returning less than 7%. The first instrument, BidBEE, is an employment equity financing vehicle for the Bidvest BEE transaction. The unit currently trades at around R49 a share. In 18 months time, if the Bidvest share price is above R60 then holders of BidBEE units will receive R60 a share. The upside is therefore capped at R60, which means that the share is a rather unique instrument, with part equity characteristics and part bond characteristics. The Bidvest share price is currently R73 and at this level we believe it is undervalued. In addition, Bidvest is growing its business value. As a result, we hold the view that there is a very high probability that the Bidvest share price will be above R60 in 18 months time and as holders of BidBEE shares the fund will therefore receive R60 in cash. This results in an annualised expected return of over 14% per annum on the R49 investment made today. In an environment of low interest rates and low cash returns we find this return very appealing, particularly given the relatively low risk nature of the investment.

The fund also participated in the listing of Makalani, a company that provides mezzanine financing to BEE deals and has qualities that are closer to a debt instrument than to those of equity. We expect to receive a return of over 10% per annum from Makalani over the next few years, which again makes it a very attractive alternative to cash from an expected return/risk perspective.

The equity exposure of the fund was reduced slightly over the past few months to currently around 56%; approximately 15% of which is protected through market put options. The fund has utilised its full international capacity (15% of total fund) as a result of our view that the rand will continue to depreciate over longer periods of time. We continue to believe that bonds are overvalued and that the opportunities in listed property stocks are decreasing. As a result, the fund has a negligible position in government bonds (1% of total fund) and only 2% of the fund is invested in property. As a result of these views, the fund currently has a cash position of close to 25% of the total portfolio and we will wait patiently before deploying this cash rather than put capital at risk by investing in overvalued assets.

The past two years have seen exceptional returns from the equity market. Against this backdrop, the Coronation Absolute Fund has maintained a high equity exposure and benefited from good stock selection. However, it is very unlikely that the market will repeat such high returns going forward and, as a result, investors should be aware that future returns from the fund are unlikely to be at the same level as those seen over the recent past. We are however comfortable that the fund can continue to achieve its return objective of CPIX + 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	R839.86 million
NAV	1811.18 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 never lose money over any rolling 36-month period.

ASSET AND SECTOR ALLOCATION

Sector	30 Jun 2005	31 Mar 2005
Domestic Assets	85.10%	85.01%
Equity	58.78%	61.58%
Resources	8.06%	7.95%
Basic Industries	2.42%	2.51%
General Industrials	0.82%	0.85%
Cyclical Consumer Goods	1.38%	0.00%
Non Cyclical Consumer Goods	6.90%	4.65%
Cyclical Services	19.73%	19.36%
Non Cyclical Services	5.88%	7.03%
Financials	14.03%	19.72%
Information Technology	1.27%	1.48%
Futures	(3.00%)	(1.97%)
Specialist Securities	1.29%	0.00%
Listed Property	2.15%	2.55%
Fixed Interest	1.75%	2.70%
Cash	22.42%	18.18%
International Assets	14.90%	14.99%
Equity	6.56%	5.15%
Cash	8.34%	9.84%

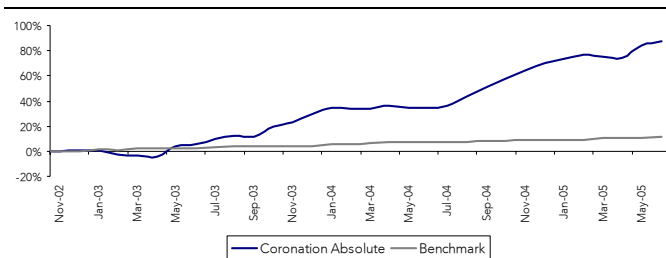
PERFORMANCE & RISK STATISTICS

	Fund	Benchmark
Year to date	10.47%	2.56%
Latest 12 months	39.39%	3.91%
Since inception (annualised)	27.57%	4.29%
Annual deviation since inception	9.55%	1.35%
Sharpe ratio	1.89	N/A
Maximum gain	31.34%	N/A
Maximum drawdown	-5.23%	N/A
Positive months	67.74%	N/A

TOP 10 SHARE HOLDINGS

	% of Fund
Sasol Ltd	4.30%
Remgro Ltd	4.08%
Telkom SA Ltd	3.99%
Impala Platinum Holdings Ltd	3.43%
Woolworths Holdings Ltd	3.38%
VenFin Ltd	3.01%
Naspers Ltd – N ordinary shares	2.78%
Johnnic Communications Ltd	2.59%
Primedia "N" Ltd	2.51%
Peermont Global Ltd	2.47%
Total	32.54%

CUMULATIVE PERFORMANCE SINCE INCEPTION



INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
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
30/09/2003	01/10/2003	21.37	8.83	12.54

ANNUAL RETURNS SINCE INCEPTION

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

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Fund 2005	2.01%	2.04%	-0.69%	-0.78%	5.58%	2.01%						
B'mark 2005	0.46%	0.08%	1.06%	0.52%	0.22%	0.20%						
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%
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%