

For the first quarter of 2005 the Coronation Absolute Fund appreciated by 3.3%, and for the one year ended 31 March 2005, the fund has returned 30.7%, which is some 21% ahead of its return objective of inflation plus 6% (which has been 9.7% for the period, with CPIX running at 3.7%).

A significant contributor to the fund's performance has been rising equity markets but more importantly the equity selection, with several of the fund's holdings producing total returns over the past 12 months of more than 50%. These include Peermont Global (+121%), Metropolitan Holdings (+67%), Absa (+67%), Naspers (+63%) and Standard Bank (+55%). The fund started reducing equity exposure towards the end of last year as a result of continued appreciation of the equity market. Although equities remain to be the most attractive asset class in our view, the risks have undoubtedly increased as valuation multiples have expanded. Equity exposure is currently at around 60% and we are comfortable with this level, particularly given that 20% of the equity exposure is hedged. Over the past few months, we bought additional FINDI (Financial & Industrial Index) put options and the fund is now in the situation where half of the hedge position is in FINDI put options and the other half in ALSI put options. As the fund's long equity exposure is predominantly in financial and industrial stocks, the FINDI instruments provide a more appropriate hedge to the fund's long position. Over and above this protection, we feel that all of the stocks that are held by the fund are still undervalued and offer good downside protection.

Very few changes were made to either the asset allocation or the underlying investments over the past few months. On the equity side, we sold the fund's entire holding in Aspen after enjoying close to a doubling in the share price since the fund bought its stake. Aspen is a good business and its superior earnings growth may well continue some time into the future. However, as always, valuation is as important to us as the nature of the business and, in the case of Aspen, the share is now valued on a one-year forward P/E multiple of around 14 and we feel that this valuation more than captures future growth prospects. When a share is trading on a multiple at these levels any disappointment will result in a significant de-rating and corresponding loss of capital.

We also continued to slightly reduce the fund's life assurance holdings in the form of Metropolitan and Sanlam. The life assurance sector has enjoyed a significant re-rating since we started buying these stocks over two years ago and whilst we believe that the sector is still undervalued, they are getting closer to our estimation of fair value.

On the buying side, we continued to add to the fund's media positions, with additional purchases of Naspers and Primedia, and a new holding in Johnnic Communications. We continue to believe that media assets are great assets and that the sector offers some of the most undervalued opportunities in the domestic equity market. Naspers (5.5% of total fund including the ADR holding) is the fund's largest position. This group owns some of the best assets in the country (in particular the pay-television business, MultiChoice/DStv, and the print business, Media24) yet at R70 the share is trading on a Price/Free Cash Flow of only 9 on normalised free cash flows. We believe that this Free Cash Flow multiple should be closer to 13 which, in turn, would equate to a fair value of over R100.

In a similar vein, Primedia's core asset, Radio Highveld, is a superior asset and most of Primedia's other assets (Kfm, outdoor advertising, etc.) are above-average businesses. Yet the share is available for purchase (at a share price of R11) on a Price/Free Cash Flow multiple of less than 8 on normalised free cash flows, which we believe is a very attractive price.

Johnnic Communications holds stakes in M-Net SuperSport and Caxton and also owns several other smaller media assets including The Sunday Times and Exclusive Books. We hold the view that this basket of media assets is of above-average quality and are worth around R50, yet the fund was able to buy these shares at around R35. Media holdings now make up almost 9% of the total fund in the form of positions in Naspers, Primedia and Johnnic Communications.

The fund also added to its position in Sasol. We feel Sasol's existing business is still undervalued by the market (worth around R165 with a normalised oil price of US\$30 and normalised rand/US dollar exchange rate of 7, compared to the current share price of R145), and in addition to this that the market is ascribing no value to the GTL (Gas To Liquids) business, which could be worth an additional R50 a share or more. On this basis, we believe that Sasol is worth over R200 and therefore expect the fund to enjoy further good returns from this investment going forward.

We continue to hold the view that bonds are overvalued and, as a result, the fund holds only a negligible position in government bonds (1.3% of total fund). We have a preference for listed property stocks over bonds, but are struggling to find significant value in these stocks, given the extremely strong performance of this sector over the past few years. The fund's only holding in property is in Growthpoint, which makes up 1.8% of the total fund. This means that the fund holds a significant cash position (23% of total fund) and given the low returns from cash this is not an ideal position to be in. However, we are not prepared to put capital at risk and will therefore be patient in waiting for opportunities in bonds and property and are comfortable holding this cash position while we wait for opportunities to arise. We also continue to believe that the rand is overvalued and at some point will start to depreciate; we therefore have a full position of 15% of the total fund allocated to international assets, most of which is invested in cash (euro and pound sterling).

The past year has seen exceptional returns from the equity market. Against this backdrop the Coronation Absolute Fund has held a high equity weighting and benefited from good stock selection. However, it is 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      |
| Benchmark              | CPIX                                    |
| Performance fee hurdle | CPIX + 6%                               |
| Launch date            | 2 December 2002                         |
| Portfolio manager      | Edwin Schultz & Gavin Joubert           |
| Fund size              | R641.5 million                          |
| NAV                    | 1694.91 cents                           |
| Annual management fee  | 1.25% (ex VAT)                          |
| Performance fee        | 20% (above hurdle, capped at 2.5% p.a.) |

**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                      | 31 Mar 2005   | 31 Dec 2004   |
|-----------------------------|---------------|---------------|
| <b>Domestic Assets</b>      | <b>85.01%</b> | <b>86.79%</b> |
| <b>Equity</b>               | <b>61.58%</b> | <b>56.83%</b> |
| Resources                   | 7.95%         | 6.64%         |
| Basic Industries            | 2.51%         | 3.16%         |
| General Industrials         | 0.85%         | 0.98%         |
| Non Cyclical Consumer Goods | 4.65%         | 6.71%         |
| Cyclical Services           | 19.36%        | 16.08%        |
| Non Cyclical Services       | 7.03%         | 6.46%         |
| Financials                  | 19.72%        | 19.57%        |
| Information Technology      | 1.48%         | 1.75%         |
| Futures                     | (1.97%)       | (4.52%)       |
| Listed Property             | 2.55%         | 2.18%         |
| Fixed Interest              | 2.70%         | 0.88%         |
| Cash                        | 18.18%        | 26.90%        |
| <b>International Assets</b> | <b>14.99%</b> | <b>13.21%</b> |
| <b>Equity</b>               | <b>5.15%</b>  | <b>4.24%</b>  |
| <b>Cash</b>                 | <b>9.84%</b>  | <b>8.97%</b>  |

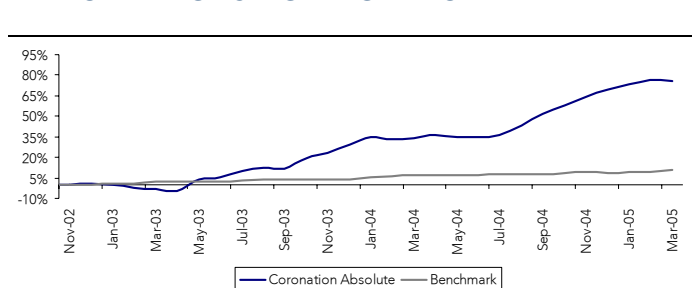
**TOP 10 SHARE HOLDINGS**

|                                      | % of Portfolio |
|--------------------------------------|----------------|
| Telkom SA Ltd                        | 4.58%          |
| Sasol Ltd                            | 4.53%          |
| Remgro Ltd                           | 4.08%          |
| VenFin Ltd                           | 3.78%          |
| Impala Platinum Holdings Ltd         | 3.08%          |
| Naspers Ltd – N ordinary shares      | 3.00%          |
| Peermont Global Ltd                  | 2.68%          |
| AECI Ltd                             | 2.51%          |
| Naspers Ltd – N shares sponsored ADR | 2.48%          |
| Woolworths Ltd                       | 2.46%          |

**RISK STATISTICS**

|                                  | Fund   | Benchmark |
|----------------------------------|--------|-----------|
| March 2005                       | -0.69% | 1.20%     |
| YTD                              | 3.37%  | 1.74%     |
| Annual return since inception    | 27.27% | 4.40%     |
| Annual deviation since inception | 9.61%  | 1.44%     |
| Sharpe ratio                     | 1.82   | N/A       |
| Maximum gain                     | 31.34% | 27.08%    |
| Maximum drawdown                 | -5.23% | N/A       |
| Positive months                  | 67.86% | 78.57%    |

**PERFORMANCE SINCE INCEPTION**



**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%         |

**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    |

**MONTHLY PERFORMANCE RETURNS FOR THE LAST THREE YEARS**

|             | Jan    | Feb    | Mar    | Apr    | May    | Jun    | Jul   | Aug    | Sept   | Oct   | Nov   | Dec   |
|-------------|--------|--------|--------|--------|--------|--------|-------|--------|--------|-------|-------|-------|
| Fund 2005   | 2.01%  | 2.04%  | -0.69% |        |        |        |       |        |        |       |       |       |
| B'mark 2005 | 0.46%  | 0.08%  | 1.20%  |        |        |        |       |        |        |       |       |       |
| 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% |
| Fund 2003   | -0.49% | -2.54% | -1.07% | -1.23% | 8.51%  | 1.63%  | 4.19% | 2.19%  | -0.61% | 7.06% | 2.93% | 5.56% |
| B'mark 2003 | 0.99%  | -0.08% | 1.06%  | 0.32%  | 0.00%  | -0.32% | 1.05% | 0.40%  | 0.24%  | 0.00% | 0.24% | 0.08% |