

The Coronation Strategic Income Fund has had exceptional performance in 2005 by returning 0.26% for March (1.31% ahead of the fund benchmark which returned -1.05%) as well as 1.89% for the first quarter of 2005 (outperformance of 1.65% above the benchmark return of 0.24% for the first quarter).

Although the bond market started the year off by extending the rally seen in the second half of 2004, even reaching record low yields in February, our fears regarding the overvaluation of bonds were realised in March with the yield on the R153 rising almost a full percent from a low of 7.39% to 8.33%, before ending the month slightly firmer at 8.20%. The extent of the sell-off in bonds saw the All Bond Index (ALBI) lose 3.7% in March alone, dragging the overall first quarter ALBI performance into the red at -0.3%. The move seen was a bear steepening, i.e. the longer end of the yield curve fared the worst. In fact, the 12 years and over sector of the yield curve declined by some 7.7% during March, bringing the first quarter performance for that sector to -1.7%. However, the shorter end of the yield curve was protected, with both the 1-3 and 3-7 year sectors returning a positive 0.2% over the quarter. Still, those returns far lagged cash which returned 1.9% over the quarter.

The trigger for weaker SA bond yields, not unexpectedly, occurred from global sources - fears of higher inflation in the US prompted investors to reconsider the likely magnitude of interest rate increases by the Fed, causing US Treasuries to rise as well as a change in the appetite for risk by global investors. This was evident in moves in emerging market currencies, including the rand, which were under pressure during March (with the rand weakening from 5.79 to 6.23 against the US dollar over the month).

Not surprisingly, these factors drove South African bond yields higher, together with some market acknowledgement of risks to future SA inflation as a result of the higher oil price, weaker rand and continuously high consumer demand.

We adjusted the composition of the Strategic Income Fund slightly during March in light of these moves:

- 1) A further decrease in our property weighting early in March in order to continue to lock in profits realised from the strength in the property market, given our negative outlook for bond yields;
- 2) A decrease in some of our exposure to preference shares in order to realise a portion of the capital gain earned;
- 3) A slight increase in our exposure to the government bond market via call options (which has increased the duration of the portfolio) in order to protect the fund should bond yields retrace to slightly stronger levels over the short term, without the risk of capital loss that physical bond purchases would suffer should yields continue to rise.

Despite the move seen in bond yields over the past month, the outlook for bonds is still risky given that the market is not fully discounting the risks of a further unwind in global risk appetite as the Fed continues to raise US interest rates, as well as domestic inflation pressures that will be unmasked should the trend of rand appreciation be at an end. Bond yields are still expensive at these levels and our investment stance within the fund is thus still conservative with an emphasis on low capital risk until the bond environment becomes more favourable.

Melanie Stockigt
Portfolio Manager

CORONATION STRATEGIC INCOME FUND

as at 31 March 2005



Fund category	Domestic Fixed Interest Varied Specialist
Benchmark	BEASSA ALBI (1 - 3 year) TR Index
Launch date	2 July 2001
Portfolio manager	Melanie Stockigt
Fund size	R1,287.5 million
NAV	1218.34 cents
Annual management fee	1.00% (ex VAT)

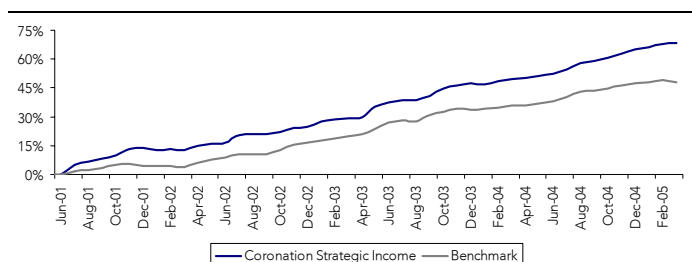
Fund description

A widely diversified, actively managed fund that aims to provide a higher level of income than a pure income fund.

ASSET AND SECTOR ALLOCATION

Sector	31 Mar 2005	31 Dec 2004
Domestic Assets	100.00%	100.00%
Equity	2.55%	1.77%
Specialist Securities	2.55%	0.00%
Financials	0.00%	1.77%
Fixed Interest	27.33%	26.73%
Listed Property	5.30%	7.07%
Money Market	64.82%	64.43%
International Assets	0.00%	0.00%

PERFORMANCE SINCE INCEPTION



RISK STATISTICS

	Fund	Benchmark
March 2005	0.26%	-1.05%
YTD	1.89%	0.24%
Annual return since inception	14.86%	10.97%
Annual deviation since inception	4.07%	3.08%
Sharpe ratio	1.08	0.16
Maximum gain	21.97%	15.89%
Maximum drawdown	-1.05%	-1.54%
Positive months	91.11%	82.22%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/03/2005	01/04/2005	21.11	0.00	21.11
31/12/2004	01/01/2005	19.97	0.00	19.97
30/09/2004	01/10/2004	24.23	0.52	23.71
30/06/2004	01/07/2004	23.99	0.35	23.64

ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2004	11.88%	10.17%	1.71%
2003	18.09%	15.02%	3.07%
2002	9.58%	11.50%	-1.92%
2001	13.98%	4.34%	9.64%

MONTHLY PERFORMANCE RETURNS FOR THE LAST THREE YEARS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Fund 2005	0.70%	0.92%	0.26%									
B'mark 2005	0.34%	0.96%	-1.05%									
Fund 2004	-0.28%	0.97%	0.71%	0.51%	0.68%	0.65%	1.54%	2.18%	0.78%	0.77%	1.52%	1.27%
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	2.05%	0.84%	0.74%	0.09%	4.26%	1.66%	0.74%	0.23%	1.65%	2.68%	1.04%	0.84%
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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