

Since March 2002, the mid cap index has outperformed the FTSE/JSE Africa Top 40 Index by a remarkable 90%, or 23% annualised. One might therefore be excused for thinking that the time has come to switch out of smaller companies (as measured by the mid cap index) into larger ones (as measured by the Top 40 Index).

The last time we saw such outperformance by smaller companies was in the late 1990s when investors seemed to lose sight of investment fundamentals and were willing to pay silly prices for new listings, mainly information technology related.

In the period from the beginning of 1996 to April 1999, the mid cap index outperformed the Top 40 Index by 34%, or 11% annualised. This was followed by a three-year period of underperformance of 55%, or 24% annualised, up until March 2002. Are we in for a similar experience over the next three years? We would contend not.

The major difference between the recent experience to that of the late 1990s is the rating of smaller companies relative to the larger ones. For much of the period leading up to April 1999, smaller companies actually traded at a premium, measured by PE multiples, to larger companies, of about 20%. This is despite the generally held view that because of better liquidity and better overall quality, large companies should trade at a premium to small companies.

As we stand today, the mid cap index trades at a 20% discount to the Top 40 Index. Because of this discount, because we have not experienced a spate of new company listings like we did in the late 1990s and because we have not seen irrational investor exuberance (probably the result of memories of the small cap crash of 1999), we do not believe that smaller companies will underperform their larger counterparts like they did post the April 1999 three-year period.

The Coronation Smaller Companies Fund remains very attractive in our view and trades on a rolled one-year forward PE of 8.7 times. Considering the strong fund performance of 2004, we have introduced some more defensive counters into the portfolio such as Medi-Clinic, Wesco and Hudaco. We are well positioned for a weaker rand through our holdings in counters such as AECL, Mustek, Oceana and Delta Electrical as well as our holdings in offshore listed Net 1 UEPS Technologies and Tanzanite One.

Alistair Lea
Portfolio Manager

CORONATION SMALLER COMPANIES FUND

as at 31 March 2005

CORONATION
FUND MANAGERS

Fund category	Domestic Equity Smaller Companies
Benchmark	Composite benchmark: FTSE/JSE Africa Mid & Small Cap Indices
Launch date	1 April 1997
Portfolio manager	Alistair Lea
Fund size	R123.4 million
NAV	2215.48 cents
Annual management fee	1.00% (ex VAT)

Fund description

Invests in small and mid capitalisation companies, developing industries and recovery shares.

ASSET AND SECTOR ALLOCATION

Sector	31 Mar 2005	31 Dec 2004
Domestic Assets	100.00%	100.00%
Equity	98.85%	94.09%
Resources	3.71%	6.08%
Basic Industries	18.41%	19.43%
General Industrials	7.16%	5.58%
Cyclical Consumer Goods	8.97%	6.37%
Non Cyclical Consumer Goods	10.37%	8.95%
Cyclical Services	34.22%	34.58%
Financials	4.22%	3.16%
Information Technology	11.79%	9.94%
Listed Property	0.00%	2.87%
Cash	1.15%	3.04%
International Assets	0.00%	0.00%

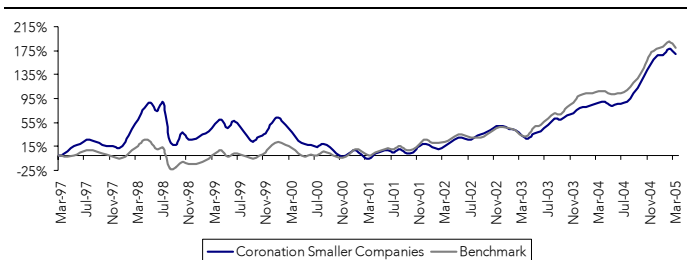
TOP 10 SHARE HOLDINGS

	% of Portfolio
Searidel Investment Corporation Ltd	6.55%
Mr Price Group Ltd	6.31%
AECI Ltd	5.34%
Mustek Ltd	4.59%
Tanzanite One Group Ltd	3.71%
Omnia Holdings Ltd	3.55%
Enterprise Outsourcing Holdings Ltd	3.40%
Iliad Africa Ltd	3.34%
Massmart Holdings Ltd	3.28%
Oceana Group Ltd	3.17%

RISK STATISTICS

	Fund	Benchmark
March 2005	-3.05%	-3.53%
YTD	1.56%	0.90%
Annual return since inception	13.17%	13.72%
Annual deviation since inception	24.68%	20.34%
Sharpe ratio	0.17	0.17
Maximum gain	67.21%	43.41%
Maximum drawdown	-37.63%	-30.55%
Positive months	60.42%	59.38%

PERFORMANCE SINCE INCEPTION



ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2004	48.14%	38.62%	9.52%
2003	20.64%	36.35%	-15.71%
2002	24.03%	16.86%	7.17%
2001	15.91%	22.82%	-6.91%
2000	-33.41%	-13.56%	-19.85%
1999	21.50%	36.96%	-15.46%
1998	13.19%	-9.36%	22.55%
1997	12.62%	-4.78%	17.40%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/03/2005	01/04/2005	28.63	24.88	3.75
30/09/2004	01/10/2004	25.11	20.85	4.26
31/03/2004	01/04/2004	22.16	18.47	3.69
30/09/2003	01/10/2003	33.44	30.38	3.06

MONTHLY PERFORMANCE RETURNS FOR THE LAST THREE YEARS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Fund 2005	0.93%	3.79%	-3.05%									
B'mark 2005	1.52%	3.03%	-3.53%									
Fund 2004	1.07%	1.78%	2.19%	0.96%	-3.47%	1.69%	0.70%	3.46%	9.81%	8.68%	8.87%	5.05%
B'mark 2004	2.34%	-0.08%	1.72%	-0.23%	-2.58%	0.82%	0.57%	4.83%	6.70%	7.42%	9.07%	3.18%
Fund 2003	-3.19%	-1.33%	-6.38%	-3.41%	7.33%	2.50%	6.94%	6.58%	-0.02%	4.00%	2.05%	4.97%
B'mark 2003	-0.77%	-2.79%	-5.39%	-0.68%	10.30%	3.39%	6.87%	5.04%	-0.71%	7.52%	3.45%	6.40%

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