

The Coronation Smaller Companies Fund had a relatively disappointing quarter with a 2.5% increase in the unit price. This was in a quarter where the mid cap index returned 6.7% and the small cap index 11.2% (total return including dividends).

The fund has gone through a phase of restructuring which invariably occurs with the introduction of a new manager. This process is largely complete with only one or two illiquid counters remaining to be sold. The fund has become more focussed with holdings in 36 counters and no individual counter having a weighting in the fund of less than 1.5%.

The strong performance from mid and small caps since March 2002 has made it a lot more difficult to find significantly undervalued shares, but not impossible. Two companies which we believe offer good value based on our estimate of normal earnings are Tiger Wheels and Group Five, both of which we have been buying in the fund.

The short-term problems that Tiger Wheels has been experiencing in its new US-based wheel manufacturing plant, and the associated negative news flow, has presented us with what we believe is an opportunity to buy into this company at levels considerably below fair value. Tiger Wheels will report a poor set of numbers to June 2005, but we expect very strong earnings growth from this company in the next two to three years, getting closer to our assessment of normal earnings of approximately R3.50 per share.

Group Five is, in our opinion, the most preferred of the listed construction counters. Our estimate of normal earnings is close to R2.50 per share, implying a current PE multiple on normal earnings of 6.1 times (using a share price of R15.25). Admittedly the road from the current earnings level of around R1.50 per share to R2.50 per share will not be easy, but our major assumption is a construction operating margin of 3.4% (1.5% in 2004) which should be achievable considering the new construction projects the company has been awarded in Dubai and the expected growth in infrastructure spend in South Africa.

During the quarter we sold our significant position in Seardel; no mean feat considering the lack of liquidity in this stock. We believe that this business will continue to struggle against the flood of clothing imports coming into South Africa, unless the rand depreciates significantly. We also sold our position in Wesco, the holding company which owns 25% of Toyota SA and 40% of listed Metair. Having appreciated some 20% since our purchase earlier in the year the upside to our fair value was not attractive enough to continue holding.

The Coronation Smaller Companies Fund remains very attractive in our view and trades on a rolled one-year forward PE and dividend yield of 8.6 times and 4.5% respectively – both indicating good value in our opinion.

Alistair Lea
Portfolio Manager

Fund category	Domestic Equity Smaller Companies
Launch date	1 April 1997
Portfolio manager	Alistair Lea
Fund size	R121.0 million
NAV	2271.37 cents
Annual management fee	1.00% (ex VAT)

Benchmark	Composite benchmark: FTSE/JSE Africa Mid & Small Cap Indices
Fund description	Invests in small and mid capitalisation companies, developing industries and recovery shares.

ASSET AND SECTOR ALLOCATION

Sector	30 Jun 2005	31 Mar 2005
Domestic Assets	100.00%	100.00%
Equity	93.40%	98.85%
Resources	3.26%	3.71%
Basic Industries	14.54%	18.41%
General Industrials	8.19%	7.16%
Cyclical Consumer Goods	2.01%	8.97%
Non Cyclical Consumer Goods	9.39%	10.37%
Cyclical Services	39.12%	34.22%
Financials	5.51%	4.22%
Information Technology	11.38%	11.79%
Cash	6.60%	1.15%
International Assets	0.00%	0.00%

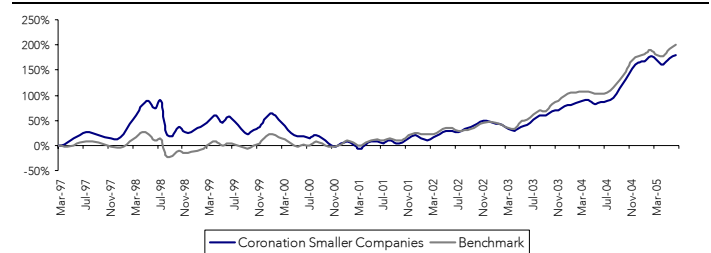
PERFORMANCE & RISK STATISTICS

	Fund	Benchmark
Year to date	5.49%	8.39%
Latest 12 months	50.01%	47.40%
Latest 36 months (annualised)	29.74%	30.93%
Latest 60 months (annualised)	18.93%	24.18%
Since inception (annualised)	13.27%	14.26%
Annual deviation since inception	24.37%	20.10%
Sharpe ratio	0.17	0.20
Maximum gain	67.21%	43.41%
Maximum drawdown	-37.63%	-30.55%
Positive months	60.61%	59.60%

TOP 10 SHARE HOLDINGS

	% of Fund
Mr Price Group Ltd	6.35%
Mobile Industries Ltd	6.08%
Massmart Holdings Ltd	3.57%
Oceana Group Ltd	3.28%
Delta Electrical Industries Ltd	3.27%
Medi-Clinic Corporation Ltd	3.27%
Tanzanite One Group Ltd	3.26%
Tourism Investment Corporation Ltd	3.17%
Mustek Ltd	3.16%
Dawn Ltd	3.04%
Total	38.45%

CUMULATIVE PERFORMANCE SINCE INCEPTION



INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/03/2005	01/04/2005	28.63	24.88	3.75
30/09/2004	01/10/2004	25.11	20.85	4.26
31/03/2004	01/04/2004	22.16	18.47	3.69
30/09/2003	01/10/2003	33.44	30.38	3.06

ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2004	48.14%	38.62%	9.52%
2003	20.64%	36.35%	-15.71%
2002	24.03%	16.86%	7.17%
2001	15.91%	22.82%	-6.91%
2000	-33.41%	-13.56%	-19.85%
1999	21.50%	36.96%	-15.46%
1998	13.19%	-9.36%	22.55%
1997	12.62%	-4.78%	17.40%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Fund 2005	0.93%	3.79%	-3.05%	-2.85%	4.70%	2.12%						
B'mark 2005	1.52%	3.03%	-3.53%	-0.76%	5.34%	2.76%						
Fund 2004	1.07%	1.78%	2.19%	0.96%	-3.47%	1.69%	0.70%	3.46%	9.81%	8.68%	8.87%	5.05%
B'mark 2004	2.34%	-0.08%	1.72%	-0.23%	-2.58%	0.82%	0.57%	4.83%	6.70%	7.42%	9.07%	3.18%