

The Coronation Absolute Fund returned 10.8% for the quarter, bringing the return for the year to date to 22.4%, and for the one year to 30 September to 37.2%. This return is well in excess of the fund's return objective of inflation plus 6%, but importantly has been achieved without taking undue risk in the fund. In line with our philosophy, this return was achieved within prudent risk parameters, in line with our objective of capital protection over a three year period.

Equity exposure averaged around 63% over the quarter, with 20% of this exposure being hedged through the derivative market for the whole period, implying that a further 12% of the total portfolio was protected from any significant declines in the equity market. Equity selection continued to be very good, with continued strong contributions from the larger holdings such as Sasol, Naspers, Implats, Woolworths and Primedia. Some of the smaller holdings also contributed significantly to performance, with strong contributions from Spar in particular.

Significant transactions over the quarter included increasing our exposure to core holdings such as Implats, Remgro, VenFin, Primedia and Woolworths. Consol was sold out completely on the back of a strong performance. While we continue to believe that it is an attractive business with excellent management, we believe the valuation is quite full at current levels, and no longer provides the required downside protection to the fund. We also reduced exposure to Telkom, and sold out of Absa, Netcare and Sanlam. Our preferred holding in the life assurance sector is Metropolitan, which is now the only holding left in this sector. Netcare has performed very well, and is now priced on a multiple in line with the market, while we believe that a regulatory discount is justified in the healthcare sector.

We continue to believe that bonds are overvalued, and consequently remain positioned with very low exposure to long-term bonds. The All Bond Index returned a disappointing 1.1% over the quarter, less than the return on cash of 1.8%. We retained our exposure to inflation-linked bonds, which benefited from a further decline in real yields, and a positive inflation carry relative to cash.

Listed property continued to do well, and we still prefer this exposure to long bonds going forward. Valuations of listed property have however become more demanding, and we have reduced exposure to around 1% of the total portfolio. We have reduced exposure to Growthpoint which has performed very well, but we believe is now fully priced at current levels.

The rand strengthened by a further 5% against the dollar over the quarter, providing a headwind to the international component of the portfolio. We will continue to run as close to the maximum 15% global exposure as possible at the current levels of the exchange rate.

Going forward we believe the fund is well positioned to generate its return objective of inflation plus 6%, but as mentioned before, we do not think that the attractive returns of the past 12 months will be repeated in the next year. Cash levels in the fund are currently quite high, and we will remain patient in waiting for better value to emerge in other asset classes before we deploy this cash.

**Edwin Schultz & Gavin Joubert**  
Portfolio Managers

Fund category	Domestic Asset Allocation Flexible
Launch date	2 December 2002
Portfolio manager	Edwin Schultz & Gavin Joubert
Fund size	R981.2 million
NAV	2006.68 cents
Annual management fee	1.25% (ex VAT)
Performance fee	20% (above hurdle, capped at 2.5% p.a.)

Benchmark	CPIX
Performance fee hurdle	CPIX + 6%
Fund description	Aims to maintain a real growth rate of 6% per annum, and never lose money over any rolling 36-month period.

### ASSET AND SECTOR ALLOCATION

Sector	30 Sep 2005	30 Jun 2005
<b>Domestic Assets</b>	<b>85.45%</b>	<b>85.10%</b>
<b>Equity</b>	<b>63.07%</b>	<b>58.78%</b>
Resources	10.53%	8.06%
Basic Industries	2.32%	2.42%
General Industrials	0.68%	0.82%
Cyclical Consumer Goods	1.66%	1.38%
Non Cyclical Consumer Goods	5.48%	6.90%
Cyclical Services	21.50%	19.73%
Non Cyclical Services	4.73%	5.88%
Financials	14.60%	14.03%
Information Technology	1.23%	1.27%
Futures	(1.60%)	(3.00%)
Specialist Securities	1.94%	1.29%
<b>Listed Property</b>	<b>1.73%</b>	<b>2.15%</b>
<b>Fixed Interest</b>	<b>2.04%</b>	<b>1.75%</b>
<b>Cash</b>	<b>18.61%</b>	<b>22.42%</b>
<b>International Assets</b>	<b>14.55%</b>	<b>14.90%</b>
<b>Equity</b>	<b>5.86%</b>	<b>6.56%</b>
<b>Cash</b>	<b>8.69%</b>	<b>8.34%</b>

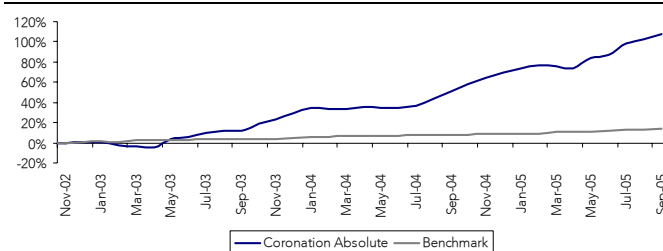
### PERFORMANCE & RISK STATISTICS

	Fund	Benchmark
Latest 12 months	37.26%	4.87%
Since inception (annualised)	29.46%	4.42%
Annual deviation since inception	9.35%	1.39%
Sharpe ratio	2.16	N/A
Maximum gain	31.34%	N/A
Maximum drawdown	-5.23%	N/A
Positive months	70.59%	N/A

### TOP 10 SHARE HOLDINGS

As at 30 September 2005	% of Fund
Impala Platinum Holdings Ltd	5.30%
Venfin Ltd	5.12%
Sasol Ltd	5.00%
Remgro Ltd	4.90%
Woolworths Ltd	4.80%
Naspers Ltd – N Ordinary Shares	3.78%
Primedia Ltd – N Ordinary Shares	3.30%
Johnnic Communications Ltd	2.82%
Telkom SA Ltd	2.67%
Peermont Global Ltd	2.39%
<b>Total</b>	<b>40.08%</b>

### CUMULATIVE PERFORMANCE SINCE INCEPTION



### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/09/2005	01/10/2005	30.13	19.88	10.25
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	0.00	0.00	0.00

### ANNUAL RETURNS SINCE INCEPTION

	Fund	CPIX	Active Return
2004	30.91%	4.29%	26.62%
2003	28.65%	4.05%	24.60%
2002	0.83%	0.17%	0.66%

### PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Fund 2005	2.01%	2.04%	-0.69%	-0.78%	5.58%	2.01%	5.60%	2.16%	2.70%				22.39%
B'mark 2005	0.46%	0.08%	1.06%	0.52%	0.22%	-0.22%	1.04%	0.37%	0.40%				3.99%
Fund 2004	3.63%	-0.65%	0.33%	1.53%	-0.97%	-0.11%	1.51%	5.12%	5.44%	4.29%	4.18%	3.22%	30.91%
B'mark 2004	1.11%	0.55%	0.62%	0.31%	0.08%	0.23%	0.31%	-0.15%	0.31%	0.46%	0.61%	0.23%	4.29%