

After a very strong fourth quarter 2004, the first quarter saw momentum finally run out of steam with the industrial market (after a few wild gyrations intra-quarter) ending the quarter at around its year-end level.

The Coronation Industrial Fund achieved a return of 44% for the 12 months to end-March versus 38% from the FTSE/JSE Industrials Index. For the three year period to end March, the compound annual figures are 33% for the fund and 18% for the index.

We consider recent market developments to be healthy, given the concern we raised in the previous commentary that investor expectations were too high. As stockpickers, the focus for us remains on finding investments at good prices and then waiting for the value to be realised.

For stockpickers, the quarter was fairly unrewarding, given that the market tended to trend strongly up and then down, without much discrimination between what we see as the good, the bad and the ugly. Thus some of our core positions went out with the tide, despite our faith in them remaining as strong as ever. Examples include Bidvest, Naspers and Mr Price, the latter retreating after having being pushed on disposal rumours early in the quarter.

On the positive side, the Johncom/Johnnic unbundling finally came through. We also did well out of Trenchor, Aspen, VenFin and AECI.

We were particularly pleased with the very strong performance from Trenchor. We had purchased these shares a year ago at around R12 when neither the valuation, nor the 'catalyst' that would unlock the value, was obvious to the market.

As a matter of policy, we firmly de-emphasise the timing decision if we believe the value is there. Once convinced of the value, one does tend to need a little faith when buying into a longer-term story. It is thus doubly gratifying when an investment case comes through over a shorter time period than expected. The resolution of Trenchor's tax disputes now opens the door to simplifying the pyramid share structure and some kind of unlock of value. Trading performance remains robust, albeit at above mid-cycle levels. We believe that the share remains undervalued and continue to hold our position.

VenFin is another share worth featuring. It is a share that is in some ways neglected by the market and trades at around 80% of its quoted net asset value. Vodacom comprises over half of the valuation and appears to be consistently undervalued by the market, perhaps due to its unlisted status. In shares like this, one can never forecast the catalyst that will unlock value. For us that is not really relevant. The company consistently grows its net asset value, it is returning excess cash to shareholders through buybacks and it remains a core holding in the fund.

**Dirk Kotzé & Karl Leinberger**  
Portfolio Managers

Fund category	Domestic Equity Industrial
Benchmark	FTSE/JSE Africa Industrials Index
Launch date	1 July 1998
Portfolio manager	Dirk Kotzé & Karl Leinberger
Fund size	R57.8 million
NAV	2559.34 cents
Annual management fee	1.00% (ex VAT)

**Fund description**

Invests in a broad range of domestic industrial shares.

**ASSET AND SECTOR ALLOCATION**

Sector	31 Mar 2005	31 Dec 2004
<b>Domestic Assets</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Equity</b>	<b>100.75%</b>	<b>97.24%</b>
Basic Industries	7.28%	10.69%
General Industrials	2.05%	3.63%
Non Cyclical Consumer Goods	18.51%	19.84%
Cyclical Services	53.27%	46.08%
Non Cyclical Services	9.01%	8.29%
Financials	8.65%	7.94%
Information Technology	1.97%	0.77%
<b>Cash</b>	<b>(0.75%)</b>	<b>2.76%</b>
<b>International Assets</b>	<b>0.00%</b>	<b>0.00%</b>

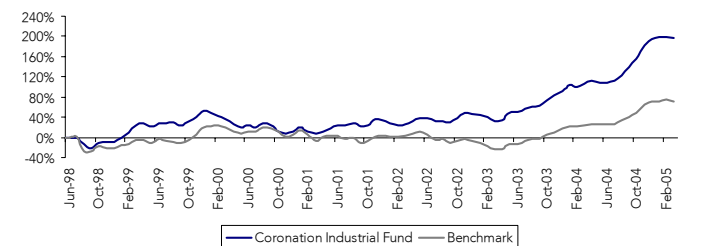
**TOP 10 SHARE HOLDINGS**

	% of Portfolio
Naspers Ltd – N ordinary shares	7.87%
Mr Price Group Ltd	6.82%
Telkom SA Ltd	5.18%
Remgro Ltd	5.11%
Woolworths	5.06%
Johnnic Communications Ltd	4.83%
SABMiller plc	4.47%
Peermont Global Ltd	4.35%
AECI Ltd	4.14%
New Clicks Holdings Ltd	3.89%

**RISK STATISTICS**

	Fund	Benchmark
March 2005	-1.32%	-2.16%
YTD	0.07%	0.17%
Annual return since inception	17.43%	8.30%
Annual deviation since inception	18.42%	23.17%
Sharpe ratio	0.39	-0.03
Maximum gain	55.54%	61.72%
Maximum drawdown	-21.40%	-29.29%
Positive months	60.49%	62.96%

**PERFORMANCE SINCE INCEPTION**



**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%

**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

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Fund 2005	1.26%	0.15%	-1.32%									
B'mark 2005	0.21%	2.18%	-2.16%									
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%
Fund 2003	-1.01%	-2.92%	-6.19%	1.61%	11.09%	1.87%	4.21%	2.43%	0.49%	6.30%	6.31%	5.26%
B'mark 2003	-4.70%	-6.01%	-9.30%	2.14%	11.05%	0.73%	7.11%	4.18%	0.23%	8.76%	5.00%	5.65%