

The industrial sector continued the fairly flat trend of the previous quarter, ending marginally up over the three months. With the market going nowhere slowly, we were well pleased with the performance of the Coronation Industrial Fund, which had a good quarter both in an absolute and relative sense. As usual, we like to keep the perspective firmly on longer-term returns. For the 12-months to end June the fund achieved a return of 52% versus 45% for the FTSE/JSE Industrials Index. For the three-year period to end June, the compound annual figures are 32% and 20% respectively.

Our long-time core holding Delta Electrical performed excellently upon the sale of its engineering business. We still see much value here. Other performers were Aspen, Tiger Brands and our big core positions in Naspers and Telkom. On the negative side, New Clicks suffered yet more disappointment. We continue to bite the bullet. AVI, another core holding and a great investment, also performed below the market.

Given the magnitude of the overall returns, we appreciate that the industrial market is no longer as cheap as it was this time last year; and especially this time two years ago. We still do see many examples of excellent value, however. This is evidenced by our inability to find good 'sells' from the existing portfolio, and an ever growing list of 'possibles' knocking on the door to get in. Resisting the temptation to take profits too quickly on existing holdings, we stick to a rigorous evaluation of new candidate investments. As a result, the portfolio saw but little trading in the period under review, and the concentration in our high-conviction ideas has been maintained.

During the quarter, we finally exited our investment in Johnnic Holdings. We do remain highly exposed to the attractive media sector via Naspers, Primedia and Johnnic Communications. Another position exited was Aspen. We have doubled our money and although we still feel that this share has upside, the risk/reward profile is no longer compelling enough to defend its place against other opportunities. On the buy side, positions were established in Super Group, Altech and Tiger Wheels.

We continue to concentrate on situations where long-term value is offered. In this commentary we feature Group Five and Tiger Wheels, two stocks that demonstrate different elements of our thinking.

- It is clear that the macro environment for fixed investment looks promising. Evaluating investment opportunities in the sector is however unrewarding: the construction industry is known for its volatility of earnings, low visibility and poor returns on capital. Pulling the top-down view through to our more comforting bottom-up, we find that Group Five nevertheless offers an attractive risk/reward trade-off. Like other companies in the sector, past disappointments have made for internal change and a new risk-averse approach to contract business. The group is out of past loss-making contracts and the order-book is sound. New work secured in the Middle East appears profitable and not overly risky. The manufacturing operations have, in our view, staged a sustainable turnaround. The group is over capitalised, with the impending sale of investment properties and operational cash flows aiding de-gearing and cash returns to shareholders. On a 6x PE, it is attractive.
- Tiger Wheels was a darling stock of the late 1990s, when its strong earnings growth and rand hedge qualities took it to three times the market rating. These same attributes sank it after 2000, when the rand firmed and the global automotive markets suffered. In a fairly weak macro environment, an amount equal to half the market capitalisation was spent on expanding production. This has not yet shown up in earnings, which have been depressed by various once-off effects, including currency losses. From the present base, the company will show good earnings growth. Tiger Wheels' local retail businesses will also benefit greatly from the increased vehicle population in SA. We believe this group has improved its underlying quality. With the rand-hedge element thrown in for free, one is now getting the same excellent firm for a below-market rating; a clear value situation.

**Karl Leinberger & Dirk Kotzé**  
Portfolio Managers

Fund category	Domestic Equity Industrial
Launch date	1 July 1998
Portfolio manager	Dirk Kotzé & Karl Leinberger
Fund size	R54.38 million
NAV	2716.60 cents
Annual management fee	1.00% (ex VAT)

Benchmark	FTSE/JSE Africa Industrials Index
Fund description	Invests in a broad range of domestic industrial shares.

### ASSET AND SECTOR ALLOCATION

Sector	30 Jun 2005	31 Mar 2005
<b>Domestic Assets</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Equity</b>	<b>99.24%</b>	<b>100.75%</b>
Basic Industries	6.50%	7.28%
General Industrials	5.57%	2.05%
Cyclical Consumer Goods	2.07%	0.00%
Non Cyclical Consumer Goods	16.30%	18.51%
Cyclical Services	49.54%	53.27%
Non Cyclical Services	7.78%	9.01%
Financials	9.10%	8.65%
Information Technology	2.38%	1.97%
<b>Cash</b>	<b>0.76%</b>	<b>(0.75%)</b>
<b>International Assets</b>	<b>0.00%</b>	<b>0.00%</b>

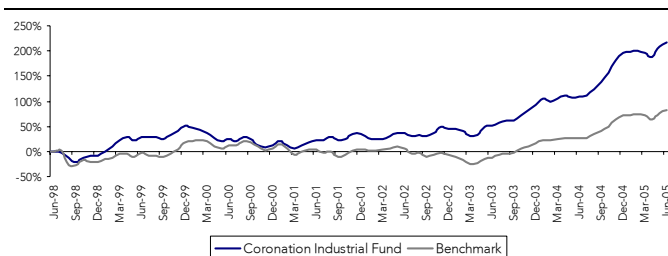
### PERFORMANCE & RISK STATISTICS

	Fund	Benchmark
Year to date	7.32%	6.87%
Latest 12 months	52.18%	45.22%
Latest 36 months (annualised)	32.18%	19.89%
Latest 60 months (annualised)	20.59%	10.24%
Since inception (annualised)	17.93%	9.00%
Annual deviation since inception	18.27%	23.01%
Sharpe ratio	0.43	0.00
Maximum gain	55.54%	61.72%
Maximum drawdown	-21.40%	-29.29%
Positive months	60.71%	63.10%

### TOP 10 SHARE HOLDINGS

	% of Fund
Naspers Ltd – N ordinary shares	8.72%
Mr Price Group Ltd	5.75%
Woolworths Ltd	5.53%
Remgro Ltd	5.48%
Telkom SA Ltd	4.81%
AECI Ltd	4.02%
SABMiller plc	3.82%
AVI Limited	3.67%
VenFin Ltd	3.63%
Primedia "N" Ltd	3.41%
<b>Total</b>	<b>48.84%</b>

### CUMULATIVE PERFORMANCE SINCE INCEPTION



### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/03/2005	01/04/2005	26.35	25.52	0.83
30/09/2004	01/10/2004	14.97	13.50	1.47
31/03/2004	01/04/2004	9.11	1.37	7.74
30/09/2003	01/10/2003	13.40	10.88	2.52

### ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2004	53.35%	46.59%	6.76%
2003	32.27%	25.24%	7.03%
2002	8.15%	-10.37%	18.51%
2001	20.06%	-2.20%	22.26%
2000	-26.27%	-10.82%	-15.46%
1999	67.70%	50.17%	17.53%
1998	-9.24%	-20.66%	11.42%

### MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Fund 2005	1.26%	0.15%	-1.32%	-2.48%	6.82%	2.95%						
B'mark 2005	0.21%	2.18%	-2.16%	-4.46%	7.51%	3.86%						
Fund 2004	6.01%	-2.32%	3.24%	2.57%	-1.58%	0.21%	1.66%	5.19%	6.85%	7.73%	9.72%	4.99%
B'mark 2004	4.91%	-0.04%	1.87%	1.69%	-0.34%	-0.36%	0.34%	6.04%	4.71%	6.28%	10.41%	3.94%