

The first quarter of 2005 saw a turn in sentiment from foreign investors which flooded in most emerging markets last year. A realisation that the US will continue raising interest rates as well as a reduction in overall risk appetite saw foreign investments switch from emerging markets back to more developed markets. The only stocks not affected by this were resource-oriented stocks which continued to benefit from the exceptionally strong resource cycle.

Benefiting from the strong resource market (the Resources Index generated a return of 15.5%) and the weakening rand, the local market returned just over 5% for the quarter. Despite being fairly underweight resources from a valuation perspective, the Coronation Market Plus Fund still managed to return an excellent 3.8% despite being only 70% invested in equities for most of the period.

The reduction in global risk appetite and its effect on global emerging markets has been a key feature of debate in the markets over the past few months. Whilst many markets have benefited from investments purely to assist in diversification, the South African market has attracted interest due to the excellent fundamentals of the underlying economy as well as the relative cheapness of the equity market. We believe these key features remain intact and, as a result, we have not moved to decrease our equity position. In fact, we have used some of the recent weakness to bolster some of our positions.

Our positive outlook on the local economy stems from our belief that we will remain in a fairly benign interest rate environment. While we do not expect further rate cuts this year, we do not believe there will be any rate hikes. This current low level of interest rates combined with greater certainty as to where rates are likely to go in the foreseeable future will encourage consumers to continue to behave as they have in the last 12 months.

We are likely to see a continued uptick in the demand for credit as consumers continue to purchase goods across the spectrum from non-durables to durable goods. As always, the greatest threat to this view is a sudden and extreme weakening in the currency which we believe is unlikely due to the improved balance sheet of the country.

We have increased our weightings in the banking sector on the back of improved results and a slight de-rating in share prices. We have also added to our holdings in Woolworths and some of the media stocks. There has been some rotation in the local market from domestic exposure in the rand hedge resource counters. We have been happy to sit on the other side of some of these transactions as we believe our view of a slowly weakening currency is more than in the price of the expensive resource counters and will not impact the positive outlook for the domestic-oriented stocks.

The Coronation Market Plus Fund remains well positioned for the growth opportunities in the local economy and, where possible, we have selected appropriate stocks which are well priced and will stand to benefit from a steadily declining currency. We have started to add some bonds to the portfolio as yields have weakened but we still think it is too early to move significantly into this asset class. We continue to believe that the fund should be able to meet its objectives of providing good real returns over a three-year investment horizon.

**Neville Chester**  
Portfolio Manager

<b>Fund category</b>	Domestic Asset Allocation Flexible
<b>Benchmark</b>	Composite Benchmark (65% equity, 25% bonds, 10% cash)
<b>Performance fee hurdle</b>	Composite Benchmark + 2%
<b>Launch date</b>	2 July 2001
<b>Portfolio manager</b>	Neville Chester
<b>Fund size</b>	R395.9 million
<b>NAV</b>	2035.04 cents
<b>Annual management fee</b>	1.25% (ex VAT)
<b>Performance fee</b>	20% (above hurdle, capped at 2.5% p.a.)

**Fund description**

Invests across various South African asset classes, with a bias towards the equity market over the cycle with the aim of achieving real returns over the long term.

**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>81.61%</b>	<b>69.70%</b>
Resources	7.70%	9.16%
Basic Industries	1.03%	1.22%
General Industrials	1.32%	0.92%
Cyclical Consumer Goods	1.98%	1.91%
Non Cyclical Consumer Goods	8.56%	9.18%
Cyclical Services	21.69%	12.38%
Non Cyclical Services	7.96%	6.40%
Financials	24.66%	26.97%
Information Technology	0.29%	0.73%
Specialist Securities	6.42%	0.83%
<b>Listed Property</b>	<b>10.18%</b>	<b>11.42%</b>
<b>Fixed Interest</b>	<b>4.21%</b>	<b>2.77%</b>
<b>Cash</b>	<b>4.00%</b>	<b>16.11%</b>
<b>International Assets</b>	<b>0.00%</b>	<b>0.00%</b>

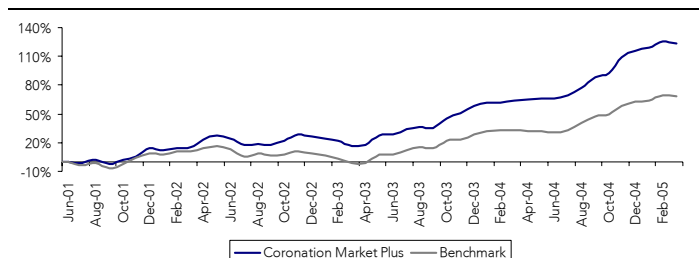
**TOP 10 SHARE HOLDINGS**

	% of Portfolio
Telkom SA Ltd	6.26%
Investec plc – Non Red Cum Pref	5.43%
Standard Bank Group Ltd	5.39%
Liberty International plc	5.20%
SABMiller plc	4.83%
Remgro Ltd	4.64%
Naspers Ltd – N ordinary shares	4.00%
Bidvest Group Ltd	3.97%
Growthpoint Properties Ltd	3.76%
VenFin Ltd	3.15%

**RISK STATISTICS**

	Fund	Benchmark
March 2005	-1.11%	-1.66%
YTD	3.84%	2.55%
Annual return since inception	23.96%	14.57%
Annual deviation since inception	11.81%	11.80%
Sharpe ratio	1.20	0.41
Maximum gain	36.32%	31.00%
Maximum drawdown	-9.98%	-10.44%
Positive months	71.11%	66.67%

**PERFORMANCE SINCE INCEPTION**



**ANNUAL RETURNS SINCE INCEPTION**

	Fund	Benchmark	Active Return
2004	35.91%	26.41%	9.50%
2003	24.90%	18.15%	6.75%
2002	11.40%	-0.37%	11.76%
2001	13.87%	9.15%	4.73%

**INCOME DISTRIBUTIONS**

Declaration	Payment	Amount	Dividend	Interest
31/03/2005	01/04/2005	0.29	0.12	0.17
30/09/2004	01/10/2004	21.62	13.22	8.40
31/03/2004	01/04/2004	23.81	13.53	10.28
30/09/2003	01/10/2003	24.86	13.41	11.45

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Fund 2005	1.69%	3.26%	-1.11%									
B'mark 2005	0.93%	3.32%	-1.66%									
Fund 2004	1.86%	0.41%	1.21%	0.48%	0.71%	-0.06%	1.93%	4.83%	5.97%	2.83%	8.06%	3.18%
B'mark 2004	2.79%	0.60%	-0.20%	-0.83%	0.31%	-0.70%	1.56%	5.92%	4.32%	1.52%	6.18%	2.52%
Fund 2003	-2.01%	-1.77%	-5.06%	0.96%	9.31%	0.46%	4.46%	1.77%	-0.67%	6.92%	3.66%	5.33%
B'mark 2003	-2.17%	-2.61%	-4.92%	0.70%	8.96%	0.05%	3.73%	2.47%	-0.68%	6.73%	1.10%	4.30%