

The Coronation Optimum Growth Fund appreciated by 4.51% in the first quarter of 2005. This return came largely from the depreciation of the rand against the US dollar. Over one year the fund has appreciated by 22.7%.

The asset allocation of the fund was not significantly altered during the quarter and currently 52% of the fund is invested in international assets and 48% in South African assets. We believe that South African equities remain to be the most attractive asset class locally and as a result all of the fund's local cash is deployed in equities, mainly industrials.

Whilst selective value can be found in international equities, we believe that international equity markets in general are not particularly attractive from a valuation perspective, and as a result only 36% of the international assets are invested in equities. The total equity exposure of the fund is therefore 67% (48% in South Africa and 19% internationally).

We believe that bonds, both locally and internationally, are overvalued and therefore subject to the risk of capital loss. The fund's non-equity exposure is therefore invested in cash and short duration government bonds predominantly in the UK and Germany.

The most significant new purchase over the quarter was that of Naspers, which now makes up around 5% of the total fund. Naspers owns two of the best businesses in South Africa, the pay-television business, MultiChoice (DStv) and the print business, Media24. These businesses have dominant positions in their markets, pricing power, high margins and generate significant amounts of free cash flow. At around R70, we are able to buy the Naspers Group on a normalised Price/Free Cash Flow of around 9. Given the quality of the core businesses in the group, we believe a Price/Free Cash Flow of closer to 13 is a more appropriate multiple, which in turn would equate to a fair value of over R100 for Naspers.

The fund also built a new position in Sasol early in the quarter. Sasol is one of the few businesses in South Africa that has a moat around the business. This moat (or significant barrier to entry) comes in the form of their oil refineries in Gauteng: to replicate this infrastructure would cost billions of rands. As a result of this quality, we believe that Sasol is an above-average business and should trade on an above average multiple. Valuing Sasol's core business on a 12 P/E multiple and using more normal levels for the oil price (US\$30 as opposed to the current level of around US\$55) and the rand/US dollar exchange rate (R7.20 as opposed to the current level of R6.20) would result in a fair value of around R165, above the current share price of R145. However, what makes Sasol even more attractive is that the market, in our view, is pricing in no value for Sasol's Gas to Liquids business, which could be worth R50 a share or more. This is a great opportunity: to be able to buy a business below the fundamental value of the existing business and, in addition to this, to have a free option on a new business. The fund has already enjoyed price appreciation of 25% on the Sasol ADR purchase, and as we hold the view that Sasol is worth over R200, we believe that there is more to come.

A few interesting opportunities also opened up in international equity markets and the fund initiated new positions in Pfizer (0.5% of fund), Diageo (0.5% of fund), Petrobras (0.5% of fund), France Telecom (1.3% of fund) and Telefonica (1.2% of fund).

Pfizer is the largest pharmaceutical company in the US. The share has always traded at a significant premium to the market, reaching a P/E of 35 and higher in the past. Investors have now fallen out of love with the drug sector to the extent that it is now possible to buy Pfizer on a P/E of slightly above 12 (more than a 35% discount to the S&P 500), which we believe provides a great opportunity for the long-term investor. Diageo is a global spirits and drinks company which owns some of the best brands in the drinks market (Guinness, J&B, Johnnie Walker, Smirnoff) yet trades on a P/E multiple of only 14 and dividend yield of close to 4%. Petrobras is Brazil's national oil company and the owner of an increasingly scarce, and valuable, global resource: growing energy reserves. Yet Petrobras trades on a particularly cheap free cash flow multiple of around 6 and provides a dividend yield of over 5%.

Some of the most undervalued stocks globally in our view however are to be found in the telecommunications area, particularly the fixed-line businesses. France Telecom is France's national fixed-line incumbent and Telefonica is Spain's fixed-line incumbent. Fixed-line businesses all over the globe are struggling to show much growth as a result of competition and continued fixed-mobile substitution. They do however generate significant amounts of free cash flow. Telefonica trades on a Price/Free Cash Flow multiple of 9.6 and dividend yield of 3.9% and France Telecom is even cheaper, trading on Price/Free Cash Flow multiple of 8.2 and dividend yield of 4.1%. These valuation levels would look about fair if France Telecom and Telefonica only consisted of fixed-line businesses. However, in the case of France Telecom, around half of the group's free cash flow comes from its growing mobile business, Orange (with its main markets being France and the UK) and, in the case, of Telefonica half of this group's free cash flow comes from its growing mobile operations (Telefonica Moviles, the Spanish mobile business, as well as significant mobile interests in Latin America). These mobile operations in our view should be valued on Price/Free Cash Flow multiples of closer to 15. Yet you are able to buy both France Telecom and Telefonica (with 50% of their respective businesses being mobile) on single digit free cash flow multiples. We believe that this valuation anomaly, whereby one is able to buy blended fixed-line/mobile businesses on fixed-line multiples, provides a very attractive opportunity.

It is our view that the rand will continue to depreciate against developed market currencies in the year ahead and beyond and with over 50% of the fund invested internationally in a mix of equities, bonds and cash, the fund will benefit from this depreciation. In addition, it is our view that the fund holds assets in South Africa that are still significantly undervalued, particularly the industrial equity holdings, and the fund will benefit from the growth in these assets. As a result, we expect the fund to continue to generate annual returns well in excess of inflation over the medium to long term.

Gavin Joubert
Portfolio Manager

CORONATION OPTIMUM GROWTH FUND

as at 31 March 2005



Fund category	Worldwide Asset Allocation Flexible
Benchmark	CPIX
Performance fee hurdle	CPIX + 3%
Launch date	15 March 1999
Portfolio manager	Gavin Joubert
Fund size	R631.6 million
NAV	2377.12 cents
Annual management fee	1.00% (ex VAT)
Performance fee	15% (above hurdle)

Fund description

Aims to deliver long-term growth by investing in a combination of local and international investments across all asset classes.

ASSET AND SECTOR ALLOCATION

Sector	31 Mar 2005	31 Dec 2004
Domestic Assets	47.85%	54.49%
Equity	47.89%	52.49%
Basic Industries	2.05%	1.79%
General Industrials	1.97%	1.89%
Non Cyclical Consumer Goods	0.00%	2.77%
Cyclical Services	22.07%	24.34%
Non Cyclical Services	4.44%	3.15%
Financials	15.62%	17.53%
Information Technology	0.63%	0.75%
Specialist Securities	1.11%	0.27%
Cash	(0.04%)	2.00%
International Assets	52.15%	45.51%
Equity	19.14%	14.18%
Fixed Interest	27.83%	2.01%
Cash	5.18%	29.32%

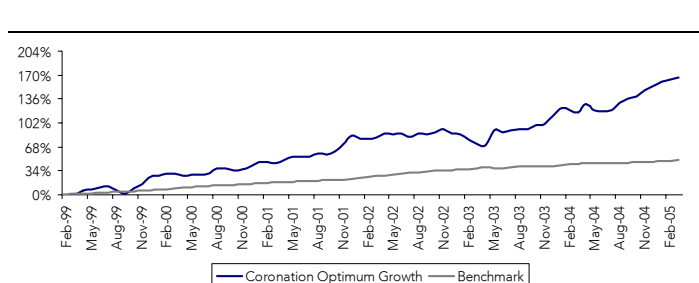
TOP 10 SHARE HOLDINGS

	% of Portfolio
Kagiso Media Ltd	5.90%
Naspers Ltd – N ordinary shares	5.10%
Remgro Ltd	5.03%
VenFin Ltd	4.04%
Peermont Global Ltd	3.47%
Telkom SA Ltd	3.28%
Orbis Japan Yen Fund	2.71%
Copper Spire Fund	2.60%
Sasol Ltd – ADR	2.29%
Standard Bank Group Ltd	2.29%

RISK STATISTICS

	Fund	Benchmark
March 2005	0.77%	1.20%
YTD	4.51%	1.66%
Annual return since inception	17.96%	6.78%
Annual deviation since inception	11.44%	1.47%
Downside deviation	5.68%	0.42%
Sharpe ratio	0.64	N/A
Maximum gain	28.71%	55.21%
Maximum drawdown	-11.72%	N/A
Positive months	68.06%	91.67%

PERFORMANCE SINCE INCEPTION



ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2004	19.54%	4.44%	15.10%
2003	13.37%	4.21%	9.15%
2002	2.12%	10.50%	-8.38%
2001	30.55%	6.52%	24.03%
2000	11.61%	8.21%	3.40%
1999	26.15%	5.20%	20.94%

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	10.97	9.61	1.36
30/09/2003	01/10/2003	12.31	10.60	1.71

MONTHLY PERFORMANCE RETURNS FOR THE LAST THREE YEARS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Fund 2005	2.48%	1.20%	0.77%									
B'mark 2005	0.38%	0.08%	1.20%									
Fund 2004	4.64%	-1.48%	-1.26%	5.48%	-3.65%	-0.95%	0.74%	4.88%	2.38%	1.70%	3.58%	2.38%
B'mark 2004	1.19%	0.55%	0.62%	0.23%	0.08%	0.39%	0.31%	-0.15%	0.31%	0.46%	0.61%	0.23%
Fund 2003	-1.04%	-4.04%	-3.18%	-1.52%	12.60%	-1.33%	1.63%	0.52%	-0.25%	3.80%	0.35%	6.17%
B'mark 2003	1.07%	-0.08%	1.15%	0.32%	-0.16%	-0.40%	1.14%	0.48%	0.32%	0.00%	0.24%	0.08%

CAPE TOWN Tel +27 (21) 680 2000 Fax +27 (21) 680 2500 JOHANNESBURG Tel +27 (11) 775 6400 Fax +27 (11) 775 6486 PRETORIA Tel +27 (12) 460 8334 Website www.coronation.com.

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