

The Coronation Top 20 Fund appreciated by 3.4% for the first quarter of 2005. The FTSE/JSE Africa Top 40 Index returned 6.8% over the quarter as a result of the depreciation of the rand and resultant strong performance from rand hedge stocks. Over the 12-month period to 31 March 2005 the fund, with a return of 37.8% has convincingly outperformed the Top 40 Index, which has produced a return of 27.2% over this period.

Any period of short-term rand weakness sees the exact same predictable herd behaviour from many foreign and local investors. What many investors do is to start buying up rand hedge shares, typically resource shares. To do this they need to sell other (non rand hedge) shares. So typically the resource shares go up in price because of the buying pressure from these investors, and the local industrial and financial shares go down as a result of the selling pressure from these same investors. As a result, the Resources Index was up 16.8% over the quarter whilst the Financials Index only rose 1% and the Industrials Index was flat over this period.

Our approach is to value resource shares using a normalised level, as opposed to current levels, for both commodity prices and the rand. We do believe the rand will depreciate, but that most resource shares are pricing in a rand of 7.5 or 8 or higher and, as a result, are unattractive. Exceptions to this in our view are Sasol which makes up 10.8% of the fund, and Impala Platinum which makes up 7.5% of the fund. Therefore we were not buying more resource shares over the quarter and believe that investors who were doing so are putting capital at risk. We still hold the view that the industrial and financial stocks are the most undervalued area of the market, with Absa, Standard Bank, Woolworths, Telkom and Remgro all trading on P/E's of less than 10 and dividend yields of 4% or higher. Over the quarter, we also took the opportunity of this scramble for resource shares to sell the fund's holding in BHP Billiton, which is now trading on a P/E multiple approaching 20 on our estimation of normalised earnings.

The fund purchased two new shares over the period, Netcare and Richemont. The private healthcare sector in South Africa is a very attractive industry. Three players dominate (Netcare, Medi-Clinic and Afrox Health) and own over 80% of the private hospitals in the country. State healthcare is poor and continues to deteriorate making private healthcare an attractive alternative proposition. In addition, changing demographic trends and an emerging middle class ensure continuing demand for these services. Without the risk of regulatory intervention in this industry we believe that these stocks would trade on P/E multiples well above the market. Unfortunately, the risk of regulatory interference, rational or irrational, is ever present and, as such, the sector is very unlikely to command P/E multiples of 15 as they should without this risk. However, one is currently able to buy Netcare on a P/E multiple of around 8 on normalised earnings and a forward dividend yield of 5.5% and, at these levels, we believe that an investor is being more than compensated for the regulatory risk.

The fund has not owned Richemont for some years and, over the past three years, the Richemont share price has declined by 13%, partly as a result of the strength of the rand. Over this time frame, the litigation risk in tobacco has reduced significantly (British American Tobacco (BAT) makes up 40% of Richemont's share price at current market values) and the luxury business, after losing its way, has again focused on both the top-line (creativity and the launch of new products) and the bottom-line (cost-cutting). This business is cyclical and in our view does not deserve the 30 or 40 P/E multiple ratings it enjoyed at times in the past, however at the same time the business owns some of the best brands in luxury in particular Cartier, which contributes over 80% of the luxury division's profits. Richemont's luxury business is now trading on a P/E of 17.4 on normalised earnings if one strips out the BAT stake at current market prices. We do not consider this to be particularly attractive. However, we believe that BAT is undervalued, and using our fair value for BAT results in an implied P/E multiple on the luxury business of 16.1, which is slightly more attractive. Then finally, cash has been building up on the Richemont balance sheet (some EUR 800m of it) and taking this out of the valuation and including BAT at our fair value results in a P/E of 14.4 for the luxury business on normalised earnings. For a business that owns Cartier, Van Cleef & Arpels, Montblanc, Panerai and IWC amongst others, we believe that a valuation at these sorts of levels is beginning to look attractive and, as a result, the fund started building a position in Richemont.

Even though the domestic equity market has enjoyed a great recent period in terms of performance (appreciating by around 28% over the past 12 months, with the Financial and Industrial indexes both up around 40%), we still view it as attractively valued, particularly when compared to the returns available from cash or bonds, or when compared to expected returns from international equity markets. The risks however, have increased as valuation multiples expand, and careful stock selection will now be more important than it has been over the past year or two. We are comfortable that the Top 20 Fund holds positions in 16 stocks that are still undervalued and we will continue to search for new opportunities and wait patiently for them to arise.

Gavin Joubert & Hugo Nelson
Portfolio Managers

Fund category	Domestic Equity Large Cap
Benchmark	FTSE/JSE Africa Top 40 Index
Launch date	1 October 2000
Portfolio manager	Gavin Joubert & Hugo Nelson
Fund size	R573.1 million
NAV	2595.32 cents
Annual management fee	1.00% (ex VAT)
Performance fee	20% (above benchmark, capped at 2.5% p.a.)

Fund description

Aims to outperform the FTSE/JSE Top 40 Index, is aggressively managed and will typically hold no more than 20 large cap stocks at any point in time.

ASSET AND SECTOR ALLOCATION

Sector	31 Mar 2005	31 Dec 2004
Domestic Assets	100.00%	100.00%
Equity	93.86%	97.17%
Resources	20.92%	21.61%
Cyclical Consumer Goods	3.04%	0.00%
Non Cyclical Consumer Goods	8.68%	10.36%
Cyclical Services	15.68%	17.24%
Non Cyclical Services	10.86%	10.83%
Financials	34.68%	37.13%
Cash	6.14%	2.83%
International Assets	0.00%	0.00%

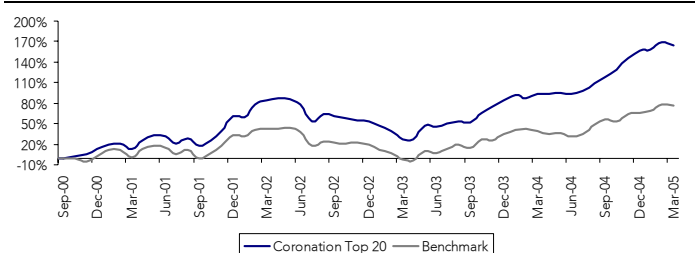
TOP 10 SHARE HOLDINGS

	% of Portfolio
Sasol Ltd	10.95%
Telkom SA Ltd	10.86%
Naspers Ltd – N ordinary shares	10.62%
Remgro Ltd	9.94%
Impala Platinum Holdings Ltd	7.53%
VenFin Ltd	7.47%
Standard Bank Group Ltd	5.50%
Absa Group Ltd	5.32%
Tiger Brands Ltd	5.09%
Woolworths Holdings Ltd	5.06%

RISK STATISTICS

	Fund	Benchmark
March 2005	-1.43%	-0.44%
YTD	3.41%	6.80%
Annual return since inception	24.16%	13.56%
Annual deviation since inception	20.13%	21.40%
Sharpe ratio	0.79	0.26
Maximum gain	38.58%	33.26%
Maximum drawdown	-22.28%	-21.54%
Positive months	62.96%	55.56%

PERFORMANCE SINCE INCEPTION



ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2004	38.94%	23.48%	15.47%
2003	20.28%	13.31%	6.98%
2002	-4.59%	-10.69%	6.10%
2001	41.80%	30.08%	11.72%
2000	13.23%	2.10%	11.13%

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	2.24	1.98	0.26
31/03/2004	01/04/2004	4.16	3.46	0.70

MONTHLY PERFORMANCE RETURNS FOR THE LAST THREE YEARS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Fund 2005	1.15%	3.72%	-1.43%									
B'mark 2005	1.33%	5.86%	-0.44%									
Fund 2004	4.51%	-2.92%	3.07%	0.47%	1.05%	-0.92%	2.05%	5.81%	4.57%	4.65%	7.70%	3.79%
B'mark 2004	5.01%	0.56%	-1.86%	-2.70%	0.75%	-3.25%	2.40%	9.36%	5.57%	-1.80%	6.96%	1.16%
Fund 2003	-4.20%	-4.67%	-8.94%	0.08%	15.77%	-1.61%	3.50%	2.44%	-1.23%	8.68%	5.87%	5.30%
B'mark 2003	-5.57%	-4.53%	-8.31%	-1.82%	14.67%	-3.03%	5.50%	5.15%	-3.19%	10.14%	-0.79%	7.01%