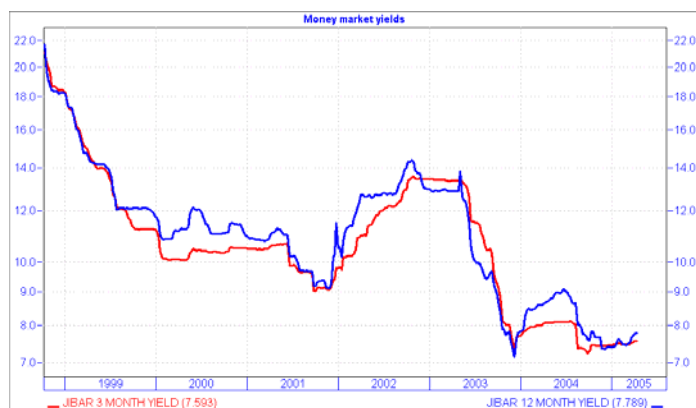


The Coronation Income Fund is made up of carefully selected bond and money market assets which are chosen for their high running yield, their liquidity and their likelihood of outperforming the benchmark (1-3 year Bond Index) over time. During the last quarter, we have been very conservatively positioned with a short modified duration as our expectations were for bonds to sell-off, taking with it any unrealised capital gains. We therefore have concentrated on investing in low-duration investments, such as cash, floating rate and inflation-linked structured notes, high yielding corporate bonds and securitisation. This has ensured that we deliver the highest available yield, whilst still minimising capital losses.

The money market began the year on astounding bullish sentiment! Pressure existed in the market for short-term interest rates to move lower, given a persistently strong rand, the strength in the bond market and money market derivatives pricing in the next repo rate cut. This was a concern, as we believe that another interest rate cut would further fuel an already aggressive consumer spending pattern and only exacerbate inflation going forward.

By February we were pleased to note that the South African Reserve Bank (SARB) had agreed that no further reduction in interest rates was necessary and the repo rate remained at 7.50%. Money market rates have since started to edge higher as the market starts to recognise that the cycle may be turning and the very low interest rates of the past 18 months are likely to increase. The market is now pricing in a good chance of the first 50 basis points repo rate hike taking place in April 2006.

Jibar rates (Johannesburg Interbank Average) have risen recently, indicating to us that South African banks no longer expect further rate reductions. The sharp downward move in interest rates over the last six years is visible in the chart below. The interest rate cycle may well start to turn during the course of this year.



South African bonds had their worst month in over three years during March, losing 3.67% in one month alone and underperforming all other domestic asset classes. Coronation Income Fund has weathered this storm by being short duration for the full quarter. It returned 1.59% for the first three months of the year, versus the 1-3 year Bond Index which returned 0.24% - this is substantial outperformance.

The fund has returned the following (net) figures as at 31 March 2005:

	3 months	6 months	12 months
Coronation Income Fund	1.59%	3.77%	8.65%
1 – 3 yr bond index	0.24%	2.78%	8.94%
Outperformance	1.35%	0.99%	-0.29%

Source: Micropal

The Coronation Income Fund has resumed its outperformance of the 1-3 year Bond Index over the shorter term after having been short duration during the surprise bond rally of the latter part of last year.

The fund continues to invest in liquid money market assets and suitable short to medium-dated bonds which are selected for their value relative to Coronation's interest rate view. This quarter we bought into a series of floating structured money market assets which have performed in the sell-off we expected from the bond market.

Going forward we expect an ongoing sell-off in the bond market (we have just seen the beginning of this), and a gradual upward move in money market rates will follow. The imbalances in the current account will lead to a weaker rand over time and ultimately push inflation higher. Economic indicators show that the demand side of the economy is strong which should lead to higher prices. For inflation to be kept in check, the repo rate will have to rise.

We expect that by the end of the year, we will have seen the first interest rate hike of 50 basis points, taking the repo rate to 8%. The risk to this view of course is that a rebound to the rand/US dollar exchange rate back to below R/US\$6.00 will impact positively on inflation, putting a "cap" on short-term interest rates.

Tania Miglietta
Portfolio Manager

CORONATION INCOME FUND

as at 31 March 2005



Fund category	Domestic Fixed Interest Income
Benchmark	BEASSA ALBI (1 – 3 year) TR Index
Launch date	3 April 2000
Portfolio manager	Tania Miglietta
Fund size	R133.5 million
NAV	1132.90 cents
Annual management fee	0.75% (ex VAT)

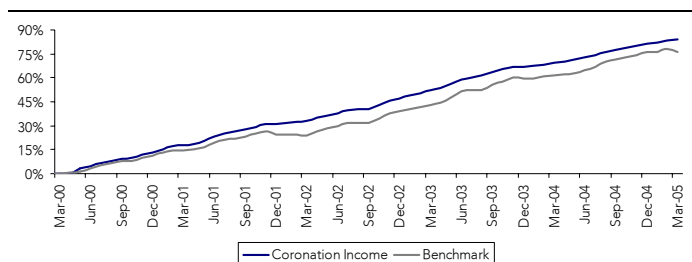
Fund description

Aims to provide a high level of current income with moderate levels of capital growth. Stability of capital invested is of prime focus.

ASSET ALLOCATION

Maturity Band	31 Mar 2005	31 Dec 2004
0 – 12 months	71.58%	68.74%
1 – 3 years	6.91%	10.35%
3 – 7 years	13.97%	13.69%
7 – 12 years	4.84%	4.65%
12+ years	2.70%	2.57%

PERFORMANCE SINCE INCEPTION



RISK STATISTICS

	Fund	Benchmark
March 2005	0.27%	-1.05%
YTD	1.59%	0.24%
Annual return since inception	12.97%	12.00%
Annual deviation since inception	2.02%	2.88%
Sharpe ratio	1.18	0.49
Maximum gain	84.02%	26.14%
Maximum drawdown	0.00%	-1.54%
Positive months	98.33%	86.67%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Interest
31/03/2005	01/04/2005	20.44	20.44
31/12/2004	01/01/2005	25.18	25.18
30/09/2004	01/10/2004	24.75	24.75
30/06/2004	01/07/2004	23.34	23.34

ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2004	8.52%	10.17%	-1.64%
2003	13.64%	15.02%	-1.38%
2002	12.16%	11.50%	0.66%
2001	15.75%	11.56%	4.19%
2000	13.14%	11.54%	1.60%

MONTHLY PERFORMANCE RETURNS FOR THE LAST THREE YEARS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Fund 2005	0.64%	0.67%	0.27%									
B'mark 2005	0.34%	0.96%	-1.05%									
Fund 2004	0.23%	0.57%	0.64%	0.48%	0.65%	0.72%	0.88%	1.22%	0.69%	0.64%	0.73%	0.76%
B'mark 2004	0.17%	0.70%	0.48%	0.18%	0.59%	0.93%	1.52%	2.02%	0.62%	0.77%	0.85%	0.89%
Fund 2003	1.55%	0.93%	0.98%	1.09%	1.65%	1.74%	0.99%	0.44%	1.30%	1.29%	0.91%	0.00%
B'mark 2003	1.06%	0.86%	1.03%	1.09%	2.14%	2.66%	0.74%	-0.09%	2.19%	1.36%	1.37%	-0.30%

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